www.fbc.co.zw

2011

Annual Report

FBC Holdings Limited

strength • diversity • service

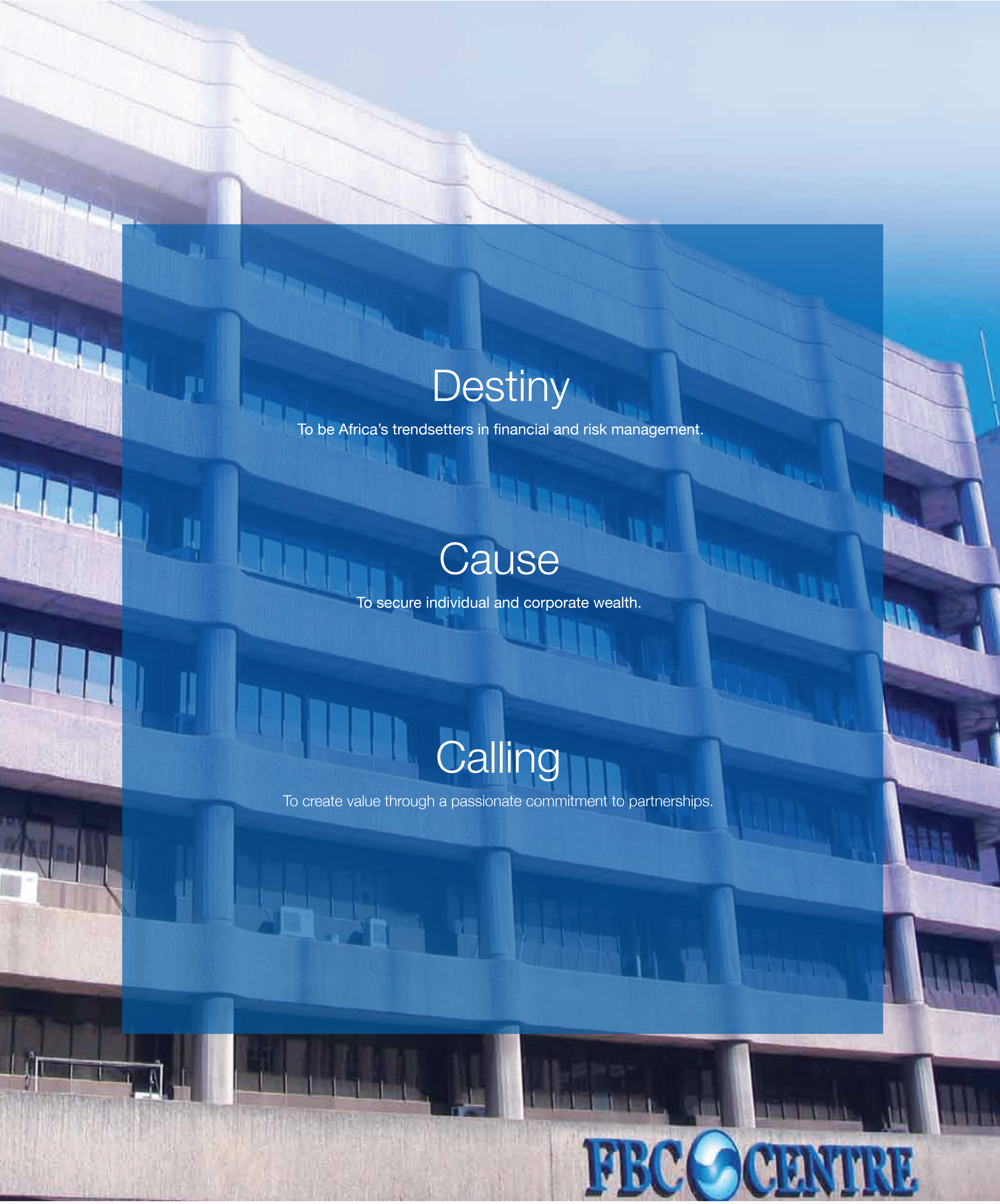
Contents

Group Structure

FBC Holdings Limited

strength • diversity • service

	Shareholding 31 December 2011	Shareholding 31 December 2010
FBC Bank Limited *(Registered Commercial Bank)*	100%	100%
FBC Reinsurance Limited	100%	100%
FBC Building Society	60%	60%
FBC Securities (Private) Limited	100%	100%
MicroPlan Financial Services (Pvt) Limited	100%	-
Eagle Insurance Company Limited	95%	23%
Turnall Holdings Limited	58%	58%



Destiny

To be Africa's trendsetters in financial and risk management.

Cause

To secure individual and corporate wealth.

Calling

To create value through a passionate commitment to partnerships.

General Information

Registered Office
6th floor FBC Centre
45 N Mandela Avenue
P O Box 1227, Harare
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: 263 – 04 – 708071/2
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Fax : 263 – 04 – 700761
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Telephone : 263-04-782869
Mobile : 263 772146157/8

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Fax :263-054-26498

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Masvingo Branch
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179 Robertson Street, Masvingo
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Fax :263-039-65876

Nelson Mandela Avenue Branch
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Fax :263-020-60543

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:263-04-700044
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FBC Building Society

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Fax : 263- 04-772747

Gweru Branch
Impala Seeds Building
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Bulawayo Branch
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Fax :263-039-65876

Eagle Insurance Company (Private) Limited

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Mutare Branch
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Bulawayo Branch
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Turnall Holdings Limited

5 Glasglow Road, Workington, Harare
Telephone : 263-04-754625/8
Fax : 263-04-754629

FBC Securities (Private) Limited

2nd Floor, Old Reserve Bank Building
76 Samora Machel Avenue, Harare
Telephone : 263-04-700928/700373

Microplan Financial Services (Private)Limited

4th Floor FBC House
113 Leopold Takawira Street, Harare
Telephone :263-04-772745/772729

Financial Highlights
For the year ended 31 December 2011

	31-Dec-11 US$	31-Dec-10 US$
Consolidated statement of comprehensive income		
Profit before income tax	15 674 998	4 093 709
Profit for the year	12 506 510	1 681 061
Consolidated statement of financial position		
Total equity	74 218 832	61 727 458
Total assets	279 592 710	236 259 194
Share statistics		
Shares in issue - actual (m)	592	591
Shares in issue - weighted (m)	545	477
Basic earnings per share - (US cents)	1.78	0.01
Diluted earnings per share - (US cents)	1.78	0.01
Dividend per share - ordinary (US cents)	0.422	n/a
Closing share market price - (US cents)	6.5	3.5
Ratios		
Return on shareholders equity	17%	3%
Cost to income ratio	72%	89%

Chairman's Statement

Herbert Nkala (Chairman)

"The considerable improvement in the Group's performance is mainly as a result of an improving operating environment, increased economic activity, growth in the FBCH businesses' customer base and improved operational efficiencies arising from the e-commerce strategy."

Financial Highlights

- Group profit before income tax has grown by 283% to US$15.7 million from US$4.1 million.
- Group profit after tax increased by 644% to US$12.5 million from US$1.7 million.
- Cost to income ratio has improved by 19% to 72% from 89%.
- Basic earnings per share increased to 1.78 US cents per share from 0.01 US cents per share.
- Total assets have grown by 18% to US$280 million from US$236 million.
- Total shareholders' equity increased by 19% to US$55 million from US$46 million.
- Net asset value increased by 19% to 12.05 US cents per share.
- Total dividend declared - US$2.5 million

Financial performance review

The Group achieved a solid earnings growth in a challenging but improving economic environment. Total income for the year amounted to US$57 million, which is an increase of 49% over the prior year. Group profit before income tax significantly improved to US$15.7 million from US$4.1 million achieved last year. The considerable improvement in the Group's performance is mainly as a result of an improving operating environment, increased economic activity, growth in the FBCH businesses' customer base and improved operational efficiencies arising from the e-commerce strategy. The Group managed to maintain cost discipline whilst still investing in business expansion. The cost to income ratio improved to 72% from 89%, mainly as a result of savings from the retrenchment exercise undertaken in 2010.

All the Group businesses recorded positive results, with the exception of FBC Securities which recorded another loss this year as a result of reduced trading on the Zimbabwe Stock Exchange and the unit's low market share. Eagle Insurance, which was acquired this year and recorded a loss of US$52 000 at interim has now been turned around with the unit recording a profit before income tax of US$425 000. The performance by all other Group subsidiaries was strong, registering an improvement in both the quality and diversity of the Group's revenues. The Group's flagship businesses FBC Bank and FBC Building Society had a combined contribution of 57% of the Group profit before income tax. The Insurance businesses contributed 9% to the Group profit before income tax, whilst the manufacturing arm contributed 32% with the balance emanating from the micro finance unit.

The Group's statement of financial position grew by 18% to US$280 million from last year's position of US$236 million. The positive growth is as a result of improving economic activity and the acquisition of Eagle Insurance, which has an asset base of US$4.6 million.

Significant acquisition

During the course of 2011, FBC Holdings Limited further entrenched its foothold in the insurance industry, by acquiring a primary insurance business, Eagle Insurance Company (Private) Limited. This was done to complement the revenue generation capacity of the insurance business cluster, which hitherto was through FBC Reinsurance and Bancassurance through third parties. The new acquisition which is 95% owned by FBC Holdings Limited, contributed US$1.6 million in total revenues and US$425 000 in profit before income tax. The acquisition is expected to further bolster the Group's revenues in the insurance industry.

During the year, the Group also established a new micro finance business, called Microplan Financial Services (Private) Limited.

The initiative will enable the Group to tap and develop the informal sector's huge potential for growth. The unit contributed US$572 000 to the Group profit before income tax in its maiden year.

Operating environment

The core macroeconomic fundamentals have remained positive, underpinned by the continued use of multi-currencies, which has created a stable environment for business. Despite persistent challenges facing the country, which inter-alia include severe power outages, inadequate liquidity in the financial sector, limited access to offshore lines of credit, limited fiscal space and policy inconsistencies, the Zimbabwean economy has remained on the mend. Overall the economy registered a growth of 9.3% in 2011, sustained by improved activity in agriculture, mining and the manufacturing sectors. The growth of banking deposits shows strong correlation with economic growth. Total banking deposits have improved by 44% to US$3.3 billion as at 31 December 2011, from US$2.3 billion in December 2010.

The year on year inflation at 4.9% was within acceptable levels. However mild inflationary pressures have continued to impact the Zimbabwean economy, due to continued dependency on imports, and the South African Rand's appreciation against the United States of America dollar. The risk of inflation continues to be entrenched as surcharges and import duty announced in the 2012 budget are expected to have a knock on effect on prices and wage demands, compounded by anticipated food shortages due to erratic rains received in the country.

Regulatory environment and capitalisation

The year 2011 saw the regulatory authorities' continued focus on compliance with the revised United States of America dollar capital requirements. While the Central Bank has extended the compliance deadline to undercapitalised banking institutions to 31 March 2012, I am pleased to advise that all the FBC Holdings Limited subsidiaries were in full compliance with regulatory requirements and had the following total equity:

- FBC Bank Limited: US$28 million compared to the regulatory minimum of US$12.5 million.
- FBC Building Society: US$14 million compared to the regulatory minimum of US$10 million.
- FBC Reinsurance Limited: US$5.9 million compared to the regulatory minimum of US$400 000.
- Eagle Insurance Company (Private) Limited: US$1.6 million compared to regulatory minimum of US$300 000.
- FBC Securities (Private) Limited US$240 000 compared to the regulatory minimum of US$150 000.
- Microplan Financial Services (Private) Limited US$429 000 compared to the regulatory minimum of US$5 000.

The Central Bank has issued guidelines on Basel II and an implementation plan which is gradual but should culminate in all banking institutions migrating to full Basel II on 1 January 2013. The Group is on course to ensure compliance by the given deadline. The Group takes a strategic view to capitalisation in a manner that makes its respective businesses competitive.

e-Commerce

The Bank completed the upgrade of the Flexcube core banking system as well as the MasterCard project. The Group is now poised to roll out a variety of e-commerce driven products and services for the convenience of customers in year 2012 as well as access to new viable customer segments through usage of virtual channels.

Turnall capital project

I am pleased to report that the Newtech non-asbestos plant was finally commissioned in April 2011. This was followed by certification by the South African Bureau of Standards in July 2011, giving Turnall the green light to export the product into the region. This has expanded Turnall's revenue generating capacity.

Chairman's Statement (continued)

Share price performance

Market activity remained subdued due to continued liquidity shortages on the local bourse. Participation by investors was partly underpinned by uncertainty regarding the risk-return attributes of local investments, chiefly attributed to political risk. Consequently, trading remained highly selective and skewed towards companies with strong current and projected earnings potential. As at 31 December 2011 the stock market was capitalized at US$3.7 billion, indicating a 5% decrease from US$3.9 billion in December 2010. Industrials eased 4% at 145.86 points as resource counters pared off 50% at 100.70 points. FBC Holdings Limited closed December trading up 86% at 6.5 US cents, emerging as one of the best performing listed financial counters. Our view is that FBC Holdings share price remains undervalued taking into account the Group's net asset value, investment and its current and future revenue generation capacity.

Corporate social investment

The Group has actively participated in alleviating social challenges through a vibrant Corporate Social Responsibility programme. The initiative is consistent with the Group's aspiration to support the communities it operates in, as a responsible corporate citizen. As part of its' Corporate Social Investment programme, the Group invested US$185 000 to charitable organizations and various causes across the nation in 2011. The Group remains committed to supporting education, enterprise development, financial inclusion, sport, the arts and health sectors as part of its corporate social responsibility.

Directorate

Dr Shingirai Albert Munyeza, Ms Nancy Saungweme and our longtime serving former Group Chief Executive Livingstone Takudzwa Gwata resigned from the Board of FBC Holdings Limited with effect from 14 January 2011, 25 June 2011 and 31 May 2011 respectively. I would like to thank the three directors for their valued contributions to the Group and would like to take this opportunity to wish them well in their future endeavours. Canada Malunga was appointed to the Board of FBC Holdings Limited on 8 June 2011. I welcome Canada to the Group and look forward to his wise counsel. Felix Gwandekwande was appointed Executive Director of FBC Holdings on 21 July 2011.

Appointment of new Group Chief Executive

I am pleased to announce the appointment of John Mushayavanhu as the new Group Chief Executive of FBC Holdings Limited with effect from 1 June 2011. I wish John and his executive team a successful stewardship of the Group.

Dividend

On behalf of the Board I am pleased to advise shareholders that a final dividend of 0.253 US cents per share was declared. This makes a total dividend of 0.422 US cents per share, together with the interim dividend of 0.169 US cents per share paid in October 2011. The Board has taken into account the good performance of the Group and the improving macroeconomic environment. The dividend being proposed translates to 3.8 times dividend cover.

Outlook

With the continued improvement in the economic environment, the Group will continue to leverage off the various business synergies to generate sustained growth and profitability. The Group is strategically positioned to play its intermediary role in the economy, and unlock shareholder value in the process. The commendable set of results by the Group is an indication of its capability to deliver sustained stakeholder value.

Appreciation

I would like to extend my sincere gratitude to our customers and other stakeholders for their continued confidence in our brand and to all non-executive directors for their guidance and support through a challenging but encouraging period of recovery. The Group Chief Executive, management team and staff members' professionalism and dedication to all stakeholders, underpins the resilience of the Group in a fragile but recovering economy.

Herbert Nkala
Group Chairman
8 March 2012

Group Chief Executive's Report

John Mushayavanhu (Group Chief Executive)

"Total income at US$57 million was up 49% from last year and Group profit after tax increased by 644% to US$12.5 million. The improvement was across all the Group businesses..."

I am delighted to present my first report as Group Chief Executive of FBC Holdings Limited. I look forward to the further strengthening of FBC and the consolidation of the revenue generation capacity of the Group for the benefit of all the stakeholders.

Group performance

The Group delivered a strong performance on the backdrop of an improving but still constrained operating environment. Total income at US$57 million was up 49% from last year and Group profit after tax increased by 644% to US$12.5 million. The improvement was across all the Group businesses, with the exception of FBC Securities (Private) Limited.

The Group net interest income increased by 21% over last year although the contribution to total Group income reduced to 24% from 30% achieved in the prior year. The growth in net interest income was constrained by the increased cost of funding due to an illiquid market, compounded by expensive continental credit lines emanating from the perceived Zimbabwean country risk. Loans grew by 46% but margins declined due to high funding costs.

The Group's fee and commission income at US$20.4 million registered an uplift of 69% over the prior year. This was achieved mainly through new customer acquisitions, growth in transactions by our customers, new products offering and re-pricing of our services to economic levels. The Group is set to consolidate fee and commission income through new product offerings, leveraging on a strong information technology platform and delivery channel models focused on customer needs.

Revenues from the insurance business line increased by 19% buoyed by increased customer acquisition and the acquisition of Eagle Insurance Company (Private) Limited with effect from April 2011. Eagle Insurance contributed 35% to the Group's total net earned insurance premium of US$3.5 million. The insurance business line will continue to focus on underwriting quality business; minimize claims, cost control, growing the customer base and improvement in risk management.

The gross profit from the manufacturing business improved by 40% to US$15.6 million as a result of increased tonnage sold. The gross margin however reduced to 14% from 15% as a result of the increased cost of inputs especially imported raw materials, cement and electricity charges.

The Group impairment charge at US$3.7 million is considered adequate. The Group has always emphasised high asset quality as a strategy to deliver long term value. The Group increased its provisioning by reducing the values of security on specific impairments. The Group will also continue to review the levels of provisioning in line with the new Basel II guidelines issued by the Central Bank which are due for implementation in January 2013.

Overhead expenses increased by 12% compared to the prior year as a result of a strong cost discipline. The cost to income ratio improved to 72% from 89%. The Group will continue to ensure that its businesses are lean, cost competitive and efficient, leveraging on the e-commerce strategy. It is envisaged that the Group will achieve a cost to income ratio of 65% by year 2014.

FBC Bank Limited

The Bank achieved a profit before income tax uplift of 29% to US$6.5 million over the prior year. Total revenues improved by 21% to US$31 million buoyed by growth in net interest income of 21% and an increase in non funded income of 20%. Net interest income's contribution to total income remained static at 42%. The Bank's lending portfolio significantly improved during the year, despite the challenges posed by an illiquid market and the absence of a lender-of-last-resort. The Bank's capital at US$28 million comfortably exceeds the minimum regulatory capital requirement of US$12.5 million. Technology-driven channels will reduce distribution costs and improve risk-free revenue generation. The Bank remains a market leader in securing external lines of credit, which has enabled it to create sizable quality assets amongst the borrowing middle to large corporates.

The Bank successfully launched the Mastercard International Debit Card in the year under review and will shortly attain acquirer status from Mastercard. This will see it being the first Bank in the country to be an accredited acquirer to Mastercard. The Bank maintained its A- rating from Global Credit Rating Agency in 2011.

FBC Reinsurance Limited ("FBC Re")

FBC Re's gross premium income grew by 67% to US$9.5 million during the year under review while profit before income tax amounted to US$1.4 million. The company recorded a positive underwriting result of US$1 million. Performance was boosted by investment income of US$480 000 which was achieved despite investment losses on the Zimbabwe Stock Exchange ("ZSE"). The maintenance of strong underwriting discipline and observance of good risk management practices resulted in high quality of risk being underwritten. A strict credit control policy adopted by FBC Re yielded significant rewards and as a result the company boasts of a very liquid balance sheet, which enabled the company to provide superior claims settlement service to its clients. The company manages its exposures through retrocession arrangements with strong international reinsurers.

During the period under review the company managed to maintain its A- rating by the Global Credit Rating Agency in 2011.

FBC Building Society

The Building Society achieved a net surplus of US$2.9 million, representing a 523% increase from the 2010 net surplus of US$473 068. During the year 2011, the Building Society accessed a medium term line of credit of US$5 million from PTA Bank, which complimented existing capital for housing development projects. Various housing projects undertaken during the year 2011 were successfully completed and this was enabled by the above mentioned credit line, which propelled the loan book growth to 114%. Development of 203 high density houses in Mkoba 14, Gweru commenced towards the end of 2011 and the Building Society management continues to engage other municipal authorities countrywide with a view to rolling out similar developments. The unavailability of long term financing in the local market continue to hinder further prospects of growing the housing projects. It is noted however that FBC Building Society is at an advanced stage of accessing a 10 year offshore credit line for mortgage lending for 2012.

Microplan Financial Services (Private) Limited

The Group established a micro finance business to help tap and develop the informal sector of the economy. Despite the high credit risk associated with the sector the unit managed to contribute US$572 000 to the overall Group profit before tax. The unit is well positioned to play a significant role in the development of the informal sector.

Eagle Insurance Company (Private) Limited

Eagle Insurance Company (Private) Limited which was acquired with effect from 1 April 2011 at total cost of US$1.1 million contributed 2.8% of the Group total income and 2.7% of the Group profit before income tax.

The insurance industry started its turnaround with the introduction of multi-currencies into the Zimbabwean economy in 2009. This recovery path continued in 2011 and confidence in the industry increased significantly. This has seen an upsurge in the penetration levels of insurance through increased uptake of insurance products by the insuring public. The regulatory authorities (Insurance and Pensions Commission ("IPEC")) have played their part in controlling the activities of insurance companies with a view to ensuring stability and tremendous progress has been achieved in this regard.

The outlook is quite positive with insurance business poised to benefit from increased economic activity and the introduction of e-commerce based products.

Turnall Holdings Limited ("Turnall")

Turnall achieved a turnover of US$51.9 million registering an increase of 49% over the prior year. Export earnings contributed 3.2% to turnover. The mild contribution was due to delays in the commissioning of the Newtech plant. With a profit before income tax of US$5.1 million, Turnall's contribution at 32% to the Group profit before income tax reduced significantly during the year under review, mainly due to the improvement in performance by the other subsidiaries. Profit margins at Turnall also decreased from 15.1% to 14.2% as a result of increased costs of production, especially raw materials and labour. Turnall is focusing on both improved cost containment and increased productivity.

Turnall volumes increased by 23% over the last year due to increased capacity from the Newtech plant and the resurgence of the construction industry. Turnall is strategic to FBC Building Society in its mission to significantly contribute to the national housing stock in the country.

FBC Securities (Private) Limited

Investor apathy coupled with persistent liquidity constraints continued to weigh on market activity, resulting in both industrial and resource counters closing the year in a subdued state. Depressed industrial capacity levels in the absence of working capital support continued to threaten the quality of earnings and margins, consequently translating into preferential trading on selected counters and structured dealing. Confined by the market environment to near break-even levels by the end of 2011, FBC Securities remains resilient and has taken on new international investors in an effort to broaden its client base and achieve profitability in year 2012.

Service delivery

We are committed to delivering quality service to all our client segments and will continue investing in technology as a way of providing service and convenience for all our clients.

We believe technology will play a key part in extending timeless convenience and savings to more customers. In the circumstances, the Group will continue to invest in upgrading existing equipment as well as exploring emerging technologies which will enhance the customer's FBC service experience.

Risk management

The Group has maintained a strong risk management culture supported by a risk philosophy which states that 'everyone is a risk manager'. Policies and manuals are regularly reviewed to ensure they remain relevant to the conditions prevailing in the operating environment and are in conformity with best practices. The Group through its Enterprise-Wide Risk Management framework conducts stress tests to assess the vulnerability of the Group to severe market conditions. Proactive measures are undertaken to address any undesirable outcomes from the stress tests. In addition the full implementation of Basel II standards is expected to promote stronger risk management practices which ensure the Group balances its risks and rewards. Management and board committees which form part of the risk governance structure across the Group provide continuous oversight on overall risks.

Human resources

Human resources remain the Group's main asset. As a result, the Group is focusing on continuous training and re-skilling to ensure that staff members keep abreast of the rapidly changing, competitive and technology driven environment.

Information technology and e-Commerce

In line with its e-Commerce strategy, the Group continues to invest in technology which is pivotal to its strategy, with the long-term value benefits of customer reach, convenience and low delivery cost. The Banking subsidiary has successfully upgraded its core banking system, and the Building Society will be integrated on the new core banking system going forward. The Group believes customers should be able to access 24/7 convenience and service without necessarily visiting FBC branches or offices.

Product development

The Group believes innovation and responsiveness are necessary ingredients to success in a competitive and fast changing environment. It believes that emerging technologies like mobile telephony present major opportunities in the distribution of financial and information related services. The Group will employ technology to unlock latent potential amongst the unbanked.

Appreciation

The sustained support from our loyal and new customers continues to spur us on to greater heights. Without the solid support, guidance and encouragement from the board of directors, the stewardship of the business would have been more difficult. The commitment and resilience of management and staff has been a source of strength and pride throughout the year. I wish to thank all stakeholders for their commitment and dedication which ensured the success of the Group.

John Mushayavanhu
Group Chief Executive
8 March 2012

Your directors have pleasure in submitting their eighth annual report and audited financial statements, for the financial year ended 31 December 2011, for FBC Holdings Limited.

1 ACTIVITIES AND INCORPORATION

The Company is incorporated and domiciled in Zimbabwe and is an investment holding company. The Group comprises of four wholly-owned subsidiaries and three subsidiaries controlled 60%, 58% and 95%. The Group through its subsidiaries provide a wide range of commercial banking, mortgage finance, stock broking, reinsurance, insurance and related financial services. The Group also manufactures pipes and roofing sheets. During the year, the Group acquired control of Eagle Insurance Company (Private) Limited, an insurance company engaged in short-term insurance business and established Microplan Financial Services (Private) Limited, a micro finance business.

2 AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Company is 800 000 000 ordinary shares with a nominal value of US$0.00001 each as at 31 December 2011. The issued and fully paid ordinary shares increased from 590 738 106 ordinary shares with a nominal value of US$ 0.00001 each to 591 850 127 ordinary shares of US$0,00001 after 1 112 021 shares were issued as a result of share options excercised. The details of the authorized and issued share capital are set out in note 18 of the consolidated financial statements.

3 RESERVES

The Group's total shareholders' equity attributable to equity holders of the parent as at 31 December 2011 was US$ 55 538 942 (2010: US$ 46 499 031).

4 FINANCIAL STATEMENTS

	2011 US$	2010 US$
The results reflected a profit before income tax for the year of	15 674 998	4 093 709
Income tax expense	(3 168 488)	(2 412 648)
Profit for the year	12 506 510	1 681 061
Equity holders of the parent	9 705 377	67 346
Non-controlling interest	2 801 133	1 613 715
	12 506 510	1 681 061

5 DIRECTORS' INTERESTS

As at 31 December 2011, the Directors' interest in the issued shares of the Company directly or indirectly is shown below:

Directors' shareholding	Direct holding US$	Indirect holding US$	Total US$
H. Nkala (Chairman)	-	410 339	410 339
J. Mushayavanhu (Group Chief Executive)	142 241	32 269 082	32 411 323
T. Kufazvinei (Executive Director)	274 812	16 985 231	17 260 043
W. Rusere (Executive Director)	176 336	12 717 200	12 893 536
G. G. Nhemachena (Non Executive Director)	5 960	9 082	15 042
S. Kudenga (Executive Director)	28 191	14 054 343	14 082 534
F. Gwandekwande (Executive Director)	52 083	13 900	65 983
	679 623	76 459 177	77 138 800

The other directors have no shareholding in the Company.

6 DIRECTORATE

Details of Directors are reflected on pages 18 and 19.

Dr Shingirai Albert Munyeza, Ms Nancy Saungweme and former Group Chief Executive Livingstone Takudzwa Gwata resigned from the Board of FBC Holdings Limited with effect from 14 January 2011, 25 June 2011 and 31 May 2011 respectively. Canada Malunga was appointed to the Board of FBC Holdings Limited on 8 June 2011. Felix Gwandekwande was appointed Executive Director of FBC Holdings on 21 July 2011.

7 CAPITAL ADEQUACY

As at 31 December 2011, the banking subsidiary's capital adequacy ratio computed under the Reserve Bank of Zimbabwe regulations was 13% and that of the building society was 49%, against the statutory minimum ratios of 10%. The respective capital adequacy ratios are determined as illustrated below:

	2011 US$	2010 US$
FBC Bank Limited capital adequacy ratio		
Ordinary share capital	18 500 000	18 500 000
Share premium	-	-
Retained profits	8 058 443	3 977 760
Statutory reserve	-	-
Capital allocated for market and operational risk	(2 807 954)	(2 353 842)
Advances to insiders	(9 269 913)	(7 399 670)
Tier 1 capital	14 480 576	12 724 248
Other reserves	980 070	587 254
Allowances for impairment	660 244	660 244
Tier 1 and 2 capital	16 120 890	13 971 746
Tier 3 capital allocated for market and operational risk	2 807 954	2 353 842
	18 928 844	16 325 588
Risk weighted assets	143 642 673	115 965 336
Tier 1 ratio (%)	10%	11%
Tier 2 ratio (%)	1%	1%
Tier 3 ratio (%)	2%	2%
Capital adequacy ratio (%)	13%	14%
FBC Building Society capital adequacy ratio		
Share capital and share premium	10 141 559	10 141 559
Retained profits	3 062 273	447 283
Capital allocated for market and operational risk	(641 239)	(296 004)
Advances to insiders	(353 505)	(167 532)
Tier 1 capital	12 209 088	10 125 306
Non distributable reserves	839 778	839 778
Revaluation reserves	309 385	153 262
Allowances for impairment	63 060	81 633
Tier 1 and 2 capital	13 421 311	11 199 979
Tier 3 capital allocated for market and operational risk	641 239	296 004
	14 062 550	11 495 983
Risk weighted assets	28 682 079	15 575 785
Tier 1 ratio (%)	43%	65%
Tier 2 ratio (%)	4%	7%
Tier 3 ratio (%)	2%	2%
Capital adequacy ratio (%)	49%	74%

8 DIVIDEND ANNOUNCEMENT

In view of the good performance of the Group and the improving macroeconomic environment, a final dividend of 0.253 US cents per share was declared. This makes a total dividend of 0.422 US cents per share, together with the interim dividend of 0.169 US cents per share paid in October 2011. The dividend declared translates to 3.8 times dividend cover.

9 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and the integrity of the financial statements that fairly present the state of the affairs of the Group as at the end of the financial year, the statements of comprehensive income, changes in equity and cash flows for the year and other information contained in this report. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and in the manner required by the Zimbabwe Companies Act (Chapter 24.03), and the relevant Statutory instruments ("SI") SI 33/99 and SI 62/96. The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, plant and equipment, investment property and financial assets at fair value through profit or loss.

10 AUDITOR

Messrs. PricewaterhouseCoopers Chartered Accountants (Zimbabwe) have expressed their willingness to continue in office and shareholders will be asked to confirm their re-appointment at the forthcoming Annual General Meeting and to fix their remuneration for the past year.

By order of the Board
Tichaona K. Mabeza
SECRETARY
8 March 2012

Board of Directors

HERBERT NKALA, B.Sc. Hons, MBA (CHAIRMAN)

Appointed to the First Banking Corporation Limited Board in February 1997. He is a Chairman and director of several other companies, which are listed on the Zimbabwe Stock Exchange.

JOHN MUSHAYAVANHU – AIBZ, DIP MANAGEMENT, MBA (GROUP CHIEF EXECUTIVE)

John is an Associate of the Institute of Bankers in Zimbabwe ("AIBZ"), and holds a Diploma in Management from Henley Management College, United Kingdom, as well as a Masters degree in Business Administration from Brunel University, United Kingdom. A career banker, John has over 24 years in the financial services sector. He has previously held senior positions in corporate and retail banking with a local multinational bank. John is the current President of Bankers Association of Zimbabwe (BAZ). John joined FBC Bank as an Executive Director in the Corporate Banking division in October 1997. He became Managing Director in 2004 and was appointed the Chief Executive of the FBC Group on the 1st of June 2011.

KENZIAS CHIBOTA - B.Acc (Hons), CA(Z) (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in August 2004. He is the Chief Executive Officer of Destiny Electronics (Private) Limited and director of several other companies.

GERTRUDE SIYAYI CHIKWAVA - MSc Strategic Management, AIBZ (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in December 2009. She is a director of several other companies.

PHILIP MHARIDZO CHIRADZA (MSC - Strategic Management), Dip (Gen Management) (NON -EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in June 2005. He is the former Managing Director of Beverley Building Society and is also a director of several other companies.

STANLEY KUDENGA - B.Acc (Hons), CA (Z), MBL (EXECUTIVE DIRECTOR)

Stanley is a Chartered Accountant (Zimbabwe) who completed his articles with Pricewaterhouse and also holds a Masters of Business Leadership degree from the University of South Africa. He has worked for various local financial institutions in the areas of finance and corporate and structured finance. Stanley joined FBC Bank Limited in June 2002 as Executive Director Investment Banking, a position he held until he was appointed Managing Director for FBC Reinsurance Limited in October 2006. He sits on several external company boards, including one listed on the Zimbabwe Stock Exchange. He resigned from the Board on 28 February 2012.

TRYNOS KUFAZVINEI – B.Acc (Hons), CA(Z), MBA (GROUP FINANCE DIRECTOR)

Trynos is a Chartered Accountant (Zimbabwe) who completed his articles with Pricewaterhouse and holds a Masters degree in Business Administration from University of Manchester, United Kingdom. Trynos is responsible for the finance and administration matters of FBC Holdings Limited. He has over twenty years experience in finance and administration. Trynos joined FBC Bank Limited in January 1998 as Head of Finance and Administration and was appointed to the board in October 2003. He became Group Finance Director in 2004 following the consolidation of the FBC Group and was appointed the Deputy Chief Executive Officer of the FBC Group on the 1st of June 2011.

JAMES MWAIYAPO MATIZA - MSc - Social Protection and Financing, MBA (UZ), FCIS and Dip Business Studies (UZ) (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in September 2009. He is the General Manager of National Social Security Authority and holds directorships in a number of other companies.

JOHNSON REX MAWERE - B.A Public Administration and Economics, MSc - Administrative Sciences (Business Management) (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in August 2004. He is the former Mayor of the City of Kwekwe and is a director of several other companies.

GODFREY GAVIRO NHEMACHENA - BSc. Soc (NON-EXECUTIVE DIRECTOR)

Appointed to the Board of Directors of First Banking Corporation Limited in June 2002 and to the Board of FBC Holdings in August 2004. He holds directorships in a number of other companies. He is the former Town Clerk for the City of Gweru and is the past Chairman of the Local Authorities Pension Fund.

Board of Directors (continued)

FELIX GWANDEKWANDE– AIBZ, MBA in Accounting, Banking and Economics (UK)
(EXECUTIVE DIRECTOR)

Felix was appointed Managing Director of FBC Building Society on the 1st of June 2011. A career banker, chartered marketer, and a holder of a Masters in Business Administration from Nottingham Trent University, Felix has over 27 years experience in the financial services industry encompassing most aspects of banking. He joined FBC Bank in 1998, rising through branch management and heading the Bank's Retail Operations.

LIVINGSTONE TAKUDZWA GWATA - B. Admin, CAIB, FIBZ
(FORMER GROUP CHIEF EXECUTIVE)

Livingstone holds a Bachelor of Administration degree from the University of Zimbabwe. In addition, he is a Certified Associate of the Institute of Bankers in South Africa ("CAIB") and fellow of the Institute of Bankers of Zimbabwe ("FIBZ"). He resigned from the Board on 31 May 2011.

WEBSTER RUSERE – AIBZ, MBA
(EXECUTIVE DIRECTOR)

Webster commenced his banking career in 1982 and rose through the corporate and retail banking ranks to become Head of Global Trade Finance and Cash Management Services in 1995 of a local multinational bank. He also served in other senior positions covering Local and Foreign Treasury Management, International Trade Finance, Correspondent Banking and Fund Management. He joined FBC Bank Limited in March 2000 as Project Manager and rose to become Managing Director of FBC Bank Limited Congo Sarl in November 2000. After the expiry of the DRC management contract in 2004, he was appointed Head of Retail Banking Division. He has held the position of Managing Director at FBC Building Society for four years and was appointed Managing Director for FBC Bank Limited on the 1st of June 2011.

CANADA MALUNGA - B Acc (Hons), CA(Z)
(NON -EXECUTIVE DIRECTOR)

Canada, a Chartered Accountant(Zimbabwe) by training who completed his articles with Pricewaterhouse, has wide experience in various sectors of commerce and industry in Zimbabwe. He is the former Managing Director of Murray & Roberts Zimbabwe Limited. He was appointed to the Board of FBC Holdings Limited on the 8th of June 2011.

Corporate Governance

The Board

FBC Holdings' Board is committed to the principles of openness, integrity and accountability. It recognises the developing nature of corporate governance and assesses its compliance with local and international generally accepted corporate governance practices on an ongoing basis through its various subcommittees. Guidelines issued by the Reserve Bank of Zimbabwe from time to time are strictly adhered to and compliance check lists are continuously reviewed. The Board of Directors comprises five executive directors and eight non-executive directors. The composition of the Board of FBC Holdings Limited shows a good mix of skill, experience as well as succession planning. The Group derives tremendous benefit from the diverse level of skills and experience of its Board of Directors.

The Board is responsible to the shareholders for setting the direction of the Group through the establishment of strategies, objectives and key policies. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

Board Attendance

Board member	Main Board				Board Audit				Board HR				Board Finance and Strategy				Board Risk and Compliance				Board Marketing and PR			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Godfrey G Nhemachena	x	✓	✓	✓	✓	x	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A	N/A	N/A
Kenzias Chibota	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A
Philip M Chiradza	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A	N/A	N/A
Stanley Kudenga	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	x	x	✓	x	✓	P	✓	x
Livingstone T Gwata, resigned	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	x	N/A	N/A	✓	✓	N/A	N/A	✓	✓	N/A	N/A	✓	P	N/A	N/A
John Mushayavanhu	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	x	✓	x	✓	x	✓	✓	P	x	✓
Webster Rusere	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	x	✓	P	✓	✓
Nancy Saungweme, resigned	x	x	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	x	x	N/A	N/A	x	x	N/A	N/A	N/A	N/A	N/A	N/A
Gertrude S Chikwava	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	P	✓	✓
Trynos Kufazvinei	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James M Matiza	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	x	✓	✓	N/A	N/A	N/A	N/A	✓	P	✓	✓
Johnson R Mawere	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Herbert Nkala	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada Malunga	N/A	N/A	✓	✓	N/A	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Felix Gwandekwande	N/A	N/A	✓	x	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A	✓	x	N/A	N/A	✓	✓
Shingirayi A Munyeza, resigned	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Legend

N/A - Not a member	✓ - Attended	x - Apologies	Q - Quarter	P - Meeting postponed

The Board meets regularly with a minimum of four scheduled meetings annually. To assist the Board in the discharge of its responsibilities a number of committees have been established, of which the following are the most significant:

Board Finance and Strategy Committee

Members

K. Chibota (Chairman)
S. Kudenga
T. Kufazvinei
J. Mushayavanhu
W. Rusere
J. M. Matiza
F. Gwandekwande (appointed 21 July 2011)
G. Chikwava
L. T. Gwata (resigned 31 May 2011)
N. Saungweme (resigned 25 June 2011)

The Board Finance and Strategy Committee has written terms of reference. This committee is constituted at Group level and oversees the subsidiary companies. It is chaired by a non-executive director. Meetings of the Committee are attended by invitation, by other senior executives.

The committee meets at least four times a year to review the following amongst other activities:

- The Group's financial statements, and accounting policies,
- The Group's strategy and budget,
- The Group's performance against agreed benchmarks and
- The adequacy of the Group's management information systems.

Board Human Resources and Remuneration Committee

Members

H. Nkala (Chairman)
J. Mushayavanhu (appointed 1 June 2011)
P.M. Chiradza
J.R. Mawere
L. T. Gwata (resigned 31 May 2011)

The Committee is chaired by a non-executive director and comprises mainly non-executive directors. This Committee is constituted at Group level and oversees the subsidiary companies. Meetings of the committee are attended by invitation by the Divisional Director of Human Resources.

The Committee's primary objective is to ensure that the right calibre of management is attracted and retained. To achieve this it ensures that the directors, senior managers and staff are appropriately rewarded for their contributions to the Group's performance.

The Committee is also responsible for the Group's Human Resources Policy issues, terms and conditions of service.

Non-executive directors are remunerated by fees and do not participate in any performance-related incentive schemes.

Board Audit Committee
Members
P.M. Chiradza (Chairman)
J.R. Mawere
G.G. Nhemachena
C. Malunga (appointed 8 June 2011)

The Committee is chaired by a non-executive director and comprises of non-executive directors only. The Divisional Director of Internal Audit, the Group Chief Executive, Group Finance Director and other executives attend the committee by invitation. The Committee is constituted at Group level and oversees subsidiary companies.

The Committee meets regularly to:
- Review compliance with statutory regulations,
- Review the effectiveness of internal controls,
- Review and approve the financial statements and
- Review reports of both internal and external auditors' findings, instituting special investigations where necessary.

Board Risk and Compliance Committee
Members
G.G. Nhemachena (Chairman)
K. Chibota
S. Kudenga
J. Mushayavanhu
W. Rusere
P.M. Chiradza
F. Gwandekwande (appointed 21 July 2011)
L.T Gwata (resigned 31 May 2011)
N. Saungweme (resigned 25 June 2011)

The Committee is constituted at Group level and is responsible for the group risk management function. It is chaired by a non executive director. The Committee's primary objective is to maintain oversight of the Group's risk and regulatory compliance processes and procedures and monitor their effectiveness. The Committee keeps under review, developments and prospective changes in the regulatory environment and monitors significant risk and regulatory issues affecting the Group, noting any material compliance/ regulatory breaches and monitoring resolution of any such breaches.

Board Credit Committee
Members
G.R. Bera (Chairman)
D.W. Birch
T. Mazoyo
W. Rusere

This committee falls directly under the Bank. It sets the Bank's credit policy and also approves credit applications above management's discretionary limits. The committee is responsible for the overall quality of the Bank's credit portfolio. The committee is chaired by a non-executive director. The Heads of Credit and Risk Management attend the committee meetings by invitation.

Board Loans Review Committee
Members
P.F. Chimedza (Chairman)
T. Mutunhu
S. Mutangadura
M. Ndoro

The committee falls directly under the Bank, has terms of reference and comprises non-executive directors only. Meetings of the committee are attended by invitation, by the Managing Director of the Bank, the Head of Credit and Risk and the Group Chief Executive.

The committee is responsible for ensuring that the Bank's loan portfolio and lending activities abide by the Bank's credit policy as approved by the Board of Directors and is in compliance with RBZ requirements. It also ensures that problem loans are properly identified, classified and placed on non-accrual in accordance with the Reserve Bank guidelines. The committee also ensures that adequate impairment allowances are made for potential losses and write-offs of losses identified are made in the correct period.

Board Assets and Liabilities Committee
Members
D.W. Birch (Chairman)
G. Bera
T. Mazoyo
J. Mushayavanhu
S. Mutangadura
T. Mutunhu
W. Rusere

The committee falls directly under the Bank, draws its members from the Bank's Board and is chaired by a non-executive director. It is responsible for the continuous monitoring of the Bank's assets and liabilities.

Internal Controls
The Directors are responsible for the Group's internal control system, which incorporates procedures that have been designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliably reported.

The key procedures which the Board considers essential to provide effective control include:

i) Decentralized organisational structure with strong management working within defined limits of responsibility and authority.
ii) An annual budgeting process with quarterly re-forecasts to reflect changing circumstances, and the identification of key risks and opportunities.
iii) Detailed monthly management accounts with

comparisons against budget through a comprehensive variance analysis.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these internal control procedures and systems has occurred during the year under review.

Executive Committee

The operational management of the Group is delegated to the executive committee, which is chaired by the Group Chief Executive. The executive committee is the chief operating decision maker for the Group.

The executive committee comprises:
The Group Chief Executive
Managing Director (FBC Bank Limited)
Managing Director (FBC Reinsurance Limited)
Managing Director (FBC Building Society)
Managing Director (FBC Securities (Private) Limited)
Managing Director (Eagle Insurance Company (Private) Limited)
Group Finance Director
Group Company Secretary
Divisional Director Human Resources

It meets fortnightly or more frequently if necessary and acts on behalf of the Board.

Internal Audit

The internal audit department examines and evaluates the Group's activities with the aim of assisting management with the effective discharge of their responsibilities. It reviews the reliability and integrity of financial and operating information, the systems of internal control, the efficient management of the Group's resources, the conduct of operations and the means of safeguarding assets. The Divisional Director of Internal Audit reports to the Chairman of the Audit Committee.

Risk Management and Control

Introduction and overview

Managing risk effectively in a diverse and complex institution requires a comprehensive risk management governance structure that promotes the following elements of a sound risk management framework:

- Sound board and senior management oversight,
- Adequate policies, procedures and limits,
- Adequate risk monitoring and management information systems ("MIS"), and
- Adequate internal controls.

FBC Holdings Limited manages risk through a comprehensive framework of risk principles, organisational structure and risk processes that are closely aligned with the activities of the entities in the Group.

The most important risks that the Group is exposed to are listed below:

- Reputational risk,
- Strategic risk,
- Credit risk,
- Liquidity risk,
- Market risk,
- Operational risk and
- Compliance risk

In addition to the above, there are also specific business risks that arise from the Group's reinsurance and insurance subsidiaries' core activities and the Group's manufacturing subsidiary.

Risk management framework

In line with the Group's risk strategy, size and complexity of its activities, the Board established a risk governance structure and responsibilities that are adequate to meet the requirements of a sound risk management framework.

The Group's Board of Directors has the ultimate responsibility for ensuring that an adequate and effective system of internal controls is established and maintained. The Board delegates its responsibilities to the following Committees through its respective Board Committees:

- Group Risk and Compliance Committee,
- Group Audit Committee,
- Group Human Resources and Remuneration Committee,
- Group Finance and Strategy Committee,
- Credit Committees for the Bank and Building Society,
- Loans Review Committee for the Bank and Building Society and
- Assets and Liabilities Committees ("ALCO") for the Bank and Building Society

The specific duties delegated to each committee of the Board and its respective Management Committee are outlined in the terms of reference for the specific committees.

In addition to the above Committees, the following three risk related functions are directly involved in Group-wide risk management:

- Group Risk Management,
- Group Internal Audit, and
- Group Compliance

Group Risk Management Division assumes a central role in the oversight and management of all risks that the Group is exposed to in its various activities. The Head of Group Risk Management is responsible for recommending to the Group Risk and Compliance Committee and the Board Risk and Compliance Committee a framework that ensures the effective management and alignment of risk within the Group. The Head of Group Risk Management is responsible for the process of identifying, quantifying, communicating, mitigating and monitoring risk.

Group compliance is an independent compliance management activity that is headed by the Group Compliance Manager who reports administratively to the Group Chief Executive and directly to the Group Risk and

Compliance Committee. The Group Compliance Manager has unrestricted access to the Chairman of the Group Risk Compliance Committee.

Group Internal Audit independently audits the adequacy and effectiveness of the Group's risk management, control and governance processes. The Divisional Director of Group Internal Audit who reports administratively to the Group Chief Executive and functionally to the Chairman of the Audit Committee, provides independent assurance to the Group Audit Committee and has unrestricted access to the Chairman of the Group Audit Committee.

The principal risks to which the Group is exposed to and which it continues to manage are detailed below.

Risk categories

Strategic risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. The Board of Directors retains the overall responsibility for strategic risk management through the Board Finance and Strategy Committee.

Reputational risk

Reputational risk is the potential that negative publicity regarding the Group's business practices whether true or not will cause a decline in the customer base, costly litigation, or revenue reductions. This risk may result from the Group's failure to effectively manage any or all of the other risk types. Management translates the reputational risk management strategy established by the Board of Directors into policies, processes and procedures that are implemented throughout the Group.

Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from a debtor's failure to meet the terms of any contract with the Group or if a debtor otherwise fails to perform as agreed.

Credit risk framework and governance

The Group's largest source of credit risk is loans and advances and trade receivables including insurance receivables, albeit that credit risk exists throughout the other activities of the Group on and off the balance sheet. These other activities include inter-bank lending, mortgage loans, and guarantees. Given the significant size of the loan portfolio and trade receivables including insurance receivables on the statement of financial position of the Group, credit risk remains one of the major risks.

To effectively manage credit risk, the Board and Management established an effective and sound credit risk management framework which is supported by a strong risk culture and environment. Credit risk management is governed by each entity's credit policy guidelines and ultimately approved by the Board of Directors. The Board of Directors is ultimately responsible for credit risk. Group Credit Management Division, is responsible for the implementation of the credit policies, which cover compliance with prescribed sanctioning authority levels, avoidance of a high concentration of credit risk and regular review of credit limits. The Group Risk Management Division, Group Compliance and Group Internal Audit also monitor independently the management of credit risk.

Credit policies, procedures and limits

The Group has sound and well-defined policies, procedures and limits which are reviewed and approved by the Board of Directors and strictly implemented by management. Credit risk limits include delegated approval and write-off limits to advances managers, management and subsidiaries Board credit committees, counterparty limits, individual account limits, group limits and concentration limits.

Credit risk mitigation and hedging

As part of the Group's credit risk mitigation and hedging strategy, various types of collateral is taken by the banking subsidiaries. These include mortgage bonds over residential, commercial and industrial properties and cession of book debts. In addition, a guarantee is often required particularly in support of a credit facility granted to a counterparty. Generally, guarantor counterparties include parent companies and shareholders. Creditworthiness for the guarantor is established in line with the credit policy.

Credit risk stress testing

The Group and its subsidiaries recognise that possible events or future changes could have a negative impact on the credit portfolios and affect the Group's ability to generate more business. To mitigate this risk, the Group and its subsidiaries have put mechanisms in place to enhance its stress testing methodologies.

Impairments

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

Credit terms:

Default

This is failure by a borrower to comply with the terms and conditions of a loan facility as set out in the facility offer letter or loan contract. Default occurs when a debtor is either unwilling or unable to repay a loan.

Past due loans

These are loans whereby the debtor is in default by exceeding the loan tenure or expiry date as expressly set out in the loan contract i.e. the debtor fails to repay the loan by a specific given date.

Impaired loans

The Group's policy regards impaired/ doubtful loans as all those loans where the degree of default becomes extensive such that the Group no longer has reasonable assurance of collection of the full outstanding amount of principal and interest. All such loans are classified in the C, D and E loan categories, as defined below.

Provisioning policy and write offs

Provisioning is determined on the basis of account classification whereby provisions or provisioning methods are uniformly determined for specific grades.

The Group complies with the following Reserve Bank of Zimbabwe provisioning requirements:

General provisioning "Grade A and B"

Pass Grade "A"- No evident weakness, performing to contractual terms

General provisions for facilities in this category are maintained at 1% of total customer account outstanding balances and off balance sheet (i.e. contingent) risks, in compliance with the Banking Regulations 2000 issued by the Reserve Bank of Zimbabwe.

Special Mention Grade "B" - Exhibits potential weaknesses, which require close monitoring

General provisions for these facilities are maintained at 3% of total customer account outstanding balances and off balance sheet (i.e. contingent) risks, in compliance with the Banking Regulations 2000.

Specific provisioning "Grade C to E"

Sub-Standard Grade "C" - Timely repayment and/or settlement may be at risk.

Specific allowances for facilities in this category are currently maintained at 20% of total customer outstanding balances and off balance sheet (i.e. contingent) risks less the value of tangible security held, in compliance with the Banking Regulations 2000.

Doubtful Grade "D" - Full repayment and/or settlement highly improbable

Specific allowances for exposures in this grade are currently maintained at 50% of total customer outstanding balances and off balance sheet (i.e. contingent) risks after deducting the value of any tangible security held, in compliance with the Banking Regulations 2000.

Loss Grade "E" - Collection not possible

Specific allowances for debts in this category are currently maintained at 100% of total customer outstanding balances and off balance sheet (i.e. contingent) risks again after deducting the value of any tangible security held, in compliance with the Banking Regulations 2000. IFRS compliant impairment calculations are done as stated in note 2.5.8.

The basis for writing off assets

When an advance which has been identified as impaired and subjected to a specific allowance, continues to deteriorate, a point will come when it may be concluded that there is no realistic prospect of recovery. Authority will be sought from Group Credit Management Committee for the exposure to be immediately written off while long term recovery strategies are being pursued.

Credit risk and Basel II

The Group took a gradual process in implementing Basel II in line with the regulatory authorities' approach. The Group continues to implement all Basel II related guidelines issued by the Central Bank and internal processes have been revamped in an effort to comply with the requirements.

Liquidity risk

Liquidity risk is the current or prospective risk to earnings and capital arising from the Group's inability to meet its liabilities when they fall due without incurring unacceptable losses.

Liquidity risk framework and governance

The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors through the subsidiaries' Board Asset Liability Committees is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Heads of Treasury Divisions for banking entities and Finance Managers for non-banking entities with independent day to day monitoring being provided by Group Risk Management Division.

Liquidity and funding management

The Group's management of liquidity and funding is decentralised and each entity is required to fully adopt the liquidity policy approved by the Board with independent monitoring being provided by the risk management function. The Group uses concentration risk limits to ensure that funding diversification is maintained across the products, counterparties and sectors. Major sources of funding are in the form of deposits across a spectrum of retail and wholesale clients for all the subsidiaries.

Cash flow and maturity profile analysis

The Group uses the cash flow and maturity mismatch analysis on both contractual and behavioural basis to assess their ability to meet immediate liquidity requirements and plan for their medium to long term liquidity profile.

Liquidity contingency plans

In line with the Group's liquidity policy, liquidity contingency plans are in place for the subsidiaries in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises.

Liquidity stress testing

It is the Group's policy that each entity conducts stress tests on a regular basis to ensure that they have adequate liquidity to withstand stressed conditions. In this regard, anticipated on- and off-balance sheet cash flows are subjected to a variety of specific and systemic stress scenarios during the period in an effort to evaluate the impact of unlikely events on liquidity positions.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately.

(a) Market risk - trading portfolio

The market risk for the trading portfolio is managed and monitored based on a collection of risk management methodologies to assess market risk including Value–at–Risk ("VaR") methodology that reflects the interdependency between risk variables, stress testing, loss triggers and traditional risk management measures. Non–trading positions are managed and monitored using other sensitivity analysis.

(b) Market risk - non-trading portfolio

(b.i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate risk profile is assessed regularly based on the fundamental trends in interest rates, economic developments and technical analysis. The Group's policy is to monitor positions on a daily basis to ensure positions are mainitained within the established limits.

(b.ii) Foreign exchange risk

Foreign exchange risk is the potential adverse impact on earnings and economic value due to currency rate movements. This involves settlement risk which arises when the Group or one of its entities incurs a financial loss due to foreign exchange positions taken in both the trading and banking books. The potential for loss arises from translation exposure, transaction exposure and economic exposure.

(b.iii) Price risk

The Group is exposed to equity price risk because of investments held by the Group and classified on the consolidated statement of financial position as at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Framework and governance

The Board of Directors is ultimately accountable and approves the market risk appetite for all types of market risk. The Board delegated the effective management of market risk to the entities' Asset Liability Committees ("ALCO") for the banking entities and Risk and Compliance Committees for non-banking entities. On a day-to-day basis, market risk exposures are independently reviewed and measured by the Group Risk Management Division, and appropriate management reports are generated. A comprehensive framework of limits to control market risk including foreign exchange risk exposures is in place for the different levels of reporting.

Market risk measurement

The tools for measuring market risk that are applied within the Group range from the very fundamental and basic marking-to-market, to the more sophisticated Value at Risk Models. Generally, measurement tools in use at any point in time are commensurate with the scale, complexity, and nature of trading activities and positions held by entity. The tools and techniques used to measure and control market risk include the repricing gap, scenario analysis on net interest income and economic value of equity, stop loss limits, duration analysis, stress testing and Value at Risk. In addition, the Group also performs ratio analysis on the key ratios of each entity. Risk limits for all the measures are documented in each entity's ALCO policy. Group Risk Management performs regular reviews of the existing models to ensure that they are still relevant and behaving within expectations.

Operational risk

Operational risk is the risk of loss arising from the potential that inadequate information system, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses. Operational risk exists in all products and business activities.

Group's approach to managing operational risk

The Group's approach is that business activities are undertaken in accordance with fundamental control principles of operational risk identification, clear documentation of control procedures, segregation of duties, authorization, close monitoring of risk limits, monitoring of assets use, reconciliation of transactions and compliance.

Operational risk framework and governance

The Board has ultimate responsibility for ensuring effective management of operational risk. This function is implemented through the Board Risk and Compliance Committee at Group level which meets on a quarterly basis to review all other major risks including operational risks. This Committee serves as the oversight body in the application of the Group's operational risk management framework, including business continuity management. Each entity has a Management and Board Risk and Compliance Committee to ensure a robust operational risk management framework. Other Group management committees which report to Group Executive Committee include the Group New Product Committee, Group IT Steering Committee and Group Business Continuity Committee.

The management and measurement of operational risk

The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the appropriate risk committees which include the Risk and Compliance Committee and Group New Product Committee.

The Group conducts Operational Risk Assessments in line with the Group's risk strategy. These assessments cover causes and events that have, or might result in losses, as well as monitor overall effectiveness of controls and whether prescribed controls are being followed or need correction. Key Risk Indicators ("KRIs") which are statistical data relating to a business or operations unit are monitored on an ongoing basis. The Group also maintains a record of loss events that occur in the Group in line with Basel II requirements. These are used to measure the Group's exposure to the respective losses. Risk limits are used to measure and monitor the Group's operational risk exposures.

These include branch cash holding limits, teller transaction limits, dealing limits, counterparty limits, transfer limits and write off limits which are approved by management and the Board. In addition, the Group also uses risk mitigation mechanisms such as insurance programmes to transfer risks. The Group maintains adequate insurance to cover key operational and other risks.

Business continuity management

To ensure that essential functions of the Group are able to continue in the event of adverse circumstances, the Group Business Continuity Plan is reviewed annually and approved by the Board. The Group Management Business Continuity Committee is responsible for ensuring that all units and branches conduct tests half yearly in line with the Group policy. The Group continues to conduct its business continuity tests in the second and fourth quarters of each year and all the processes are well documented.

Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

The Compliance function assesses the conformity of codes of conduct, instructions, procedures and organizations in relation to the rules of integrity in financial services activities. These rules are those which arise from the institution's own integrity policy as well as those which are directly provided by its legal status and other legal and regulatory provisions applicable to the financial services sector.

Management is also accountable to the Board for designing, implementing and monitoring the process of compliance risk management and integrating it with the day to day activities of the Group.

Statement of Compliance

The Group complied with the following statutes inter alia:-

The Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; Bank Use Promotion & Suppression of Money Laundering (Chapter 24:24); Exchange Control Act (Chapter 22:05); The National Payments Systems Act (Chapter 24:23) and The Companies Act (Chapter 24:03), The relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96, The Income Tax Act (Chapter 23:06), The Capital Gains Act (Chapter 23:01) and Value Added Tax Act (Chapter 23:12)

In addition, the Group also complied with the Reserve Bank of Zimbabwe's directives on liquidity management, capital adequacy as well as prudential lending guidelines.

International credit ratings

The banking and reinsurance subsidiaries have their credit ratings reviewed annually by an international credit rating agency, Global Credit Rating. All subsidiaries have maintained their investor grade ratings as illustrated below.

Subsidiary	2011	2010	2009
FBC Bank Limited	A-	A-	A-
FBC Reinsurance Limited	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-_

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Group Company Secretary)

Independent auditor's report

to the shareholders of

FBC HOLDINGS LIMITED

We have audited the consolidated financial statements of FBC Holdings Limited and its subsidiaries ("the Group"), and the statement of financial position of FBC Holdings Limited (the "Company"), standing alone, together the ("consolidated financial statements") which comprise the consolidated and separate statements of financial position as at 31 December 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes set out on pages 29 to 83.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial positions of the Group and the Company as at 31 December 2011, and of the Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)

Harare **5 June 2012**

PricewaterhouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant
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T I Rwodzi – Senior Partner
The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' names is available for inspection.

Consolidated Statement of Financial Position

As at 31 December 2011

	Note	2011 US$	2010 US$
ASSETS			
Balances with other banks and cash	5	50 359 054	69 358 923
Loans and advances	6.1	121 333 026	83 060 296
Trade and other receivables including insurance receivables	6.2	23 173 709	17 489 950
Financial assets at fair value through profit or loss	7	2 123 239	1 950 405
Inventory	8	17 290 873	10 243 747
Prepayments and other assets	9	5 708 773	3 125 932
Deferred income tax assets	17.3	1 292 080	817 075
Investment in associate		-	703 024
Investment property	10	25 000	610 000
Intangible asset	11	1 418 791	1 177 919
Property, plant and equipment	12	56 868 165	47 721 923
Total assets		**279 592 710**	**236 259 194**
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	13.1	70 790 291	110 047 605
Deposits from other banks	13.2	54 114 334	9 490 499
Borrowings	14	36 504 626	22 382 911
Insurance liabilities	15	8 380 408	5 381 578
Trade and other payables	16	21 866 385	14 913 311
Current income tax liability		4 843 420	2 656 443
Deferred income tax liability	17.3	8 874 414	9 659 389
Total liabilities		205 373 878	174 531 736
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	18.3	7 681 908	7 681 897
Other reserves	19	34 750 923	34 434 746
Retained profits		13 106 111	4 382 388
		55 538 942	46 499 031
Non controlling interest in equity		18 679 890	15 228 427
Total equity		74 218 832	61 727 458
Total equity and liabilities		**279 592 710**	**236 259 194**

Herbert Nkala	**John Mushayavanhu**	**Tichaona K. Mabeza**
(Chairman)	(Group Chief Executive)	(Group Company Secretary)

Company Statement of Financial Position

As at 31 December 2011

	Note	2011 US$	2010 US$
ASSETS			
Investments in subsidiaries	20	53 113 958	51 981 972
Amounts due from related parties	21	1 096 846	201 872
Deferred tax asset		401 040	-
Jointly controlled asset	22	101 250	112 500
Total assets		**54 713 094**	**52 296 344**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to related parties	23	7 778 613	4 823 957
Other liabilities		233 472	-
		8 012 085	4 823 957
Equity			
Share capital and share premium		7 681 908	7 681 897
Other reserves	24	39 019 101	39 790 490
		46 701 009	47 472 387
Total equity and liabilities		**54 713 094**	**52 296 344**

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Group Company Secretary)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 US$	2010 US$
Interest income	25.1	26 621 440	15 549 895
Interest expense	25.2	(12 773 813)	(4 100 713)
Net interest income		13 847 627	11 449 182
Fee and commission income	26.1	20 430 481	12 111 999
Fee and commission expense	26.2	(20 067)	(36 586)
Net fee and commission income		20 410 414	12 075 413
Revenue	27.1	56 292 235	34 856 966
Cost of sales	27.2	(39 054 161)	(23 733 248)
Gross profit		17 238 074	11 123 718
Net earned insurance premium	28	3 494 740	1 804 552
Net trading income		1 016 385	745 100
Net gains from financial instruments carried at fair value	29	145 506	(300 838)
Other operating income	30	760 314	1 334 592
		5 416 945	3 583 406
Total income		56 913 060	38 231 719
Impairment loss on financial assets	6.4	(3 717 144)	(653 832)
Operating expenses	31	(37 487 980)	(33 349 059)
Share of loss of associate		(32 938)	(135 119)
Profit before income tax		15 674 998	4 093 709
Income tax expense	32	(3 168 488)	(2 412 648)
Profit for the year		12 506 510	1 681 061
Other comprehensive income			
Gains on property revaluation		3 844 017	522 838
Tax relating to other comprehensive income		(714 285)	(134 632)
Other comprehensive income, net income tax		3 129 732	388 206
Total comprehensive income for the year		**15 636 242**	**2 069 267**
Profit attributable to:			
Equity holders of the parent		9 705 377	67 346
Non - controlling interest		2 801 133	1 613 715
Profit for the year		**12 506 510**	**1 681 061**
Total comprehensive income attributable to:			
Equity holders of the parent		11 798 046	394 247
Non - controlling interest		3 838 196	1 675 020
Total comprehensive income for the year		**15 636 242**	**2 069 267**
Earnings per share (US cents)			
Basic	39	1.78	0.01
Diluted	39	1.78	0.01

Consolidated Statement of Changes in Equity
For the year endee 31 December 2011

	Share Capital US$	Share Premium US$	Retained profits US$	Share option reserve US$	Treasury shares US$	Non distributable reserve US$	Revaluation reserve US$	Regulatory reserve US$	Changes in ownership US$	Total US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2010	**-**	**-**	**4 793 293**	**82 926**	**(122 325)**	**33 662 848**	**772 173**	**230 972**	**-**	**39 419 887**	**11 768 642**	**51 188 529**
Profit for the year	-	-	67 346	-	-	-	-	-	-	67 346	1 613 715	1 681 061
Other comprehensive income;												
Gain on revaluation of property, plant and equipment, net of income tax	-	-	-	-	-	-	326 901	-	-	326 901	61 305	388 206
Regulatory impairment allowance	-	-	(478 251)	-	-	-	-	478 251	-	-	-	-
Total other comprehensive income	**-**	**-**	**(478 251)**	**-**	**-**	**-**	**326 901**	**478 251**	**-**	**326 901**	**61 305**	**388 206**
Total comprehensive income	**-**	**-**	**(410 905)**	**-**	**-**	**-**	**326 901**	**478 251**	**-**	**394 247**	**1 675 020**	**2 069 267**
Transaction with owners:												
Re-denomination of share capital	3 624	-	-	-	-	(3 624)	-	-	-	-	-	-
Rights issue	2 283	7 675 990	-	-	-	-	-	-	-	7 678 273	1 690 277	9 368 550
Increase in ownership interest by non controlling interest									8 358	8 358	94 488	102 846
Share buyback	-	-	-	-	(1 001 734)	-	-	-	-	(1 001 734)	-	(1 001 734)
Balance as at 31 December 2010	**5 907**	**7 675 990**	**4 382 388**	**82 926**	**(1 124 059)**	**33 659 224**	**1 099 074**	**709 223**	**8 358**	**46 499 031**	**15 228 427**	**61 727 458**
Balance as at 1 January 2011	**5 907**	**7 675 990**	**4 382 388**	**82 926**	**(1 124 059)**	**33 659 224**	**1 099 074**	**709 223**	**8 358**	**46 499 031**	**15 228 427**	**61 727 458**
Profit for the year	-	-	9 705 377	-	-	-	-	-	-	9 705 377	2 801 133	12 506 510
Other comprehensive income:												
Gain on revaluation of property, plant	-	-	-	-	-	-	-	-	-	-	-	-
and equipment, net of income tax	-	-	-	-	-	-	2 092 669	-	-	2 092 669	1 037 063	3 129 732
Regulatory impairment allowance	-	-	18 573	-	-	-	-	(18 573)	-	-	-	-
Total other comprehensive income	**-**	**-**	**18 573**	**-**	**-**	**-**	**2 092 669**	**(18 573)**	**-**	**2 092 669**	**1 037 063**	**3 129 732**
Total comprehensive income	**-**	**-**	**9 723 950**	**-**	**-**	**-**	**2 092 669**	**(18 573)**	**-**	**11 798 046**	**3 838 196**	**15 636 242**
Transaction with owners:												
Share options exercised	11	-	-	(11)	-	-	-	-	-	-	-	-
Dividend declared	-	-	(1 000 227)	-	-	-	-	-	-	(1 000 227)	(495 092)	(1 495 319)
Share option revaluation	-	-	-	27 801	-	-	-	-	-	27 801	-	27 801
Acquisition of additional interest in subsidiary	-	-	-	-	-	-	-	-	-	-	362 221	362 221
Increase in ownership interest	-	-	-	-	-	-	-	-	(223 124)	(223 124)	(253 862)	(476 986)
Share buyback	-	-	-	-	(1 562 585)	-	-	-	-	(1 562 585)	-	(1 562 585)
Balance as at 31 December 2011	**5 918**	**7 675 990**	**13 106 111**	**110 716**	**(2 686 644)**	**33 659 224**	**3 191 743**	**690 650**	**(214 766)**	**55 538 942**	**18 679 890**	**74 218 832**

Consolidated Statement of Cash Flows
For the year ended 31 December 2011

	Note	2011 US$	2010 US$
Cash flow from operating activities			
Profit before income tax		15 674 998	4 093 709
Adjustments for:			
Depreciation	12	3 169 303	2 660 044
Amortisation charge	11	468 042	380 007
Impairment loss on loans and advances	6	3 717 144	653 832
Share options		27 790	-
Impairment loss on property and equipment	12	54 548	13 745
Share of loss of associate		32 938	135 119
Fair value adjustment on financial assets at fair value through profit or loss		(145 506)	(26 438)
Fair value adjustment on investment property	10	(55 000)	(35 000)
Loss on remeasurement of previously held associate		367 995	-
Write-off of goodwill		4 290	-
Profit on disposal of property and equipment		(18 349)	(49 511)
Net cash generated before changes in operating assets and liabilities		**23 298 193**	**7 825 507**
Increase in loans and advances		(41 706 497)	(61 127 752)
Increase in trade and other receivables		(4 842 319)	(6 407 335)
(Increase)/decrease in statutory reserves		85 250	(352 014)
Decrease/(increase) in financial assets at fair value through profit or loss		189 996	798 271
(Increase)/decrease in inventory		(7 047 126)	(5 457 312)
(Increase)/ decrease in prepayments and other assets		(2 582 841)	(4 746 827)
Increase/(decrease) in deposits from customers		(39 257 314)	15 730 817
Increase in deposits from other banks		44 623 835	8 159 803
Increase in insurance liabilities		1 561 562	1 837 073
Increase in trade and other payables		6 225 934	9 138 396
		(19 451 327)	**(34 601 373)**
Income tax paid		(2 781 424)	(578 268)
Net cash used in operating activities		**(22 232 751)**	**(35 179 641)**
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	40	(569 859)	-
Purchases of intangible assets	11	(708 914)	-
Purchase of property, plant and equipment	12	(5 420 081)	(6 905 729)
Proceeds from sale of property, plant and equipment		104 218	227 974
Net cash used in investing activities		**(6 594 636)**	**(6 677 755)**
Cash flows from financing activities			
Purchase of additional interest in existing subsidiary	41	(476 987)	-
Proceeds from loans and borrowings		13 216 207	20 852 225
Proceeds from rights issue		-	7 991 273
Dividend paid to company's shareholders		(1 000 227)	-
Dividends paid to non-controlling interests		(495 092)	-
Purchase of treasury shares		(1 562 585)	(1 001 734)
Proceeds from issuance of share options by subsidiary to employees		-	272 862
Proceeds from rights issue by subsidiary		-	1 523 503
Net cash generated from financing activities		**9 681 316**	**29 638 129**
Net decrease in cash and cash equivalents		**(19 146 071)**	**(12 219 267)**
Cash and cash equivalents at beginning of the year		60 237 928	72 457 195
Cash and cash equivalents at the end of year	5.1	**41 091 857**	**60 237 928**

1 GENERAL INFORMATION

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking, mortgage finance, stockbroking, reinsurance, insurance and other related financial services. The Group also manufactures pipes and roofing sheets. During the year, the Group acquired control of Eagle Insurance Company (Private) Limited, an insurance company engaged in short-term insurance business.

The Company is a limited liability company, which is listed on the Zimbabwe Stock Exchange, is incorporated and domiciled in Zimbabwe together with its subsidiaries.

These consolidated financial statements have been approved for issue by the Board of Directors on 8 March 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the International Financial Reporting Interpretations Committee, ("IFRIC") and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI 62/96 and SI 33/99. The consolidated financial statements have been prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, investment property and property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.2 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations, effective on or after 1 January 2011

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2011 and are relevant to the Group.

Standard/Interpretation	Content	Applicable for financial years beginning on /after
IAS 1 (amendment)	Presentation of financial statement	1 January 2011
IAS 24 (revised)	Related party disclosures	1 January 2011
IAS 32 (amendment)	Classification of rights issue	1 February 2010
IFRIC 19 (amendment)	Extinguishing financial liabilities with equity instrument	1 July 2010
IFRS 7 (amendment)	Financial Instruments	1 January 2010

These new standards, amendments and interpretations do not have a material impact on the Group's consolidated financial statements.

IAS 1 ,'Presentation of financial statements'. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 24, 'Related party disclosures' (revised). Amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities.

Amendment to IAS 32 'Financial instruments: presentation - classification of rights issues'. Amended to allow rights options or warrants to acquire a fixed number of the entity's equity instruments for any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all its existing owners of the same class of its own non derivative equity instruments.

Amendment to IFRIC 19 'Extinguishing financial liabilities with equity instruments.' Clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

IFRS 7, 'Financial Instruments' . Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

2.1.2 Changes in accounting policy and disclosures (continued)

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2011 and are not relevant to the Group:

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IFRIC 14	Prepayments of minimum funding requirement	1 January 2011
IFRS 1 (amendment)	Limited exemption from comparative IFRS 7 disclosures for first time adopters	1 July 2010

Amendments to IFRIC 14 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19/The limit on a defined benefit assets, minimum funding requirements and their interaction. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this.

IFRS 1, (amendment) 'Limited exemption from comparative IFRS 7 disclosures for first time adopters'. Provides the same relief to first time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7.

(b) New standards, amendments and interpretations that have been issued and are effective for accounting periods beginning after 1 January 2011 and have been early adopted

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and early adopted:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IFRS 1 (amendment)	First time adoption on fixed dates and hyperinflation	1 July 2011

IFRS 1, (amendment) 'First time adoption' on fixed dates and hyperinflation. These amendments includes two changes to IFRS 1.The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs'. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subjected to severe hyperinflation. The early adoption and application of the IFRS1 amendment, allowed the Group whose functional currency, the Zimbabwe dollar was subjected to severe hyperinflation, and ceased to be subjected to severe hyperinflation, on 1 January 2009 when it changed to the US$ to achieve compliance with IFRS for the year ended 31 December 2010.

Improvements to IFRS

Improvements to IFRS were issued in May 2010 by the International Accounting Standard Board (IASB). They contain numerous amendments to IFRS that the IASB considers non urgent but necessary. Improvements to IFRS comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology amendments related to a variety of individual IFRS standards.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

The following new standards, amendments and interpretations have been issued but are not effective and are relevant to the Group's operations:

Standard/Interpretation	Content	Applicable for financial years beginning on/ after
IAS 1	Other comprehensive income	1 July 2012
IAS 12	Deferred tax	1 January 2012
IAS 27 (amendment)	Separate financial statements	1 January 2013
IFRS 7	Financial instruments: Disclosures on derecognition	1 July 2011
IFRS 9	Financial Instruments	1 January 2013, subsequently deferred to 1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted (continued)

The Group is considering the implications of these new standards, amendments and interpretations, and the impact on the Group and timing of their adoption.

IAS 1 (amendments) 'Financial statements presentation' regarding other comprehensive income. The amendment requires entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

IAS 12 (amendments) 'Income taxes' on deferred tax. Currently IAS12, Income taxes, requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through sale or use. It can be difficult and subjective to assess whether the recovery will be through use or through sale when the asset is measured using the fair value model in IAS40, Investment property. Hence the amendment introduces an exception to the existing principles for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendments also incorporate into IAS12 the remaining guidance previously contained in SIC12, which is accordingly withdrawn.

IAS 27 (amendment) 'Separate financial statements'. This revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IFRS 7 (amendment) 'Financial instruments: disclosures on derecognition'. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

IFRS 9 'Financial instruments'. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised at cost and fair value.

IFRS 10 (amendment) 'Consolidation of financial statements'. The objective of this IFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements.

IFRS 12 (amendment) 'Disclosures of interests in other entities'. IFRS 12 includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 'Fair value measurement'. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

(d) New standards, amendments and interpretations effective for accounting periods beginning after 1 January 2011

The following new standards, amendments and interpretations have been issued but are not effective and are not relevant to the Group:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 19 (amendment)	Employee benefits	1 January 2013
IAS 28 (amendment)	Associates and joint ventures	1 January 2012
IFRS 11	Joint arrangements	1 January 2013

IAS 19 (amendment) 'Employee benefits'. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

IAS 28, (amendment) 'Associates and joint ventures'. The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IFRS 11 (amendment) 'Joint arrangements'. This presents a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form.

2.1.3 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying an equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and reserves of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the statement of comprehensive income. Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

2.3 Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the entity); whose operating results are reviewed regularly by the entity's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance; and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee that makes strategic decisions.

The Group's operating segments have been aggregated based on the nature of the products and services on offer and the nature of the regulatory environment and the CODM is the Group Executive Committee. The CODM is responsible for allocating resources and assessing performance of the operating segments.

In accordance with IFRS 8, the Group has the following business segments: commercial banking, reinsurance, mortgage financing, stock broking, manufacturing, microlending and short-term insurance.

2.3.1 Commercial banking

The principal activities of this segment consist of dealing in the money and foreign exchange markets, retail, corporate and international banking and corporate finance.

2.3.2 Microlending

The principal activities of this segment consist of short-term lending to the informal market.

2.3.3 Mortgage financing

The principal activities of this segment consist of mortgage lending, savings deposit accounts and other money market investment products.

2.3.4 Reinsurance

The principal activities of this segment consist of underwriting the following classes of reinsurance business; Fire, Engineering, Motor, Miscellaneous accident classes and Marine.

2.3.5 Short - term insurance

The principal activities of this segment consist of underwriting the following classes of insurance business; Fire, Engineering, Motor, Miscellaneous accident classes and Marine.

2.3.6 Stockbroking

The principal activities of this segment consist of dealing in the equities market and offering advisory services.

2.3.7 Manufacturing

The principal activities of this segment consist of the production of building materials including fibre cement roofing products, piping and accessories.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the United States of America dollar ("US$"), which is the Group's functional and presentation currency. All the Group's subsidiaries operate in Zimbabwe and have the United States of America dollar ('US$') as their functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the statement of comprehensive income within 'net trading income'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2.5 Financial assets and liabilities

2.5.1 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'loans and advances to customers', 'trade and other receivables' and 'balances with banks and cash' in the balance sheet. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Loans and advances are stated net of impairment losses.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial (and for unlisted securities) is not available, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group classifies the financial instruments into classes that reflect the nature of information and take into account characteristics of those financial instruments. The classification made can be seen in the table to follow.

2.5.2 Financial liabilities

The Group's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include deposits from other banks and customers, borrowings, certain insurance liabilities and trade and other liabilities. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or have expired.

2.5.3 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.5.4 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.5.5 Customer deposits

Customer deposits are recognized initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised costs using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income.

2.5.6 Categories of financial instruments

<table>
<tr><th colspan="2">Category (as defined by IAS 39) Financial Instruments: Recognition and Measurement</th><th colspan="2">Class (as determined by the Group)</th><th colspan="2">Subclasses</th></tr>
<tr><td rowspan="7">Financial assets</td><td>Financial assets at fair value through profit or loss</td><td colspan="2">Financial assets held for trading</td><td colspan="2">Listed equity securities (listed on the Zimbabwe Stock Exchange)</td></tr>
<tr><td rowspan="6">Loans and receivables</td><td colspan="2">Loans and advances to other banks</td><td colspan="2">Placements</td></tr>
<tr><td rowspan="5">Loans and advances to customers</td><td rowspan="2">Loans to individuals</td><td colspan="2">Mortgages</td></tr>
<tr><td colspan="2">Term loans</td></tr>
<tr><td rowspan="3">Loans to corporate entities</td><td>Large corporate customers</td><td rowspan="3">Bankers acceptances
Mortgages
Term loans
Overdrafts</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Other</td></tr>
<tr><td rowspan="6">Financial liabilities</td><td rowspan="6">Financial liabilities at amortised cost</td><td colspan="4">Deposits from other banks</td></tr>
<tr><td colspan="4">Lines of credit</td></tr>
<tr><td colspan="2" rowspan="3">Deposits from customers</td><td>Large corporate customers</td><td rowspan="3">Call deposits
Time deposits</td></tr>
<tr><td>SMEs</td></tr>
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<tr><td colspan="4">Borrowings</td></tr>
<tr><td rowspan="2">Contingent liabilities and commitments</td><td colspan="5">Loan commitments</td></tr>
<tr><td colspan="5">Guarantees and letters of credit</td></tr>
</table>

2.5.7 Offsetting financial instruments

Financial assets and liabilities are set off and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2.5.8 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as default or delinquency in interest or principal payments;

(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group including:

- adverse changes in the payment status of borrowers in the Group; or
- national or local economic conditions that correlate with defaults on the assets in the Group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring an impairment loss is the current effective interest rate determined under the contract.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in the statement of comprehensive income.

Impairment losses on loans and advances

Impairment losses are held in respect of loans and advances to customers. The level of impairment is determined in accordance with the provisions set out in International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement. An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loans and advances. The amount of the allowance is the difference between the carrying amount and the recoverable amount.

The loan loss allowance also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the statement of financial position date. These have been estimated based upon historical cost patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related allowance for the impairment. Subsequent recoveries are credited to the statement of comprehensive income.

Specific impairment for non-performing loans, covering identified impaired loans, are based on periodic evaluations of the loans and advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure. Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions.

Specific impairment against loans and advances is based on an appraisal of the loan portfolio, and is made where the repayment of identified loans is in doubt. Portfolio impairment is made in relation to losses which, although not separately identified, are known from experience to exist in any loan portfolio.

The Banking Regulations 2000 issued by the Reserve Bank of Zimbabwe also give guidance on provisioning for doubtful debts and stipulate certain minimum percentages to be applied to the respective categories of the loan book.

In order to comply with both prescriptions, the Directors have taken the view that where the IAS 39 charge is less than the amount provided for in the Banking Regulations, the difference is effectively an appropriation charged against equity and where it is more, the full amount will be charged to the statement of comprehensive income.

Impairment loss allowances are applied to write-off advances when all security has been realized and further recoveries are considered to be unlikely. Recoveries of bad debts that would have been written off are shown as other income in the financial statements and where the bad debts are still part of an impairment loss in the financial statements they are shown as a recovery in the statement of financial position.

Non-performing loans

Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability, thereafter and until all or part of the loan is written-off, interest continues to accrue on customers' account but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position.

2.5.9 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a portion of the risks.

2.5.10 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

2.6 Cash and bank balances

Cash and bank balances comprise cash on hand, deposits held at call with other banks, cash and balances with the Central Bank, including statutory reserves.

2.6.1 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown as liabilities.

2.7 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.8 Insurance contracts

Classification of insurance contracts

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts under which the Group accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder or other beneficiary in the event of loss. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

The Group issues short term casualty and property insurance contracts. The nature of risks covered is detailed in note 43.5.

Recognition and measurement

Revenue

Gross premiums written reflect business written during the year, and exclude any taxes or duties based on premiums. Premiums written includes estimates for 'pipeline' premiums and adjustments to estimates of premiums written in previous years. The earned proportion of premiums is recognized as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims
Claims incurred comprise the settlement and handling costs paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims provisions.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all the claims incurred but unpaid at the statement of financial position date whether reported or not, and related internal and external claims and handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Unexpired risk provision
Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision of unexpired risk is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provision.

Reinsurance assets
The reinsurance subsidiary cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense of the related insurance contract because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk, are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognized as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contract. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in the reinsurance assets.

The net amounts paid to the reinsurer at the inception of a contract may be less than the reinsurance assets recognized by the Group in respect of rights under contracts. Any difference between the premium due to the reinsurer and the reinsurance asset recognized is included in the statement of comprehensive income in the period in which the reinsurance premium is due. The amounts recognized as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as loans and receivables and are included within insurance and other receivables in the statement of financial position.

Reinsurance assets are assessed for impairment at each statement of financial position date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the retrocessionaire.

Costs incurred in acquiring general insurance, annuity and life assurance contracts are deferred to the extent that they are recoverable out of future margins. Acquisitions costs include direct cost such as commission and indirect cost such as administrative expenses connected with the processing of proposals and issuing of policies.

Deferred acquisition costs
Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts. The rate of amortization is consistent with the pattern of emergency of such margins.

For general insurance contracts the deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written which is unearned at the statement of financial position date.

2.9 Inventory
Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Investment property
Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the property can be reliably measured. Investment property is initially measured at cost and subsequently measured at fair value. Investment property is property held to earn rentals and/or for capital appreciation. It is stated at its fair value at the reporting date as determined by independent

professional valuers. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise. The fair value of investment property is based on the nature, location and condition of the asset. The fair value is calculated by reference to market evidence of most recent proceeds achieved in arms length transactions of similar properties.

Transfers from investment property are made when there is a change in use, evidenced by commencement of owner-occupation for a transfer from investment property to owner-occupied property. The property's deemed cost for subsequent accounting is its fair value at the date of change in use.

Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses from disposal is determined as the difference between the net proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of disposal.

2.11 Intangible assets

2.11.1 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of the acquisition. Negative goodwill in excess of the fair values of the non-monetary assets acquired is immediately recognised in the statement of comprehensive income.

2.11.2 Software licences

Separately acquired licences are shown at historical cost. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 15 to 20 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

2.12 Property, plant and equipment

(a) Recognition and measurement

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if; it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.

Land and buildings comprise mainly factories, retail banking branches and offices occupied by the Group. Land and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent accumulated depreciation for buildings and subsequent accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing working condition for its intended use, the cost of dismantling the asset and removing items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property or equipment have different useful lives, they are accounted for (major components) as property and equipment.

(b) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Subsequent costs can also be recognized as separate assets.
Increases in the carrying amount arising on revaluation of land and buildings are credited to other

comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the statement of comprehensive income. The revaluation surplus is transferred from 'other reserves' to 'retained profits' on disposal.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold premises	50 years
Plant and machinery	5 - 13 years
Computer equipment	3 - 5 years
Motor vehicles	5 years
Office equipment	5 - 10 years
Furniture and fittings	10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

The carrying amounts of the Group's items of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds its recoverable amount.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than the estimated recoverable amount. Items of property, plant and equipment are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be receivable, refer to note 2.14.

(c) Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

2.13 Jointly controlled asset

The jointly controlled asset comprises a house boat jointly owned with external entities and Group has majority share. The boat is recognised as an asset for owner use. The boat is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate the cost or to the residual values over their estimated useful life of 10 years.

2.14 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows ("cash-generating units"). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave.

2.17 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds. Repurchase of share capital (treasury shares), where any group company purchases the Company's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the Company's directors.

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term.

2.20 Revenue recognition

Revenue is derived substantially from the business of banking and related activities, provision of insurance services and the sale of manufactured products. Revenue is recognised as follows; for the manufacturing subsidiary, revenue represents amounts invoiced to customers for goods supplied and services rendered, net of value added tax and allowances for defective goods.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue is measured at the fair value of the consideration received or receivable. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, measurement of the associated costs incurred to earn the revenue or the possible return of the goods. From the business of banking and related services; revenue comprises net interest income, net fees and commission income, net trading and dealing income and dividend income.

2.20.1 Net interest income and expense

Interest income and expenses are recognised in the statement of comprehensive income for all interest instruments on an accrual basis using the effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the carrying amount of the financial asset or liability. The effective interest rate is established on a financial asset and liability and is not revised subsequently. Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Net interest income excludes fair value adjustments on interest-bearing financial instruments. Fair value adjustments are reported under other income.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees (establishment fees) for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as income over the life of the loan.

Commission and fees arising in the negotiations or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Other management advisory and service fees are recognised based on the applicable service contracts.

2.20.2 Net trading income

Net trading and dealing income includes gains and losses arising from disposals and changes in financial assets and liabilities held for trading. Net trading incomes also include gains and losses arising from changes in exchange rates. Income from equity investments and other non-fixed income investments is recognised as income when it accrues.

2.20.3 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

2.20.4 Sale of goods - manufacturing

The Group manufactures and sells a range of tubing and roofing products in the wholesale market. Sales of goods are recognised when the Group has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

2.20.5 Sale of goods - property sales

Revenue from sale of properties in the ordinary course of business is measured at fair value of the consideration received or receivable. Revenue is recognised when persuasive evidence exists usually in the form of an executed sales agreement, that the significant risk and rewards of ownership have been transferred to the buyer.

The Group is involved in the construction of houses for sale through a structured mortgage transaction as part of its trading activities. The Group recognises revenue from sale of houses using the stage of completion method . Revenue on the land portion is recognized in full on execution of the sale agreement.

2.20.6 Insurance premium

Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. An estimate is made at the statement of financial position date to recognise retrospective adjustments to premiums or commissions.

The earned portion of premiums received, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. A portion of outwards reinsurance premiums are treated as prepayments.

2.21 Employee benefits

(i) Termination benefits

Termination benefits are benefits payable as a result of the Group's decision to terminate employment before the normal retirement date (or contractual date) or whenever an employee accepts voluntary redundancy in exchange of those benefits. Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(ii) Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render service. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(iii) Post employment benefits

Post employment benefits are employee benefits (other than termination benefits) which are payable after completion of employment. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Pension obligation

The Group provides for retirement benefit obligation in respect of its employees as follows;

- FBCH Pension Fund - Defined Contribution Fund, and
- National Social Security Authority ("NSSA") - a Statutory Defined Benefit Fund. Contributions to NSSA are made in terms of statutory regulations and are charged against income as incurred.

  A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(iv) Profit sharing and bonus plans

The Group recognizes a liability and an expense for profit sharing and bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after an external audit. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to eventually vest.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs in profit or loss. The fair value of employee share options is measured using the intrinsic value method where the intrinsic value of a share option is the difference between its fair value of the share and the exercise price.

2.22 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company and held as treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of outstanding shares for the effects of all potential dilutive ordinary shares.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of the preparation of the financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

3.1 Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least monthly. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. For specific impairment the expected cash flows are discounted using the original effective interest rate when the loan was granted. Additional information is disclosed in note 6.

3.2 Income taxes

The Group is subject to income tax in Zimbabwe except for one subsidiary, FBC Building Society which is exempt from income tax. Significant judgement is required in determining the income tax payable. There are many transactions and calculations for which ultimate tax determination is required during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from amounts that were initially recognised, such differences will impact the income and deferred income tax provisions in the period in which such determination is made. Additional information is disclosed in note 32.

3.3 Claims

The Group's estimates for reported and unreported losses and establishing provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in statement of comprehensive income. The process is based on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Additional information is disclosed in note 15.

4 COMPARATIVE AMOUNTS

The following comparative figures have been reclassified in line with current year presentation:

Statement of comprehensive income

	Fee and Commission expense	Fee and Commission Income	Other operating income	Net insurance earnings	Net Impact
Amount as previously stated	(1 621 725)	12 357 625	1 541 657	2 937 000	-
Reclassification of insurance commission income	-	(245 626)	-	245 626	-
Reclassification of insurance commission expense	1 585 139	-	-	(1 585 139)	-
Reclassification of movements in unearned premium reserve	-	-	(207 065)	207 065	-
As restated	(36 586)	12 111 999	1 334 592	1 804 552	-

Statement of financial position

	Trade and other receivables including insurance receivables	Prepayments and other assets	Property plant and equipment	Intangible assets	Net Impact
Balance as at 31 December 2010 as previously stated	14 117 293	6 498 589	48 899 842	-	-
Reclassification of insurance receivables	3 372 657	(3 372 657)	-	-	-
Reclassification of software licenses	-	-	(1 177 919)	1 177 919	-
Balance as at 31 December 2010, as restated	17 489 950	3 125 932	47 721 923	1 177 919	-

Other comparative information which includes the comparative statement of financial position for the year ended 31 December 2009 and the related notes has not been presented as the above reclassifications only affect and impact the lines disclosed above.

5 BALANCES WITH BANKS AND CASH

	2011 US$	2010 US$
Balances with Reserve Bank of Zimbabwe ("RBZ")		
Statutory reserves	9 035 745	9 120 995
Current account balances	12 654 910	9 732 442
	21 690 655	18 853 437
Balances with other banks and cash		
Notes and coins	16 086 163	14 100 962
Other bank balances	12 582 236	36 404 524
	28 668 399	50 505 486
Balances with banks and cash	**50 359 054**	**69 358 923**
Current	50 359 054	69 358 923
Non-current	-	-
Total	**50 359 054**	**69 358 923**

Statutory reserve balances held with the Reserve Bank of Zimbabwe are not available for day to day use by the Group and are non-interest bearing.

5.1 Cash and cash equivalents

Cash and bank balances comprise balances with less than three months maturity from date of acquisition, including cash in hand, deposits held at call with other banks, other short-term liquid investments with original maturities of three months or less.

Cash and cash equivalents include the following for the purposes of the statement of cash flows;

	2011 US$	2010 US$
Balances with other banks and cash	28 668 399	50 505 486
Current account balance at RBZ	12 654 910	9 732 442
Bank overdrafts	(231 452)	-
	41 091 857	**60 237 928**

6 LOANS AND RECEIVABLES

6.1 Loans and advances to customers

	2011 US$	2010 US$
Loans and advances maturities		
Maturing within 1 year	102 743 469	78 212 446
Maturing after 1 year	22 619 684	5 444 209
Gross carrying amount	**125 363 153**	**83 656 655**
Impairment allowance	(4 030 127)	(596 359)
	121 333 026	**83 060 296**
Current	99 236 924	77 616 087
Non-current	22 096 102	5 444 209
Total	**121 333 026**	**83 060 296**

Reconciliation of allowance by nature of advance	Residential loans mortgages US$	Other personal lendings US$	Wholesale and corporate loans US$	Total US$
As at 1 January 2011	-	101 799	494 561	596 360
Charge for the year	175 337	749 683	2 508 747	3 433 767
Net allowance	-	-	-	-
Increase in impairment allowances	175 337	749 683	2 508 747	3 433 767
Income received from claims previously written off	-	-	-	-
Amount written off during the year and uncollectable	-	-	-	-
As at 31 December 2011	175 337	851 482	3 003 308	4 030 127

The specific allowance is arrived at after discounting the expected cashflows either from repayment or realisation of registered bond values of security held. The collective allowance has been determined using the risk profiles given the limitations encountered in estimating the Group's historical loss experience.

6 LOANS AND RECEIVABLES (continued)

6.2 Trade and other receivables

	2011 US$	2010 US$
Retail trade receivables	16 116 973	9 163 196
Insurance receivables		
- Due by insurance companies	3 124 743	4 026 720
- Due by reinsurers	252 512	1 830 119
- Due by retrocessionaires	4 004 276	3 372 657
Gross carrying amount	**23 498 504**	**18 392 692**
Impairment allowance	(324 795)	(902 742)
	23 173 709	**17 489 950**
Current	23 173 709	17 489 950
Non-current	-	-
Total	**23 173 709**	**17 489 950**

The maturity analysis of loans and receivables is based on contractual maturity from year end. Assets with a value of US$27 686 056 (2010 - US$14 287 000) were pledged as collateral on deposits from customers.

6.3 Irrevocable commitments

There are no irrevocable commitments to extend credit, which can expose the Group to penalties or disproportionate expense.

6.4 Allowance for impairment

	Loans and advances	Trade and other receivables	Total
Balance as at 1 January 2010	149 269	1 003 550	1 152 819
Impairment allowance through statement of comprehensive income	447 091	206 741	653 832
Reversal of impairment	-	(307 550)	(307 550)
Amounts written off during the year as uncollectible	-	-	-
Balance as at 31 December 2010	**596 360**	**902 741**	**1 499 101**
Balance as at 1 January 2011	**596 360**	**902 741**	**1 499 101**
Impairment allowance through statement of comprehensive income	3 433 767	283 377	3 717 144
Reversal of impairment	-	(78 756)	(78 756)
Amounts written off during the year as uncollectible	-	(782 567)	(782 567)
Balance as at 31 December 2011	**4 030 127**	**324 795**	**4 354 922**

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
Listed securities at market value	**2 123 239**	**1 950 405**
Current	2 123 239	1 950 405
Non-current	-	-
Total	**2 123 239**	**1 950 405**

8 INVENTORY

	2011	2010
Consumables	1 439 729	1 224 609
Raw materials	6 443 529	3 405 345
Work in progress	2 349 729	2 067 441
Finished goods	7 057 886	3 546 352
	17 290 873	**10 243 747**

Included in work in progress is US$ 2 280 192 (2010; US$ 2 067 441) relating to residential properties for sale which are under construction. The cost of inventory recognized as an expense and included in the cost of sales amounted to US$25 671 283 (2010: US$16 144 116).

9 PREPAYMENTS AND OTHER ASSETS

	2011 US$	2010 US$
Prepayments	1 011 507	799 270
Deferred acquisition costs	695 756	322 325
Recoveries	458 912	-
Commission receivable	1 551 695	-
Other	1 990 903	2 004 337
	5 708 773	**3 125 932**
Current	5 708 773	3 125 932
Non-current	-	-
Total	**5 708 773**	**3 125 932**

10 INVESTMENT PROPERTY

	2011 US$	2010 US$
Balance as at 1 January	610 000	575 000
Fair value adjustment	55 000	35 000
Additions	-	-
Transfer to property, plant and equipment	(640 000)	-
Balance as at 31 December	**25 000**	**610 000**
Current	-	-
Non-current	25 000	610 000
Total	**25 000**	**610 000**

Investment property comprises of the following;

	2011 US$	2010 US$
Commercial		
FBC House, Masvingo Branch	-	580 000
Residential		
House, Victoria Falls	25 000	30 000
Total	**25 000**	**610 000**

The fair value of the investment property as at 31 December 2011 has been arrived at on the basis of a valuation carried out by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued using the open market value method. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. No liabilities are guaranteed by investment property.

Included in other operating income is rental income of US$ 66 933 (2010: US$ 47 041) relating to investment property held by the Group.

11 INTANGIBLE ASSETS

	Software US$
Year ended 31 December 2010	
Opening net book amount	1 557 926
Additions	-
Armotisation charge	(380 007)
Closing net book amount	1 177 919
As at 31 December 2010	
Cost or valuatoin	1 918 823
Accumulated armotisation	(740 904)
Net book amount	**1 177 919**
Year ended 31 December 2011	
Opening net book amount	1 177 919
Additions	708 914
Armotisation charge	(468 042)
Closing net book amount	1 418 791
As at 31 December 2011	
Cost or valuation	2 627 737
Accumulated armotisation	(1 208 946)
Net book amount	**1 418 791**

12 PROPERTY AND EQUIPMENT

	Freehold premises US$	Plant and Machinery US$	Computer equipment US$	Furniture and Office equipment US$	Motor vehicles US$	Total US$
Year ended 31 December 2010						
Opening net book amount	22 203 999	16 971 533	496 717	1 722 895	1 876 705	43 271 849
Additions	14 630	258 729	1 078 964	1 291 193	471 379	3 114 895
Acquisition of subsidiary at cost	-	3 790 834	-	-	-	3 790 834
Revaluation of property	469 685	-	-	-	-	469 685
Impairment loss	-	-	-	-	(251 551)	(251 551)
Disposals	-	-	-	-	(13 745)	(13 745)
Depreciation	(485 715)	(1 175 990)	(277 283)	(296 317)	(424 739)	(2 660 044)
Closing net book amount	22 202 599	19 845 106	1 298 398	2 717 771	1 658 049	47 721 923
As at 31 December 2010						
Cost or valuation	23 152 588	21 164 091	1 792 437	3 284 698	3 132 760	52 526 574
Accumulated depreciation	(949 989)	(1 318 985)	(494 039)	(566 927)	(1 223 160)	(4 553 100)
Accumulated impairment	-	-	-	-	(251 551)	(251 551)
Net book amount	**22 202 599**	**19 845 106**	**1 298 398**	**2 717 771**	**1 658 049**	**47 721 923**
Year ended 31 December 2011						
Opening net book amount	22 202 599	19 845 106	1 298 398	2 717 771	1 658 049	47 721 923
Additions	49 552	4 302 666	374 981	590 732	102 150	5 420 081
Acquisition of subsidiary	2 393 928	-	38 401	29 396	90 139	2 551 864
Transfer from investment property	640 000	-	-	-	-	640 000
Capital work in progress	-	-	-	-	-	-
Revaluation of property	3 844 017	-	-	-	-	3 844 017
Disposals	-	-	-	(9 388)	(76 481)	(85 869)
Impairment	(54 548)	-	-	-	-	(54 548)
Depreciation	(530 311)	(1 389 455)	(437 332)	(354 728)	(457 477)	(3 169 303)
Closing net book amount	28 545 237	22 758 317	1 274 448	2 973 783	1 316 380	56 868 165
As at 31 December 2011						
Cost or valuation	30 080 085	25 466 757	2 205 819	3 895 438	3 248 568	64 896 667
Accumulated depreciation	(1 480 300)	(2 708 440)	(931 371)	(921 655)	(1 680 637)	(7 722 403)
Accumulated impairment	(54 548)	-	-	-	(251 551)	(306 099)
Net book amount	**28 545 237**	**22 758 317**	**1 274 448**	**2 973 783**	**1 316 380**	**56 868 165**

The Group's land and buildings were revalued as at 31 December 2011 by independent valuers. Valuations were made on the basis of open market values. The revaluation gain net of deferred income taxes was credited to the revaluation reserve in the shareholders' equity. The revaluation loss on other land and buildings has been recognized as an impairment loss in the statement of comprehensive income. Other items of property, plant and equipment were also tested for impairment on the same date by comparing amounts to open market values determined by independent valuers. No items were considered impaired.

If land and buildings were stated on historical cost basis, the amount would be as follows;

	2011 US$	2010 US$
Cost	25 574 687	22 491 207
Accumulated depreciation	(1 480 300)	(949 989)
Net book amount	**24 094 387**	**21 541 218**

13.1 DEPOSITS FROM CUSTOMERS

	2011 US$	2010 US$
Demand deposits	59 564 521	71 217 033
Promissory notes	1 532 925	37 240 361
Other time deposits	9 692 845	1 590 211
	70 790 291	**110 047 605**
Current	70 790 291	110 047 605
Non-current	-	-
Total	**70 790 291**	**110 047 605**

13.2 DEPOSITS FROM OTHER BANKS

	2011 US$	2010 US$
Money market deposits	54 114 334	9 490 499
Other	-	-
	54 114 334	**9 490 499**
Current	54 114 334	9 490 499
Non-current	-	
Total	**54 114 334**	**9 490 499**

Deposits are classified as financial liabilities at amortised cost. Deposits due to customers primarily comprise of amounts payable on demand.

13.3 Deposit concentration

	2011 US$	%	2010 US$	%
Agriculture	2 427 028	2%	909 544	1%
Construction	1 923 578	2%	719 604	1%
Wholesale and retail trade	10 975 722	9%	34 617 509	28%
Public sector	19 335 840	16%	25 271 085	21%
Manufacturing	1 735 285	1%	1 965 936	2%
Telecommunication	546 209	0%	824 435	1%
Transport	7 134 496	6%	159 778	0%
Individuals	18 220 129	15%	30 539 864	26%
Financial services	54 114 334	43%	9 490 499	8%
Mining	3 051 222	2%	14 774 365	12%
Other	5 440 782	4%	265 485	0%
	124 904 625	**100%**	**119 538 104**	**100%**

14 BORROWINGS

	2011 US$	2010 US$
Bank borrowings	27 476 866	22 382 911
Foreign lines of credit	9 027 760	-
	36 504 626	**22 382 911**
Current	29 143 532	19 539 920
Non-current	7 361 094	2 842 991
Total	**36 504 626**	**22 382 911**

These loans are analysed as follows:

Eastern and Southern African Trade and Development Bank (“PTA Bank”) – US$5 000 000 to be repaid in 180 days from the date of signing the loan agreement and the interest rate per annum 9.54% per annum. The loan is unsecured.

Eastern and Southern African Trade and Development Bank (“PTA Bank”) - US$5 000 000 to be repaid biannually over three years. The effective interest rate is 11.84% and the line of credit is secured by a Notarial General Covering Bond of US$7.5 million and FBC Holdings Limited Guarantee of US$5 million.

Kingdom Bank Limited - US$2 million overdraft facility to the Manufacturing subsidiary that is unsecured. Interest is payable at the rate of 19% per annum.

Eastern and Southern African Trade and Development Bank (“PTA Bank”) - US$5 million to be repaid in 36 months from the date of signing the loan agreement and the interest rate per annum is LIBOR plus 4% per annum. The loan is secured by a guarantee from FBC Bank Limited.

African Export-Import Bank – US$15 183 932 be repaid in 365 days from the date of signing the loan agreement and the interest rate per annum is 6.29%.

BancABC - US$4 205 488 unsecured global facility to the Manufacturing subsidiary with a maturity date of 31 July 2012. Interest rate per annum is 6.29%.

The carrying amount of the Group borrowings are denominated in US$.

15 INSURANCE LIABILITIES

	2011 US$	2010 US$
Gross outstanding claims	5 918 568	4 320 780
Provision for unearned premium	2 461 840	1 060 798
	8 380 408	**5 381 578**
Current	8 380 408	5 381 578
Non-current	-	-
Total	**8 380 408**	**5 381 578**

Gross outstanding claims includes incurred but not reported losses and is provided for at 7% (2010: 7%) of net premium written for the reinsurance subsidiary and 5% (2010: 5%) of net written premium for the insurance subsidiary. The 7% and 5% were arrived at after consideration of past experiences.

15.1 Gross outstanding claims

	2011 US$	2010 US$
Gross outstanding claims at the beginning of the year	4 320 780	2 584 700
Reinsurer's share of technical provisions	(3 372 657)	(1 349 332)
Net outstanding claims at the beginning of the year	948 123	1 235 368
Acquisition of subsidiary	389 864	-
Change in provision for claims	554 201	(287 245)
Reinsurer's share of technical provisions at the end of the year	4 026 380	3 372 657
Gross outstanding claims at the end of the year	**5 918 568**	**4 320 780**

15.2 Provision for unearned premium

	2011 US$	2010 US$
Balance at the beginning of the year	1 060 798	959 805
Acquisition of subsidiary	809 205	-
Change in provision for unearned premium	591 837	100 993
Balance at end of the year	**2 461 840**	**1 060 798**

Unearned premium on facultative business is computed based on outstanding days to policy end date, and the 1/8th method is applied to treaty business.

16 TRADE AND OTHER PAYABLES

	2011 US$	2010 US$
Trade and other payables	19 924 015	14 913 311
Deferred income	1 739 934	-
Other liabilities	202 436	-
	21 866 385	**14 913 311**
Current	21 866 385	14 913 311
Non-current	-	-
Total	**21 866 385**	**14 913 311**

17 DEFERRED INCOME TAX ASSET AND LIABILITY

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority.

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25.75%, (2010:25.75%)

The movement on the deferred income tax account is as follows:

	2011 US$	2010 US$
As at 1 January	8 842 314	8 342 008
On acquisition of subsidiary	(173 118)	-
Statement of comprehensive income charge (note 32)	(1 801 147)	418 827
Tax charge relating to revaluation of property, plant and equipment	714 285	81 479
As at 31 December	**7 582 334**	**8 842 314**

17 DEFERRED INCOME TAX ASSET AND LIABILITY (continued)

17.1 Analysis of charge in the statement of comprehensive income

The deferred income tax charge in the statement of comprehensive income comprises the following temporary differences:

	2011 US$	2010 US$
Accelerated tax depreciation	72 321	665 865
Allowances for impairments	(817 804)	(114 321)
Other provisions	(339 685)	(19 548)
Unrealised gains and losses	(314 939)	-
Other temporary difference	-	236 132
Assesseable tax losses	(401 040)	(349 301)
Total	**(1 801 147)**	**418 827**

17.2 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are attributable to the following items:

	2011 US$	2010 US$
Allowance for loan impairment	(1 190 396)	(368 018)
Property, plant and equipment allowances	8 981 027	8 751 605
Unrealised gains on foreign exchange and equities	972 545	1 185 304
Accrual for leave pay	(23 497)	(23 496)
Deferred acquisition costs	169 493	82 999
Unearned premium reserve	(643 369)	(273 155)
Prepayments	76 831	76 187
Assesseable tax loss	(401 040)	(349 301)
Net outstanding claims	(359 260)	(239 811)
	7 582 334	**8 842 314**

17.3 Timing of reversal temporary differences

	2011 US$	2010 US$
Deferred income tax assets		
- Deferred income tax asset to be recovered after more than 12 months	517 353	774 968
- Deferred income tax asset to be recovered within 12 months	774 727	42 107
Total	**1 292 080**	**817 075**
Deferred income tax liabilities		
- Deferred income tax liability to be recovered after more than 12 months	7 859 335	9 267 954
- Deferred income tax liability to be recovered within 12 months	1 015 079	391 435
Total	**8 874 414**	**9 659 389**
Net deferred income tax	**7 582 334**	**8 842 314**

The deferred income tax arising from property and equipment allowances has been determined using income tax values that the Group has ascertained with the aid of guidance issued by the Zimbabwe Revenue Authority ("ZIMRA"). The Group is awaiting ZIMRA's approval for these income tax values following its submissions.

18 SHARE CAPITAL AND SHARE PREMIUM

	2011 US$	2010 US$
18.1 Authorised		
Number of ordinary shares	800 000 000	800 000 000
Par value of shares (US$)	0.00001	0.00001
18.2 Issued and fully paid		
Number of ordinary shares	591 850 127	590 738 106

18.3 Share capital movement

	Number of Shares	Share Capital US$	Share Premium US$	Total US$
As at 1 January 2010	362 401 016	-	-	-
Redenomination	-	3 624	-	3 624
Share option exercised	15 000	-	-	-
Rights issue	228 322 090	2 283	7 988 990	7 991 273
Rights issue expense	-	-	(313 000)	(313 000)
As at 31 December 2010	590 738 106	5 907	7 675 990	7 681 897
Share option exercised	1 112 021	11	-	11
As at 31 December 2011	**591 850 127**	**5 918**	**7 675 990**	**7 681 908**

The unissued share capital is under the control of the directors subject to the restrictions imposed by the Zimbabwe Companies Act (Chapter 24:03), Zimbabwe Stock Exchange Listing requirements and the Articles and Memorandum of Association of the Company.

19 OTHER RESERVES

	2011 US$	2010 US$
Share option reserves	110 716	82 926
Revaluation reserves	3 191 743	1 099 074
Non distributable reserves	33 659 224	33 659 224
Regulatory reserves	690 650	709 223
Treasury shares reserves	(2 686 644)	(1 124 059)
Changes in ownership	(214 766)	8 358
	34 750 923	**34 434 746**

20 INVESTMENT IN SUBSIDIARIES

20.1 Investment in subsidiaries

	Equity interest 2011	Equity interest 2010	2011 US$	2010 US$
FBC Bank Limited	100%	100%	25 924 911	25 924 911
FBC Building Society	60%	60%	6 588 801	6 588 801
FBC Reinsurance Limited	100%	100%	5 995 330	5 995 330
FBC Securities (Private) Limited	100%	100%	349 573	349 573
Turnall Holdings Limited	58%	58%	13 123 357	13 123 357
Eagle Insurance Company (Private) Limited	95%	-	1 126 986	-
Microplan Financial Services (Private) Limited	100%	-	5 000	-
			53 113 958	**51 981 972**

20.2 Movement analysis - investment in subsidiaries

	US$
Balance as at 1 January 2010	34 170 028
Group restructuring	
Turnall Holdings Limited	13 123 357
Capital injection	
FBC Building Society	2 285 255
FBC Reinsurance Limited	2 203 332
FBC Securities (Private) Limited	200 000
Balance as at 31 December 2010	**51 981 972**
Acquisition	
Eagle Insurance Company Limited	1 126 986
Incorporation and capital injection	
Microplan Financial Services (Private) Limited	5 000
Balance as at 31 December 2011	**53 113 958**

21 AMOUNTS DUE FROM RELATED PARTIES

	2011 US$	2010 US$
Share option balances due from subsidiaries		
FBC Bank Limited	59 468	59 468
FBC Building Society	11 146	11 146
FBC Reinsurance Limited	12 312	12 312
	82 926	82 926
Other intercompany receivables	1 013 920	118 946
	1 096 846	**201 872**
Current	-	-
Non current	**1 096 846**	**201 872**

Amounts receivable from group companies were not considered impaired at year end.

22 JOINTLY CONTROLLED ASSET

	2011 US$	2010 US$
The Company has a share in a houseboat as a shared asset on which it participates 45%. The value stated is the value of the share held according to directors valuation performed at the end of the year.		
House boat	101 250	112 500

23 AMOUNTS DUE TO RELATED PARTIES

	2011 US$	2010 US$
Short term loan liability	7 778 613	4 823 957

The liability relates to amount payable to FBC Bank Limited by the holding Company following restructuring of Turnall Holdings Limited shareholding from the bank to the holding company in 2010. The loan attracts an interest of 10% per annum and is secured by a pledge of Turnall Holdings Limited shares.

24 OTHER RESERVES

The Company's analysis of other reserves is as follows:

	2011 US$	2010 US$
Share option reserve	110 726	82 926
Revaluation reserve	112 500	112 500
Non distributable reserve	33 546 724	33 546 724
Treasury reserves	(2 354 535)	(1 124 059)
Retained profits	7 603 686	7 172 399
	39 019 101	**39 790 490**

25.1 INTEREST INCOME

	2011 US$	2010 US$
Cash and cash equivalents	1 415 500	180 715
Loans and advances to other banks	872 231	1 541 998
Loans and advances to customers	17 332 021	7 492 935
Investment securities	6 992 698	6 324 806
Other interest income	8 990	9 441
	26 621 440	**15 549 895**

25.2 INTEREST EXPENSE

	2011 US$	2010 US$
Deposit from other banks	4 929 626	1 101 001
Demand deposits	85 579	25 452
Afreximbank and PTA Bank	2 415 038	167 568
Time deposits	5 343 570	2 806 692
	12 773 813	**4 100 713**

26.1 FEE AND COMMISSION INCOME

	2011 US$	2010 US$
Retail service fees	14 406 934	9 853 610
Credit related fees	4 035 881	1 747 101
Investment banking fees	1 483 510	210 703
Brokerage	231 298	195 082
Other	272 858	105 503
	20 430 481	**12 111 999**

26.2 FEE AND COMMISSION EXPENSE

	2011 US$	2010 US$
Brokerage	20 067	13 913
Other	-	22 673
	20 067	**36 586**

27.1 REVENUE

	2011 US$	2010 US$
Local sales	54 633 712	34 142 896
Export sales	1 658 523	714 070
	56 292 235	**34 856 966**

		2011 US$	2010 US$
27.2	**COST OF SALES**		
	Depreciation of property, plant and equipment	1 571 942	1 363 030
	Raw materials	25 671 283	14 098 146
	Staff costs	6 354 093	4 327 565
	Other	5 456 843	3 944 507
		39 054 161	**23 733 248**
28	**NET EARNED INSURANCE PREMIUM**		
	Earned premium (note 28.1)	8 741 064	4 159 402
	Incurred losses (note 28.2)	(3 108 215)	(1 015 337)
	Net commissions paid (note 28.3)	(2 138 109)	(1 339 513)
		3 494 740	**1 804 552**
28.1	**Earned premium**		
	Gross premium written	15 424 478	5 902 746
	Premium ceded to reinsurers and retrocessionaires	(6 334 763)	(1 642 351)
	Change in unearned premium reserve ("UPR")	(348 651)	(100 993)
		8 741 064	**4 159 402**
28.2	**Incurred losses**		
	Claims paid	(2 504 121)	(1 302 582)
	Change in technical provisions	(604 094)	287 245
		(3 108 215)	**(1 015 337)**
28.3	**Net commissions paid**		
	Commissions paid	(2 863 990)	(1 585 139)
	Commission received	389 982	120 558
	Change in technical provisions	335 899	125 068
		(2 138 109)	**(1 339 513)**
29	**NET GAINS FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**		
	Financial assets at fair value through profit or loss (note 7):		
	- Fair value gains/(losses)	**145 506**	**(300 838)**
30	**OTHER OPERATING INCOME**		
	Investment property fair value adjustment	55 000	35 000
	Loss on remeasurement of previously held interest in Eagle Insurance Company (Private) Limited (note 40)	(367 995)	-
	Write-off of goodwill	(4 290)	-
	Rental income	286 928	194 695
	Profit disposal of property, plant and equipment	18 349	49 511
	Property sales trading income	-	1 163 355
	Sundry income	772 322	(107 969)
		760 314	**1 334 592**
31	**OPERATING EXPENSES**		
	Administration expenses		
	- Marketing	2 154 038	570 232
	- Premises	1 600 130	1 118 071
	- Computer	1 348 108	801 120
	- Insurance	1 394 548	472 033
	- Travel	1 831 668	1 762 035
	- Security	1 349 313	719 655
	- Other administration expenses	4 831 708	689 899
	Staff costs (note 31.1)	17 837 854	21 698 658
	Directors' remuneration (note 31.2)	1 931 264	1 291 857
	Audit fees:		
	- Current year fees	413 130	493 884
	- Prior year fees	51 655	61 219
	- Other services	-	95 174
	Depreciation	1 579 361	2 673 789
	Amortisation	486 042	380 007
	Operating lease payment	679 161	521 426
		37 487 980	**33 349 059**

31 OPERATING EXPENSES (continued)

	2011 US$	2010 US$
31.1 Staff costs		
Salaries and allowances	15 730 080	17 102 184
Retrenchment cost	356 153	3 549 747
Share based payments	39 402	
Social security	296 734	221 910
Pension contribution	1 415 485	824 817
	17 837 854	**21 698 658**
31.2 Directors' remuneration		
Board fees	681 406	260 029
Other emoluments	1 249 858	1 031 828
	1 931 264	**1 291 857**
31.3 Operating leases		
Non - cancellable operating lease rentals are payable as follows:		
Up to one year	564 063	544 258
One to two years	143 831	-
	707 894	**544 258**

The Group leases some of its properties under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are reviewed in line with prevailing market conditions on an annual basis to align them to market rentals. The leases provide for additional rent payments that are based on changes in the local price index.

During the year ended 31 December 2011, US$679 161 (2010: US$521 427) was recognized as an expense in the statement of comprehensive Income.

32 INCOME TAX EXPENSE:

32.1 Charge for the year

	2011 US$	2010 US$
Current income tax on income for the reporting year	4 905 928	1 992 225
Prior year underprovision	62 548	-
Deferred income tax	(1 801 147)	418 827
Withholding tax	1 159	1 596
Income tax expense	**3 168 488**	**2 412 648**

The income tax rate applicable to the Group`s taxable income for the year ended 31 December 2011 is 25.75% (2010:25.75%).

32.2 Reconciliation of income tax expense

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the principal tax rate of 25.75% (2010:25.75%) as follows;

	2011 US$	2010 US$
Profit before income tax	**15 674 998**	**4 093 709**
Income tax charged based on profit for the year at 25.75% (2010 : 25.75%)	4 036 311	1 054 130
Tax effect of:		
Exempt income	(928 796)	(121 815)
Additional/(savings) tax resulting from permanent differences	(8 024)	1 443 944
Income subject to tax at lower rates	-	-
Associates results net of tax	-	34 793
Expenses not deductible for tax purposes	67 838	-
Withholding tax	1 159	1 596
Income tax expense	**3 168 488**	**2 412 648**
Effective rate	**20%**	**59%**

33 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its shareholders who own, directly or indirectly, 10% or more of its share capital or those shareholders who control in any manner, the election of the majority of the Directors of the Group or have the power to exercise controlling influence over the management or financial and operating policies of the Group.
The Group carried out banking and investments related transactions with various companies related to its shareholders, all of which were undertaken at arm's length terms and in compliance with the relevant banking regulations. The following is a list of related parties to the Group and transactions with them:

33 RELATED PARTY TRANSACTIONS (continued)

Key management

Name	Position
John Mushayavanhu	The Group Chief Executive
Trynos Kufazvinei	Group Finance Director
Stanley Kudenga	Managing Director (FBC Reinsurance Limited)
Webster Rusere	Managing Director (FBC Bank Limited)
Felix Gwandekwande	Managing Director (FBC Building Society)
Tichaona Mabeza	Group Company Secretary
Israel Murefu	Divisional Director Human Resources
Barnabas Vera	Divisional Director Internal Audit
Benson Gasura	Managing Director (FBC Securities (Private) Limited)
John Jere	Managing Director (Turnall Holdings Limited)

The following are companies related to directors and key management:

Arena Investments (Private) Limited (owned by FBC Holdings Limited board member)
Algorhythm (Private) Limited (owned by FBC Bank Limited board member)
Aloe Enterprises (Private) Limited (owned by FBC Holdings Limited board member)
Cotition Investments (Private) Limited (owned by FBC Bank Limited board member)
Fonrel Investments (Private) Limited (owned by FBC Holdings Limited board member)
Wedgeport Investments (Private) Limited (owned by FBC Holdings Limited board member)
Rhombus Investments (Private) Limited (owned by FBC Bank Limited board member)
Dinkrain Investments (Private) Limited (owned by FBC Bank Limited board member)
Tirent Investments (Private) Limited (owned by FBC Bank Limited board member)
Lobels Bread (Private) Limited (owned by FBC Holdings Limited board member)
Fleetwood Investments (Private) Limited (owned by FBC Holdings Limited board member)
Fonrel Investments (Private) Limited (owned by FBC Holdings Limited board member)
Rus Enterprises (Private) Limited (owned by FBC Holdings Limited board member)
Ravemix Investments (Private) Limited (owned by FBC Holdings Limited board member)
Defined Wear (PBC) (Private) Limited (owned by FBC Building Society board member)
Codchem (Private) Limited (owned by FBC Building Society board member)
Destiny Electronics (Private) Limited (owned by FBC Holdings Limited board member)
J Med Supplies (Private) Limited (owned by FBC Building Society board member)

Below are the companies related to directors and key senior management and their loan balances as at 31 December 2011.

	2011 US$	2010 US$
Arena Investments (Private) Limited	111 938	156 686
Fleetwood Investments (Private) Limited	9 003	12 000
Fonrel Investments (Private) Limited	-	11 579
J Med Supplies (Private) Limited	130 010	150 000
Lobels Bread (Private) Limited	2 394 524	1 571 570
Destiny Electronics (Private) Limited	234 551	-
Codchem (Private) Limited	30 000	-
Rus Enterprises (Private) Limited	5 325	-
Algorhythm (Private) Limited	21	-
Defined Wear (PBC) (Private) Limited	104 154	-
The above loans are all secured by tangible security.	**3 019 526**	**1 901 835**
Loans to non executive directors		
Balance as at 1 January	56 500	295 738
Advances during the year	350 260	220 000
Repayments made during the year	(143 828)	(459 238)
Balance as at 31 December	**262 932**	**56 500**
Loans to executive directors		
Balance as at 1 January	3 685 225	654 414
Advances during the year	1 221 983	3 295 095
Repayments made during the year	(2 372 891)	(264 284)
Balance as at 31 December	**2 534 317**	**3 685 225**

The loans advanced to directors and officers of the Group, along with other loans have been subjected to impairment procedures with the impairment losses being recognized in the statement of comprehensive income. Allowance for impairment of US$ 884 350 is provided against loans from related parties (2010 :US$ 257 739)

33 RELATED PARTY TRANSACTIONS (CONTINUED)

	2011 US$	2010 US$
Compensation for key management		
Short term employee benefits	2 727 272	2 422 734
Post- employment benefits	273 806	483 997
Termination benefits	2 023 267	-
	5 024 345	**2 906 731**
Income from key management personnnel		
Income from loans advances to companies related to key personnel management .	**245 146**	**121 082**

Group entities	Equity interest 2011	Equity interest 2010
FBC Bank Limited	100%	100%
FBC Building Society	60%	60%
FBC Reinsurance Limited	100%	100%
FBC Securities (Private) Limited	100%	100%
Turnall Holdings Limited	58%	58%
Microplan Financial Services (Private) Limited	100%	100%
Eagle Insurance Company (Private) Limited	95%	23%

Other related party transactions
Other related party transactions include contributions to FBC Holdings Limited Pension Fund, a self administered post employment benefit fund.

34 POST EMPLOYMENT BENEFITS

	2011 US$	2010 US$
Contributions made during the year are as follows:		
Self administered pension fund	1 415 845	824 817
National Social Security Authority ("NSSA") Scheme	296 845	221 910
	1 712 690	**1 046 727**

The Group operates a defined contribution pension scheme whose assets are held independently of the Group's assets in separate trustee administered funds. All permanent employees are members of this fund.

The NSSA Scheme was promulgated under the National Social Security Authority Act (Chapter 17:04). The Group contributions under the scheme are limited to specific contributions as legislated from time to time and are presently 3% of pensionable salary to a maximum as set from time to time.

35 CAPITAL COMMITMENTS

	2011	2010
Capital expenditure authorised but not yet contracted	7 845 445	5 522 100

Capital commitments will be funded from the Group's own resources

36 CONTIGENT LIABILITIES

	2011	2010
Guarantees and letters of credit	7 859 645	21 115 962

The contingent liabilities relate to the business and letters of credit for the grain and oil facilities undertaken on behalf of the Central Bank. For the aforementioned contigent liabilities, the Group has no indication of the timing of any outflow "if any" on guarantees extended.

37 BORROWING POWERS

The directors may exercise all the powers of the Group to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, stock and other securities whether outright or as security for any debt, liability or obligation of the Group or of any third party.

	2011 US$	2010 US$
38 EMPLOYMENT STATISTICS		
Average number of employees for the year	975	916

The Group's subsidiaries with the exception of the manufacturing company undertook a retrenchment exercise during 2010. The retrenchment resulted in an approximately 30% reduction in headcount for the subsidiaries concerned.

39 EARNINGS PER SHARE

39.1 Basic earnings per share

	2011 US$	2010 US$
Profit attributable to equity holders	9 705 377	67 346

Weighted average number of ordinary shares — **31 December 2011**

	Shares issued	Treasury shares	Shares outstanding	Weighted
Issued ordinary shares as at 1 January 2011	590 738 106	29 890 706	560 847 400	560 847 400
Share options exercised	1 112 021	-	1 112 021	648 679
Treasury shares purchased	-	28 116 543	(28 116 543)	(16 401 317)
Weighted average number of ordinary shares as at 31 December	**591 850 127**	**58 007 249**	**533 842 878**	**545 094 762**
Basic earnings per share for the year ended 31 December 2011 (US cents)				**1.78**

Weighted average number of ordinary shares — **31 December 2010**

	Shares issued	Treasury shares	Shares outstanding	Weighted
Issued ordinary shares as at 1 January 2010	362 401 016	-	362 401 016	362 401 016
Share options exercised	15 000	-	15 000	15 000
Treasury shares	-	29 890 706	(29 890 706)	(17 186 321)
Rights issue	228 322 090	-	228 322 090	131 278 827
Weighted average number of ordinary shares as at 31 December	**590 738 106**	**29 890 706**	**560 847 400**	**476 508 522**
Basic earnings per share for the year ended 31 December 2010 (US cents)				**0.01**

39.2 Diluted earnings per share

Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only share options as dilutive ordinaryshares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares based on the monetary value of the subscriptionrights attached to outstanding share options). The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011 US$	2010 US$
Profit attributable to equity holders	9 705 377	67 346
Weighted average number of ordinary shares		
Weighted average number of ordinary shares at 31 December	545 094 762	476 508 522
Effect of share options	-	1 112 021
Diluted weighted average number of ordinary shares at 31 December	**545 094 762**	**477 620 543**
Diluted earnings per share (US cents)	**1.78**	**0.01**

40 BUSINESS COMBINATION

On 31 March 2011, the Group acquired a 49.29% stake in Eagle Insurance Company (Private) Limited, a previously held associate at 23.06% bringing their total shareholding to 72.35% and thus obtaining control of the Eagle Insurance Company (Private) Limited, a provider of insurance services within Zimbabwe. As a result of this acquisition, the Group is strategically positioned along the entire insurance value chain and expects to maximise shareholder value.

The following table summarises the consideration paid for Eagle Insurance Company (Private) Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	US$
Consideration as at 31 March 2011	
Cash total consideration transferred	650 000
Fair value of equity interest in Eagle Insurance Company (Private) Limited held before the business combination	302 091
Total consideration	**952 091**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	80 141
Property, plant and equipment	2 551 864
Financial assets at fair value through profit or loss	217 324
Trade and other receivables	918 427
Reinsurers' share of outstanding claims	54 244
Provision for unearned commission reserve	152 146
Trade and other payables	(762 800)
Gross outstanding claims	(384 877)
Provision for unearned premium reserve	(1 052 391)
Short term borrowings	(672 835)
Deferred income tax asset	208 779
Total identifiable net assets	**1 310 022**
Non-controlling interest	(362 221)
Goodwill	4 290
Consideration	**952 091**

Acquisition-related costs of US$50,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2011.

The non-controlling interest in Eagle Insurance Company (Private) Limited was measured as the proportionate share of net assets at acquisition. The Group recognised a loss of US$367 995 as a result of measuring at fair value its 23.06% equity interest in Eagle Insurance Company (Private) Limited held before the business combination. The loss is included in other income in the Group's statement of comprehensive income for the year ended 31 December 2011. The net earned insurance premium included in the consolidated statement of comprehensive income since 1 April 2011 contributed by Eagle Insurance Company (Private) Limited was US$ 1 537 637. Eagle Insurance Company (Private) Limited also contributed profit of US$ 424 790 over the same period.

Had Eagle Insurance Company (Private) Limited been consolidated from 1 January 2011, the consolidated statement of income would show net earned insurance premium of US$ 1 846 052 and profit of US$ 230 860.

The Group recognisesd a share of loss in associate of US$ 32 938 relating to the period 1 January 2011 to 31 march 2011, before control was obtained.

For the purposes of the statement of cash flows, cash outflow from acquisition of the subsidiary is as follows:

	US$
Cash total consideration transferred	650 000
Cash and cash equivalents acquired	(80 141)
Acquisition of subsidiary net of cash acquired	**569 859**

41 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in a subsidiary
On 29 April 2011, the Company acquired an additional 23.05% of the issued shares of Eagle Insurance Company (Private) Limited for a purchase consideration of US$ 476 986. The Group now holds 95.4% of the equity share capital of Eagle Insurance Company (Private) Limited. The carrying amount of the non-controlling interests in Eagle Insurance Company (Private) Limited on the date of acquisition was US$ 304 504. The Group derecognised non-controlling interests of US$ 253 862 and recorded a decrease in equity attributable to owners of the parent of US$ 223 124. The effect of changes in the ownership interest of Eagle Insurance Company (Private) Limited on the equity attributable to owners of the Company during the year is summarised as follows:

	2011 US$	2010 US$
Carrying amount of non-controlling interests acquired	253 862	-
Consideration paid to non-controlling interests	(476 986)	-
Excess of consideration paid recognised in parent's equity	**(223 124)**	**-**

42 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Settlement risk
(d) Interest rate risk
(e) Currency risk
(f) Operating risk

The Group seeks to control these risks by diversifying its exposures and activities among products, clients, and by limiting its positions in various instruments and investments.

42.1 Credit risk

Credit risk for lending, trading and investment activities and products represent the possibility of loss to the Group if a debtor fails to meet punctually the financial commitments stemming from a credit agreement. Credit risk and exposure to loss are inherent parts of the Group business.

The Board Credit Committee periodically reviews and approves the Group's policies and procedures to define, measure and monitor the credit and settlement risks arising from the Group's activities. Limits are established to control these risks. Any facility exceeding established limits of the Subsidiary Management Credit Committee must be approved by the Board Credit Committee.

The Management Credit Committee evaluates the credit exposures and assures ongoing credit quality by reviewing individual credit and concentration and monitoring of corrective action.

The Banking and Microlending subsidiaries' Credit Departments periodically prepare detailed reports on the quality of the customers for review by the Board Loans Review Committees and assess the adequacy of the impairment allowance. Any loan or portion thereof which is classified as a 'loss' is written off. To maintain an adequate allowance for credit losses, the Group generally provides for a loan or a portion thereof, when a loss is probable.

42.1.1 Exposure to credit risk

	2011 US$	2010 US$
Loans and advances		
Past due and impaired		
Grade C: Impaired	7 167 209	2 459 951
Grade D: Impaired	1 679 551	396 518
Grade E: Impaired	965 261	17 955
Gross amount, past due and impaired	9 812 021	2 874 424
Allowance for impairment	(2 895 075)	(596 359)
Carrying amount, past due and impaired	6 916 946	2 278 065
Past due but not impaired		
Grade B:	7 214 601	1 230 445
Niether past due nor impaired		
Grade A:	108 336 531	79 551 786
Gross amount, not impaired	115 551 132	80 782 231
Allowance for impairment	(1 135 052)	-
Carrying amount, not impaired	114 416 080	80 782 231
Total carrying amount	**121 333 026**	**83 060 296**

Loans and advances neither past due nor impaired
Loans and advances neither past due nor impaired and which are not part of renegotiated loans are considered to be A grade. Past due loans and advances are those whose repayments (capital and interests) are outstanding for more than 30 days.

Loans and advances past due but not impaired
Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross installments of amounts of loans and advances to customers by class that were past due but not impaired were as follows;

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (continued)

	Personal loans US$	Corporate loans US$	Mortgages US$	Total US$
As at 31 December 2011				
Past due up to 1 month	1 030 535	-	969 582	2 000 117
Past due 1-3 months	402 530	4 344 779	467 175	5 214 484
Past due 3-6 months	-	-	-	-
Past due 6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	**1 433 065**	**4 344 779**	**1 436 757**	**7 214 601**
Fair value of collateral	**800 000**	**6 444 733**	**1 393 750**	**8 638 483**
Amount of (under)/over collateralisation	(633 065)	2 099 954	(43 007)	1 423 882
As at 31 December 2010				
Past due up to 1 month	-	1 609	-	1 609
Past due 1-3 months	47 494	-	-	47 494
Past due 3-6 months	-	-	-	-
Past due 6-12 months	-	1 181 342	-	1 181 342
Over 12 months	-	-	-	-
Total	**47 494**	**1 182 951**	**-**	**1 230 445**
Fair value of collateral	**50 000**	**2 900 000**	**-**	**2 950 000**
Amount of under collateralisation	2 506	1 717 049	-	1 719 555

Loans and advances past due and impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is US$7 241 032 (2010: $US 2 874 424) The breakdown of the fair value of related collateral held by the Group as security, are as follows;

As at 31 December 2011	Personal loans US$	Corporate loans US$	Total US$
Gross carrying amount	2 175 537	7 636 484	9 812 021
Less allowance for impairment	(575 562)	(2 319 513)	(2 895 075)
Net carrying amount	**1 599 975**	**5 316 971**	**6 916 946**
Fair value of collateral	**981 418**	**5 422 195**	**6 403 613**
As at 31 December 2010			
Gross carrying amount	661 247	2 213 177	2 874 424
Less allowance for impairment	(63 984)	(532 375)	(596 359)
Net carrying amount	**597 263**	**1 680 802**	**2 278 065**
Fair value of collateral	**638 310**	**2 510 964**	**3 149 274**

Loans and advances renegotiated
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These loans are kept under continuous review. In the majority of cases, restructuring results in the asset continuing to be impaired:

	2011 US$	2010 US$
Renegotiated loans and advances to customers		
- Continuing to be impaired after restructuring	-	-
- Non-impaired after restructuring – would otherwise have been impaired	-	-
- Non-impaired after restructuring – would otherwise not have been impaired	-	-
Total	**-**	**-**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (continued)

Repossessed collateral
During the year ended 31 December 2011 the Group did not repossess any collateral (2010 - US$ nil)

Sectorial analysis of utilizations of loans and advances to customers
(net of impairment allowances)

	2011 US$	2011 %	2010 US$	2010 %
Mining	6 874 711	6%	8 385 588	10%
Manufacturing	27 260 955	22%	14 773 098	18%
Mortgage	7 094 052	6%	4 012 329	5%
Wholesale	12 641 786	11%	12 615 553	15%
Distribution	-	0%	-	0%
Individuals	31 883 909	26%	15 080 842	18%
Agriculture	13 087 043	11%	4 783 254	6%
Communication	1 335 104	1%	3 986 640	5%
Construction	4 935 627	4%	528 239	1%
Local Authorities	7 152 689	6%	1 701 259	2%
Other services	9 067 150	7%	17 193 494	20%
	121 333 026	**100%**	**83 060 296**	**100%**

Analysis of credit quality by sector - loans and advances to customers after impairment

As at 31 December 2011

Sector	Grade A US$	Grade B US$	Grade C US$	Grade D US$	Grade E US$	Total US$
Manufacturing	22 305 091	2 012 156	2 842 865	100 843	-	27 260 955
Wholesale	10 056 995	566 015	480 483	1 259 296	278 997	12 641 786
Individuals	28 246 573	2 509 209	747 675	231 190	149 262	31 883 909
Mortgage	5 444 831	1 379 441	98 703	53 577	117 500	7 094 052
Agriculture	12 868 437	24 481	125 787	-	68 338	13 087 043
Other services	8 494 873	427 412	138 650	5 889	326	9 067 150
Construction	4 877 687	43 134	303	-	14 503	4 935 627
Communication	1 132 696	110	139	-	202 159	1 335 104
Local Authorities	7 152 228	-	461	-	-	7 152 689
Mining	6 874 711	-	-	-	-	6 874 711
	107 454 122	**6 961 958**	**4 435 066**	**1 650 795**	**831 085**	**121 333 026**
Percentage of total loans	**89%**	**6%**	**3%**	**1%**	**1%**	**100%**

As at 31 December 2010

Sector	Grade A US$	Grade B US$	Grade C US$	Grade D US$	Grade E US$	Total US$
Manufacturing	12 475 945	103 908	1 809 772	365 518	17 955	14 773 098
Wholesale	12 615 553	-	-	-	-	12 615 553
Individuals	14 896 611	136 737	47 029	465	-	15 080 842
Mortgage	3 406 877	427 064	178 388	-	-	4 012 329
Agriculture	3 939 150	562 736	281 368	-	-	4 783 254
Other services	17 193 494	-	-	-	-	17 193 494
Construction	528 239	-	-	-	-	528 239
Communication	3 986 640	-	-	-	-	3 986 640
Local Authorities	1 701 259	-	-	-	-	1 701 259
Mining	8 385 588	-	-	-	-	8 385 588
	79 129 356	**1 230 445**	**2 316 557**	**365 983**	**17 955**	**83 060 296**
Percentage of total loans	**95%**	**2%**	**3%**	**0%**	**0%**	**100%**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (continued)

Reconciliation of allowance for impairment for loans and advances

Allowances for impairment	31 December 2011 Specific allowance US$	Collective allowance US$	Total US$	31 December 2010 Specific allowance US$	Collective allowance US$	Total US$
Balance at 1 January	361 908	234 451	596 359	149 430	-	149 430
Increase in impairment allowance	2 533 167	900 601	3 433 768	212 478	234 451	446 929
Income received on claims previously written off	-	-	-	-	-	-
Loans written off	-	-	-	-	-	-
	2 895 075	**1 135 052**	**4 030 127**	**361 908**	**234 451**	**596 359**

Trade and other receivables including insurance receivables	2011 US$	2010 US$
Past due and impaired	4 019 681	-
Allowance for impairment	(324 795)	-
Carrying amount, past due and impaired	3 694 886	-
Past due but not impaired	2 382 719	1 126 445
Neither past due nor impaired	17 096 104	17 266 247
Gross amount, not impaired	19 478 823	18 392 692
Allowance for impairment	-	(902 742)
Carrying amount, not impaired	19 478 823	17 489 950
Total carrying amount	**23 173 709**	**17 489 950**

As at 31 December 2011, trade receivables amount to US$ 2 382 719 (2010 : US$1 126 445) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011 US$	2010 US$
Up to 3 months	2 382 719	1 126 445
3 to 6 months	-	-
6 - 12 months	-	-
	2 382 719	**1 126 445**

As at 31 December 2011, trade receivables amounting to US$4 019 681 (2010: US$nil) were impaired. The amount of the allowance was US$324 795 as at 31 December 2011 (2010:US$nil) The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2011 US$	2010 US$
3 to 6 months	-	-
Over 6 months	4 019 681	-
	4 019 681	**-**

Reconciliation of the allowance for impairment of trade receivables including insurance receivables

	2011 US$	2010 US$
Allowances for impairment		
Balance as at 1 January	902 742	1 003 550
Allowance for receivables impairment	283 376	206 903
Receivables written off during the year as uncollectible	(782 567)	-
Unused amounts reversed	(78 756)	(307 711)
Balance as at 31 December	**324 795**	**902 742**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancement
Credit risk exposures relating to on-balance sheet assets are as follows;

	2011 US$	2010 US$
Loans and advances to customers;		
- Individuals	52 240 341	19 194 970
- Corporates	73 122 812	64 461 868
	125 363 153	83 656 838
Trade and other receivables including insurance receivables	23 498 504	18 392 692
Balances with other banks and cash	50 359 054	69 358 923
Total on balance sheet	**199 220 711**	**171 408 453**
Off balance sheet credit exposure		
- Financial guarantees and letters of credit	7 859 645	21 115 962
- Loan committements	-	-
Total off balance sheet credit exposure	7 859 645	21 115 962
Total credit exposure	**207 080 356**	**192 524 415**

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2011, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Write-off policy
The Group writes off a loan / trade debtor / security balance (and any related allowances for impairment losses) when Group Credit Management Committee determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write off decisions are generally based on a product specific past due status.

42.2 Liquidity risk

Liquidity risk is the risk of not being able to generate sufficient cash to meet financial commitments to extend credit, meet deposit maturities and other unexpected demands for cash. Liquidity risk arises when assets and liabilities have differing maturities.

Management of liquidity risk
The liquidity risk is managed by the Management Assets and Liabilities Committee ("ALCO") which reviews the Group's liquidity profile by monitoring the difference in maturities between assets and liabilities and analysing the future level of funds required based on various assumptions, including its ability to liquidate investments, participating in money markets and ac-commodation by the Reserve Bank of Zimbabwe. The Group also manages this risk by diversifying its deposits looking for stable deposits and keeping short-term assets.

Contractual maturity analysis **On balance sheet items as at 31 December 2011**	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	70 425 718	364 574	-	70 790 292
Deposits from banks	54 114 334	-	-	54 114 334
Borrowings	833 333	23 847 961	11 823 331	36 504 625
Insurance liabilities	-	8 380 408	-	8 380 408
Trade and other liabilities	-	21 866 385	-	21 866 385
Total liabilities - (contractual maturity)	125 373 385	54 459 328	11 823 331	191 656 044
Assets held for managing liquidity risk (contractual maturity dates)	124 340 340	38 266 456	25 866 838	188 473 634
Liquidity gap	(1 033 045)	(16 192 872)	14 043 507	(3 182 410)
Cumulative liquidity gap - on balance sheet	(1 033 045)	(17 225 917)	(3 182 410)	-

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.2 Liquidity risk (continued)

Off balance sheet items	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Assets				
Guarantees and letters of credit	-	7 859 645	-	7 859 645
Commitments to lend	-	-	-	-
Total assets	-	7 859 645	-	7 859 645
Liabilities				
Guarantees and letters of credit	-	7 859 645	-	7 859 645
Commitments to lend	-	-	58 115 187	58 115 187
Total liabilities	-	7 859 645	58 115 187	65 974 832
Liquidity gap - off balance sheet	(1 033 045)	(16 192 872)	(44 071 680)	(61 297 597)
Cumulative liquidity gap - off balance sheet	(1 033 045)	(17 225 917)	(61 297 597)	-

On balance sheet items as at 31 December 2010	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	113 813 071	-	-	113 813 071
Deposits from banks	9 490 499	-	-	9 490 499
Borrowings	-	22 382 911	-	22 382 911
Insurance liabilities	-	5 381 578	-	5 381 578
Trade and other liabilities	-	14 913 311	-	14 913 311
Total liabilities - (contractual maturity)	123 303 570	42 677 800	-	165 981 370
Assets held for managing liquidity risk (contractual maturity dates)	118 958 068	41 144 224	5 333 823	165 436 115
Liquidity gap	(4 345 502)	(1 533 576)	5 333 823	(545 255)
Cumulative liquidity gap - on balance sheet	(4 345 502)	(5 879 078)	(545 255)	-
Off balance sheet items				
Assets				
Guarantees and letters of credit	-	-	-	-
Commitments to lend	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Guarantees and letters of credit	16 295 632	4 820 330	-	21 115 962
Commitments to lend	-	-	-	-
Total liabilities	16 295 632	4 820 330	-	21 115 962
Liquidity gap - off balance sheet	(20 641 134)	(6 353 906)	5 333 823	(21 661 217)
Cumulative liquidity gap - off balance sheet	(20 641 134)	(26 995 040)	(21 661 217)	-

The Group determines ideal weights for maturity buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group Risk.

42.4 Interest rate risk

Interest rate risk exposure stems from assets and liabilities maturing (or being repriced) at different times. For example:

i) Liabilities may mature before assets, necessitating the rollover of such liabilities until sufficient quantity of assets mature to repay the liabilities. The risk lies in that interest rates may rise and that expensive funds may have to be used to fund assets that are yielding lower returns.

ii) Assets may mature before liabilities do, in which case they have to be reinvested until they are needed to repay the liabilities. If interest rates fall this investment may be made at rates below those being paid on the liabilities waiting to be retired.

This risk is managed by ALCO through the analysis of rate sensitive assets and liabilities, using such models as Value at Risk ("VAR"), Scenario Analysis and control and management of the gap analysis.

Scenario analysis of net interest income

The Group's trading book is affected by interest rate movements on net interest income. The desired interest rate risk profile is achieved through effective management of the statement of financial position composition. When analyzing the impact of a shift in the yield curve on the Group's interest income, the Group recognizes that the sensitivity of changes in the interest rate environment varies by asset and liability class. Scenarios are defined by the magnitude of the yield curve shift assumed. Analysis of the various scenarios is then conducted to give an appreciation of the distribution of future net interest income and economic value of equity as well as their respective expected values.

Interest rate risk exposure

Scenario :	**Impact on earnings as at 31 December 2011**	
5% increase in interest rates	**US$**	**US$**
Assets	132 426 044	544 217
Liabilities	161 409 251	(663 326)
Net effect		**(119 109)**
5% decrease in interest rates		
Assets	132 426 044	(544 217)
Liabilities	161 409 251	663 326
Net effect		**119 109**

Basis or assumptions

1.Shocks are defined in terms of simple interest rate
2.The analysis assumes a static bank portfolio
3.The analysis assumes that there will be no defaults,pre-payments or early withdrawals.
4. The analysis is limited to a 30 day period

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Interest Rate Risk (continued)

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2011

	0 - 30 days US$	31 - 90 days US$	91-180 days US$	181 - 365 days US$	Over 365 days US$	Non-interest bearing US$	Total US$
Assets							
Balances with other banks and cash	11 093 019	-	-	-	-	39 266 035	50 359 054
Loans and advances to customers	34 969 978	26 104 513	22 764 507	11 627 189	25 866 839	-	121 333 026
Trade and other receivables including insurance receivables	-	-	-	-	-	23 173 709	23 173 709
Financial assets at fair value	-	-	-	-	-	2 123 239	2 123 239
Inventory	-	-	-	-	-	17 290 873	17 290 873
Prepayments and other assets	-	-	-	-	-	5 708 773	5 708 773
Deferred income tax assets	-	-	-	-	-	1 292 080	1 292 080
Investment in associate	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	25 000	25 000
Intangible asset	-	-	-	-	-	1 418 791	1 418 791
Property, plant and equipment	-	-	-	-	-	56 868 165	56 868 165
Total assets	46 062 997	26 104 513	22 764 507	11 627 189	25 866 839	147 166 665	279 592 710
Liabilities							
Deposits from customers	56 449 671	13 976 046	247 587	116 987	-	-	70 790 291
Deposits from other banks	44 216 280	9 898 054	-	-	-	-	54 114 334
Borrowings	-	833 333	11 160 965	12 686 997	11 823 331	-	36 504 626
Other liabilities	-	-	-	-	-	-	-
Insurance liabilities	-	-	-	-	-	8 380 408	8 380 408
Trade and other payables	-	-	-	-	-	21 866 385	21 866 385
Current income tax liabilities	-	-	-	-	-	4 843 420	4 843 420
Deferred income tax liabilities	-	-	-	-	-	8 874 414	8 874 414
Shareholder equity	-	-	-	-	-	74 218 832	74 218 832
Total liabilities	100 665 951	24 707 433	11 408 552	12 803 984	11 823 331	118 183 459	279 592 710
Interest rate repricing gap	(54 602 954)	1 397 080	11 355 955	(1 176 795)	14 043 507	28 983 207	-
Cumulative gap interest rate repricing gap	(54 602 954)	(53 205 874)	(41 849 919)	(43 026 714)	(28 983 207)	-	

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 Interest Rate Risk (continued)

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2010

	0 - 30 days US$	31 - 90 days US$	91-180 days US$	181-365 days US$	Over 365 days US$	Non-interest bearing US$	Total US$
Assets							
Balances with other banks and cash	30 859 509	15 994 352	-	-	-	22 505 062	69 358 923
Loans and advances to customers	44 871 670	5 483 512	17 792 216	9 468 689	5 444 209	-	83 060 296
Trade and other receivables including insurance receivables	-	-	-	-	-	17 489 950	17 489 950
Financial assets at fair value	-	-	-	-	-	1 950 405	1 950 405
Inventory	-	-	-	-	-	10 243 747	10 243 747
Prepayments and other assets	-	-	-	-	-	3 125 932	3 125 932
Deferred income tax assets	-	-	-	-	-	817 075	817 075
Investment in associate	-	-	-	-	-	703 024	703 024
Investment property	-	-	-	-	-	610 000	610 000
Intangible asset	-	-	-	-	-	1 177 919	1 177 919
Property, plant and equipment	-	-	-	-	-	47 721 923	47 721 923
Total assets	75 731 179	21 477 864	17 792 216	9 468 689	5 444 209	106 345 037	236 259 194
Liabilities							
Deposits from customers	20 741 068	16 249 444	239 399	-	-	72 817 694	110 047 605
Deposits from other banks	6 071 757	3 418 742	-	-	-	-	9 490 499
Borrowings	-	-	19 539 920	-	2 842 991	-	22 382 911
Insurance liabilities	-	-	-	-	-	5 381 578	5 381 578
Trade and other payables	-	-	-	-	-	14 913 311	14 913 311
Current income tax liabilities	-	-	-	-	-	2 656 443	2 656 443
Deferred income tax liabilities	-	-	-	-	-	9 659 389	9 659 389
Shareholder equity	-	-	-	-	-	61 727 458	61 727 458
Total liabilities	26 812 825	19 668 186	19 779 319	-	2 842 991	167 155 873	236 259 194
Interest rate repricing gap	48 918 354	1 809 678	(1 987 103)	9 468 689	2 601 218	(60 810 836)	-
Cumulative gap	48 918 354	50 728 032	48 740 929	58 209 618	60 810 836	-	

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Currency risk

This is the risk from movement in the relative rates of exchange between currencies. The risk is controlled through control of open position as per ALCO directives, Reserve Bank of Zimbabwe requirements and analysis of the market. The Group manages this risk through monitoring long and short positions and assessing the likely impact of forecast movements in exchange rates on the Group's profitability.

The table below indicates the extent to which the Group was exposed to currency risk.

Foreign exchange gap analysis as at 31 December 2011

	ZAR US$ equivalent	EUR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	TOTAL US$ equivalent
Assets					
Balances with other banks and cash	1 171 201	36 141	63 133	12 623	1 283 098
Trade and other receivables	1 676 034	128 116	313 664	114 337	2 232 151
Loans and advances to customers	336 810	871	5 316	899	343 895
Total assets	**3 184 045**	**165 128**	**382 113**	**127 859**	**3 859 144**
Liabilities					
Deposits from customers	3 323 605	154 634	98 723	59 445	3 636 407
Trade and other payables	12 938	-	-	-	12 938
Total liabilities	**3 336 543**	**154 634**	**98 723**	**59 445**	**3 649 345**
Net currency positions	**(152 498)**	**10 494**	**283 390**	**68 414**	**209 799**

Foreign exchange gap analysis as at 31 December 2010

	ZAR US$ equivalent	EUR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	TOTAL US$ equivalent
Assets					
Balances with other banks and cash	1 946 277	565 422	298 581	796 564	3 606 844
Trade and other receivables	12 811	-	167 898	-	180 709
Loans and advances to customers	373 658	98	757	9 992	384 505
Total assets	**2 332 746**	**565 520**	**467 236**	**806 556**	**4 172 058**
Liabilities					
Deposits from customers	963 622	467 523	103 764	59 831	1 594 740
Trade and other payables	158 951	58	-	15 688	174 697
Total liabilities	**1 122 573**	**467 581**	**103 764**	**75 519**	**1 769 437**
Net currency positions	**1 210 173**	**97 939**	**363 472**	**731 037**	**2 402 621**

Below are major cross rates to the US$ used by the Group as at 31 December:

Currency	2011 Cross rate	2010 Cross rate
British pound ("GBP")	1.542	1.602
SA rand ("ZAR")	8.179	6.840
Euro	1.294	1.370
Pula	7.536	6.450

42.6 Operating risk

Operational risk is the risk of loss arising from the potential that inadequate information system, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses. Operational risk exists in all products and business activities.

Group's approach to managing operational risk

The Group's approach is that business activities are undertaken in accordance with fundamental control principles of operational risk identification, clear documentation of control procedures, segregation of duties, authorization, close monitoring of risk limits, monitoring of assets use, reconciliation of transactions and compliance.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 Operating risk (continued)

Operational risk framework and governance
The Board has ultimate responsibility for ensuring effective management of operational risk. This function is implemented through the Board Risk and Compliance Committee at Group level which meets on a quarterly basis to review all major risks including operational risks. This Committee serves as the oversight body in the application of the Group's operational risk management framework, including business continuity management. Each entity has a Management and Board Risk and Compliance Committee to ensure a robust operational risk management framework. Other Group management committees which report to Group Executive Committee include the Group New Product Committee, Group IT Steering Committee and Group Business Continuity Committee.

The management and measurement of operational risk
The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the appropriate risk committees which include the Risk and Compliance Committee and Group New Product Committee.

The Group conducts Operational Risk Assessments in line with the Group's risk strategy. These assessments cover causes and events that have, or might result in losses, as well as monitor overall effectiveness of controls and whether prescribed controls are being followed or need correction. Key Risk Indicators ("KRIs") which are statistical data relating to a business or operations unit are monitored on an ongoing basis. The Group also maintains a record of loss events that occur in the Group in line with Basel II requirements. These are used to measure the Group's exposure to the respective losses. Risk limits are used to measure and monitor the Group's operational risk exposures. These include branch cash holding limits, teller transaction limits, transfer limits and write off limits which are approved by management and the Board. In addition, the Group also uses risk mitigation mechanisms such as insurance programmes to transfer risks. The Group maintains adequate insurance to cover key operational and other risks.

Business continuity management
To ensure that essential functions of the Group are able to continue in the event of adverse circumstances, the Group Business Continuity Plan is reviewed annually and approved by the Board. The Group Business Continuity Committee is responsible for ensuring that all units and branches conduct tests each year in line with the Group policy. The Group successfully conducted its business continuity tests and all processes were well documented. The Group continues to improve its risk management systems and processes in preparation for Basel II implementation. All structures, processes and systems have been aligned to Basel II requirements. The Group also adopted in full all the Risk Management Guidelines which were issued by the Reserve Bank of Zimbabwe as part of the Basel II implementation.

43 INSURANCE RISK MANAGEMENT

Insurance risk management specifically applies to the subsidiaries; FBC Reinsurance Limited and Eagle Insurance Company (Private) Limited.

43.1 Risk management objectives and policies for mitigating risk
The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

43.2 Underwriting strategy
The Group underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a large geographical area, as such; it is believed that this reduces the variability of the outcome. The underwriting strategy is set out in an annual business plan that sets out the classes of business to be written, the regions in which business is to be written and the industry sectors to which the company is prepared to expose itself. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by the size, class of business, territory and industry in order to enforce appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract with 30 days notice, as well as the right to reject the payment of a fraudulent claim.

Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (i.e., subrogation). Adherence to the underwriting authorities is measured through a series of exception reports that are run on a regular basis covering size of risk, class and industry.

43.3 Reinsurance strategy
The short-term insurance subsidiary reinsures all business in excess of its underwriting capacity as determined by the balance sheet size. The Group utilises quota share, surplus, excess of loss and facultative reinsurance programmes with reputable reinsurers.

The treaties are a combination of proportional and non proportional in order to minimise the net exposure to the Group. The Group also participates in the facultative reinsurance in certain specified circumstances.

43 INSURANCE RISK MANAGEMENT (CONTINUED)

43.4 Retrocession strategy

The reinsurance subsidiary reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The main classes covered include fire and engineering classes. The Group utilises international reinsurance brokers for the placement and arrangement of retrocession programmes with reputable reinsurers. This is led by Aon Africa in South Africa and J B Boda of India. The treaties are a combination of proportional and non proportional treaties in order to minimise the net exposure to the company.

43.5 Terms and conditions of short- term insurance contracts

The terms and conditions of insurance contracts that are underwritten by the Group that have a material effect on the amount, timing and uncertainty of future cashflows arising from insurance contracts are set out below:

i) The premium must be paid to the insurer before cover commences on direct clients and in the case of clients through intermediaries, payment should be made within the stipulated credit period.

ii) The Group shall not be liable under the contract for any claims which are notified after the expiry of three months from the date of loss.

iii) Both parties to the contract shall give 30 days notice of cancellation of the policy.

Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks. The Group writes the following types of business within its Commercial and Personal Lines:

Products	Commercial	Personal Lines
Fire		
Assets all risks	*	*
Houseowners	*	*
Fire combined	*	*
Accident		
Money	*	
Glass	*	
Goods in transit	*	*
Theft	*	*
Personal all risks	*	*
Business all risks	*	
Fidelity guarantee	*	
Householders	*	*
Personal accident		
Group personal accident	*	
Personal accident	*	*
Motor		
Private motor	*	*
Commercial motor	*	*
Motor cycle	*	*
Trailer	*	*
Motor fleet	*	*
Engineering		
Electronic equipment	*	
Machinery breakdown	*	
Machinery breakdown loss of profits	*	
Contractors all risks	*	
Erection all risks	*	
Civil engineering completed risks	*	
Plant all risks	*	
Marine		
Marine cargo	*	*
Marine hull	*	*
Liability		
Public liability	*	*
Employers liability	*	
Professional indemnity	*	
Products liability	*	
Directors and officer liability	*	
Bonds and guarantees		
Court bond	*	
Performance bond	*	
Bid bond	*	
Advance payment bond	*	
Government/customs bonds	*	

43 INSURANCE RISK MANAGEMENT (CONTINUED)

43.5 Terms and conditions of short- term insurance contracts (continued)

Nature of risks covered (continued)
Commercial division underwrites small to large business from companies. Personal division provides insurance to the general public in their personal capacities.

The following perils are covered under the different types of business:
• **Fire** – fire, storm, explosions, riot, malicious and earthquake
• **Accident** – all risks of accidental loss or damage to property
• **Personal accident** – death, permanent disablement, total disablement and medical expenses
• **Motor** – private and commercial (comprehensive full third party fire and theft, full third party)
• **Engineering** – accidental physical loss or damage to machinery on an all risks basis
• **Marine** – loss or damage to cargo in transit or vessel
• **Liability** – legal liability following death or injury to third parties or damage to third party property
• **Bonds and guarantees** – guarantees that contractual obligations will be met in case of default

The return to shareholders arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Group.

43.6 Terms and conditions of short- term reinsurance contracts

Nature of risks covered
The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks:

FBC Reinsurance Limited writes the following types of business within its Treaty and Facultative divisions.

Products	Treaty	Facultative
Fire	*	*
Miscellaneous accident	*	*
Motor	*	*
Engineering	*	*
Marine - hull and cargo	*	*
Aviation	*	*
Credit	*	*

* - Applicable
N/A- not applicable

Both Treaty and Facultative provide cover on commercial and personal lines basis. Commercial policies cover small to large business from companies. Personal lines policies cover the general public in their personal capacities. The following perils are covered under the different types of business:

- Fire - storm, explosions, riot, malicious and earthquake.
- Miscellaneous accident - all risks, death, permanent disablement, total disablement and medical expenses.
- Motor - private and commercial (comprehensive, full third party, fire and theft).
- Engineering - machinery breakdown, contracts all risks, traction all risks, applied electronics.
- Marine - hull and cargo
- Aviation - hull and liabilities
- Credit - default by debtor, death, permanent disability, bonds.

The return to shareholders under these products arises from the total premiums charged to policyholders less the amounts paid to cover commissions, retrocessions, claims and the expenses incurred by the company. There is also certain limited scope for the Group to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim usually occurs suddenly (such as a fire) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay.

The key risks associated with these products for the Group are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of natural disasters), as well as fraud risk.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the risk that they accept. The risk on any policy will vary according to factors such as location, safety measures in place, age of property etc. Calculating a premium commensurate with the risk for these policies will be subjective and risky. The risk is managed through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Goup monitors and reacts to changes in the environment in which they operate.

The Group is also exposed to the risk of false or invalid claims from the policyholders. External control systems and fraud detection measurements are in place to improve the Group ability to proactively detect fraudulent claims.

43.7 Concentrations of insurance risk
With the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

43 INSURANCE RISK MANAGEMENT (CONTINUED)

43.7 Concentrations of insurance risk (continued)

Property is subject to a number of risks, including theft, fire, business interruption and weather. For property business there is a very significant geographical concentration of risk so that external factors such as adverse weather conditions may adversely impact upon a large proportion of a particular geographical portion of the company's property risks. Claim inducing perils such as storms, floods, subsidence, fires, explosions, and rising crime levels will occur on a regional basis, meaning that the company has to manage its geographical risk dispersion very carefully.

For motor business the main risks relates mainly to losses arising from theft, fire, third party losses and accident. Claims including perils such as increase in crime levels, adverse weather and bad road networks will occur on a seasonal and regional scale, meaning that the company has to ensure that all products are adequately priced and that salvage recovery is pursued in order to mitigate losses.

43.8 Claims development

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Group takes all reasonable steps to ensure that they have appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for outstanding claims and a provision for claims incurred but not yet reported ("IBNR") at the balance sheet date.

In calculating the estimated cost of outstanding claims, the Group uses the estimates determined by external assessors who would have calculated the total estimated cost of the claim. The Group provides for IBNR at 7% of net premium written for the reinsurance subsidiary and 5% of net premium written for the short term insurance subsidiary, based on past experience.

43.9 Management of risk relating to changes in underwriting variables

Profit or loss and equity are sensitive to changes in variables that have a material effect on them. These variables are mainly significant classes of transactions and their corresponding balances. These variables are gross premium written, commissions, IBNR and outstanding claims. The Group has put in place procedures to identify and control the impact of these variables on the profit or loss and equity through financial analysis which entails scrutiny of key performance indicators (includes ratio analysis) on a regular basis. The results of the financial information are taken into account when budgets are made and when pricing decisions for different types of policies is done to ensure that the companies are adequately pricing their insurance products to avoid future losses.

43.10 Insurance credit risk management

Potential concentrations of credit risk consist principally of short-term cash and cash equivalent investments and trade debtors. The Group deposits short-term cash surpluses only with major banks of high credit standing.

Trade debtors comprise a large, widespread customer base and the Group performs credit evaluations of the financial conditions of their customers. Accordingly, the Group has no significant concentration of credit risk.

44 FINANCIAL INSTRUMENTS

Financial assets and liabilities

Accounting classifications and fair values
The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

44.1 Position as at 31 December 2011

	Held for trading US$	Designated at fair value US$	Held to maturity US$	Loans and receivables US$	Available for sale US$	Financial liabilities at armotised cost US$	Total carrying amount US$
Trading assets							
Balances with other banks and cash	-	-	-	50 359 054	-	-	50 359 054
Loans and advances to customers	-	-	-	121 333 026	-	-	121 333 026
Trade and other receivables including insurance receivables	-	-	-	23 173 709	-	-	23 173 709
Financial assets at fair value through profit or loss	2 123 239	-	-	-	-	-	2 123 239
Total	**2 123 239**	**-**	**-**	**194 865 789**	**-**	**-**	**196 989 028**
Trading liabilities							
Deposits from other banks	-	-	-	-	-	54 114 334	54 114 334
Deposits from customers	-	-	-	-	-	70 790 291	70 790 291
Borrowings	-	-	-	-	-	36 504 626	36 504 626
Insurance liabilties	-	-	-	-	-	8 380 408	8 380 408
Trade and other liabilties	-	-	-	-	-	21 866 385	21 866 385
Total liabilities	**-**	**-**	**-**	**-**	**-**	**191 656 044**	**191 656 044**

44.2 Position as at 31 December 2010

	Held for trading US$	Designated at fair value US$	Held to maturity US$	Loans and receivables US$	Available for sale US$	Financial liabilities at armotised cost US$	Total carrying amount US$
Trading assets							
Balances with other banks and cash	-	-	-	69 358 923	-	-	69 358 923
Loans and advances to customers	-	-	-	83 060 296	-	-	83 060 296
Trade and other receivables including insurance receivables	-	-	-	17 489 950	-	-	17 489 950
Financial assets at fair value through profit or loss	1 950 405	-	-	-	-	-	1 950 405
Total	**1 950 405**	**-**	**-**	**169 909 169**	**-**	**-**	**171 859 574**
Trading liabilities							
Deposits from other banks	-	-	-	-	-	9 490 499	9 490 499
Deposits from customers	-	-	-	-	-	110 047 605	110 047 605
Borrowings	-	-	-	-	-	22 382 911	22 382 911
Insurance liabilties	-	-	-	-	-	5 381 578	5 381 578
Trade and other liabilties	-	-	-	-	-	14 913 311	14 913 311
Total liabilities	**-**	**-**	**-**	**-**	**-**	**162 215 904**	**162 215 904**

45 DIVIDEND DECLARED

The Board on 30 August 2011, declared an interim dividend of US0.169 cents per share on 591 850 127 ordinary shares. This interim dividend was paid in October 2011. A final dividend of US0.253 cents per share was declared on 591 850 127 ordinary shares on 5 March 2012. This makes a total dividend of US 0.422 cents per share.

46 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments not measured at fair value
The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair value:

	Carrying value		Fair value	
Financial assets	**2011 US$**	**2010 US$**	**2011 US$**	**2010 US$**
Loans and advances to customers				
– Individuals	31 883 909	25 965 789	31 883 909	25 965 789
– Corporates	89 449 117	57 094 507	89 449 117	57 094 507
Trade and other receivables	23 173 709	17 489 950	23 173 709	17 489 950
Financial assets at fair value through profit or loss	2 123 239	1 950 405	2 123 239	1 950 405
Financial liabilities				
Deposits from banks	54 114 334	9 490 499	54 114 334	9 490 499
Due to customers				
– Individuals	18 220 129	30 539 864	18 220 129	30 539 864
– Corporates	52 570 162	79 507 741	52 570 162	79 507 741
Borrowings	36 504 626	22 382 911	36 504 626	22 382 911
Insurance liabilities	8 380 408	5 381 578	8 380 408	5 381 578
Trade and other payables	21 866 385	14 913 311	21 866 385	14 913 311
Off-balance sheet financial instruments				
Guarantees, acceptances and other financial facilities	7 859 645	21 115 962	7 859 645	21 115 962

47 FAIR VALUE HIERARCHY

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities traded on the Zimbabwe Stock Exchange.

- **Level 2** - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- **Level 3** - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This level includes non listed equity investments.

The hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The table below summarises the various assets and liabilities measured at fair value and the level on the fair value hierarchy.

Assets and liabilities measured at fair value

	Level 1 US$	**Level 2 US$**	**Level 3 US$**	**Total US$**
Assets				
As at 31 December 2011				
Financial assets at fair value through profit or loss	2 123 239			2 123 239
As at 31 December 2010				
Financial assets at fair value through profit or loss	1 950 405	-	-	1 950 405
Liabilities				
As at 31 December 2011				
Financial liabilities	-	-	-	-
As at 31 December 2010				
Financial liabilities	-	-	-	-

The fair value of all equity securities is based on their bid prices on the Zimbabwe Stock Exchange as at 31 December 2011.

48 SEGMENT REPORTING

Segment information is presented in respect of business segments.

Segment revenue, expenses, results and assets are items that are directly attributable to the business segment or which can be allocated on a reasonable basis to a business segment. All transactions between segments are conducted at arms length. The Group comprises seven business segments i.e. commercial banking, microlending, mortgage financing, short term, reinsurance, insurance, stockbroking and manufacturing.

Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group Executive Committee.

31 December 2011	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Insurance US$	Stockbroking US$	Manufacturing US$	Consolidated US$
Total segment revenue								
Interest income	24 211 253	891 775	3 375 276	-	-	68 118	1 365	28 547 787
Interest expense	(11 238 088)	(133 641)	(1 097 630)	-	-	-	(2 230 802)	(14 700 161)
Net interest income	12 973 165	758 134	2 277 646	-	-	68 118	(2 229 437)	13 847 626
Turnover	-	-	4 426 975	-	-	-	51 865 260	56 292 235
Cost of sales	-	-	(2 788 649)	-	-	-	(36 265 512)	(39 054 161)
Gross profit	-	-	1 638 326	-	-	-	15 599 748	17 238 074
Net earned insurance premium	-	-	-	2 895 260	1 537 637	-	-	4 432 897
Net fee and commission income	16 555 153	73 945	3 561 899	-	-	226 244	-	20 417 241
Net trading income and other income	1 514 145	60 825	168 418	481 964	61 234	-	-	2 286 586
	31 042 463	892 904	7 646 289	3 377 224	1 598 871	294 362	13 370 311	58 222 424
Intersegment revenue	(1 034 909)	-	(950 526)	(28 085)	-	(9 150)	-	(2 022 670)
Intersegment interest expense and commission	950 526	-	342 877	-	731	-	728 536	2 022 670
Revenue from external customers	**30 958 080**	**892 904**	**7 038 640**	**3 349 139**	**1 599 602**	**285 212**	**14 098 847**	**58 222 424**
Segment profit before income tax	**6 481 514**	**571 736**	**2 945 341**	**1 401 383**	**424 790**	**(147 360)**	**5 122 280**	**16 799 684**
Impairment losses on financial assets	3 006 895	169 045	257 828	-	-	-	283 376	3 717 144
Depreciation and amortisation	1 443 114	537	226 998	60 232	74 227	8 704	1 823 533	3 637 345
Segment assets	**187 820 474**	**3 705 112**	**33 060 182**	**14 891 043**	**4 650 430**	**1 537 183**	**66 448 609**	**312 113 033**
Total assets includes :								
Additions to non-current assets	1 431 741	4 111	118 959	100 188	33 290	25 703	4 415 003	6 128 995
Investment in associates	-	-	-	657 108	-	-	-	-
Segment liabilities	**159 621 719**	**3 275 600**	**18 644 128**	**8 999 781**	**2 966 712**	**1 227 590**	**35 634 853**	**230 370 383**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting classes of short term insurance	Underwriting general classes of short term insurance	Equity market dealing	Production and sales of building materials	

48 SEGMENT REPORTING (CONTINUED)

31 December 2010	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Insurance US$	Stockbroking US$	Manufacturing US$	Consolidated US$
Total segment revenue								
Interest income	14 760 302	-	1 376 662	-	-	-	-	16 136 964
Interest expense	(4 077 266)	-	(344 392)	-	-	9 441	-	(4 412 217)
Net interest income	10 683 036		1 032 270	-		9 441	-	11 724 747
Turnover	-	-	-	-	-	-	34 856 966	34 856 966
Cost of sales	-	-	-	-	-	-	(23 733 248)	(23 733 248)
Gross profit	-	-	-	-	-	-	11 123 718	11 123 718
Net earned insurance premium	-	-	-	2 937 000	-	-	-	2 937 000
Net fee and commission income	9 648 008	-	2 190 935	(1 339 513)	-	268 261	-	10 767 691
Net trading income and other income	5 356 864	-	1 248 877	464 843	-	(7 206)	-	7 063 378
	25 687 908		4 472 082	2 062 330		270 496	11 123 718	43 616 534
Intersegment revenue	(5 228 197)	-	-	-	-	-	-	(5 228 197)
Revenue from external customers	**20 459 711**	**-**	**4 472 082**	**2 062 330**	**-**	**270 496**	**11 123 718**	**38 388 337**
Segment profit before income tax	**5 041 232**	**-**	**473 068**	**(1 476 089)**	**-**	**(14 677)**	**4 859 181**	**8 882 715**
Impairment losses on financial assets	443 965	-	2 964	-	-	-	206 903	653 832
Depeciation and amortisation	1 190 257	-	177 823	59 661	-	20 623	1 605 439	3 053 803
Segment assets	**164 943 527**	**-**	**21 249 921**	**13 443 379**	**-**	**1 910 494**	**47 136 027**	**248 683 348**
Total assets includes :								
Additions to non-current assets	2 229 441	-	287 650	24 318	-	7 750	4 356 570	6 905 729
Investment in associates	-	-	-	1 002 851	-	-	-	1 002 851
Segment liabilities	**141 597 046**	**-**	**9 586 406**	**7 995 771**	**-**	**1 575 191**	**21 775 641**	**182 530 055**

48 SEGMENT REPORTING (CONTINUED)

	2011 US$	2010 US$
Operating segments reconciliations		
Revenue		
Total income for reportable segments	58 222 424	38 388 337
Elimination of intersegment revenue allocated to the holding company	1 076	(156 617)
Loss on remeasurement of previously held associate	(367 995)	-
Write off of goodwill	(4 290)	-
Intersegment eliminations	(938 155)	-
Group total income	**56 913 060**	**38 231 720**
Group profit or loss before tax		
Total profit before income tax for reportable segments	16 799 684	8 882 715
Share of loss from associate	(32 938)	(135 119)
Intersegment eliminations	(554 767)	(4 653 887)
Loss on remeasurement of previously held associate	(367 995)	-
Write off of goodwill and other assets	(168 986)	-
Profit before income tax	**15 674 998**	**4 093 709**
Group assets		
Total assets for reportable segments	312 113 033	248 683 348
Other group assets	101 251	-
Deferred income tax asset allocated to the holding company	401 040	-
Share of loss of associate	(168 058)	-
Intersegment eliminations	(32 854 556)	(12 424 154)
Group total assets	**279 592 710**	**236 259 194**
Group liabilities		
Total liabilities for reportable segments	230 370 383	182 530 055
Elimination of intersegment payables	(24 996 505)	(7 998 319)
Group total liabilities	**205 373 878**	**174 531 736**

49 EVENTS AFTER THE REPORTING PERIOD

49.1 Dividend declared

A final dividend of US0.253 cents per share was declared on 5 March 2012 . These financial statements do not reflect this dividend because no obligation existed as at 31 December 2011, but will be reflected in the financial statements for the year ending 31 December 2012 in accordance with International Accounting Standard 10, Events after reporting period and the accounting policy of the Group.

49.2 Resignation of Director

The Managing Director for FBC Reinsurance Company Limited, Stanely Kudenga, resigned on 28 February 2012.

Shareholding information for the year ended 31 December 2011

Spread of shareholding

	Shareholders Number	%	Shares held Number (M)	%
0 - 100	1 226	14.30	-	0.02
101 - 200	1 562	18.22	-	0.05
201 - 500	2 545	29.68	1	0.14
501 - 1,000	996	11.62	1	0.12
1 001 - 5 000	1 373	16.01	3	0.53
5 001 - 10 000	302	3.52	2	0.37
10 001 - 50 000	371	4.33	8	1.30
50 001 - 100 000	66	0.77	5	0.80
100 001 - 500 000	77	0.90	16	2.73
500 001 - 1 000 000	12	0.14	9	1.49
1 000 001 and over	45	0.51	547	92.45
Total	**8 575**	**100.00**	**592**	**100.00**

Analysis of shareholding

Type of shareholder	Shareholding (M)	%
Bank	0	0.01
Bank And Nominees	0	0.05
CO	274	46.29
Employee	2	0.38
EST	0	0.00
Fund Managers	0	0.06
Government	0	0.01
Insurance Companies	3	0.54
Investment Trusts And Property	3	0.56
Local Resident	16	2.64
Non Resident Never Resident	0	0.00
Nominees Local	93	15.68
Non Residents	2	0.22
Other Corporate Holdings	0	0.01
Pension Funds	199	33.55
Total	**592**	**100.00**

Top ten shareholders

		No. Of Shares (M)	%
1	National Social Security Authority	156	26.33
2	FBC Nominees (Private) Limited	56	9.54
3	Tirent Investments (Private) Limited	32	5.45
4	Cashgrant Investments (Private) Limited	28	4.67
5	Local Authorities Pension Fund	22	3.78
6	Three Hearts Investments (Private) Limited	16	2.76
7	Vidryl International (Private) Limited	15	2.49
8	Maisha Holdings Limited	14	2.37
9	Scodal Investments (Private) Limited	13	2.15
10	Mileway Farming (Private) Limited	10	1.73
Total		**362**	**61.27**

Performance on the Zimbabwe Stock Exchange

	2 011	2 010
Number of shares in issue	592	591
Market prices (US cents per share)		
Closing	6.5	3.5
High	8.6	4.3
Low	3.5	2.4
Market capitalisation	**38 470 258**	**20 675 834**

Notice of Annual General Meeting

Notice is hereby given that the Eighth Annual General Meeting of Shareholders of FBC Holdings Limited will be held in the Main Lounge, Royal Harare Golf Club, 5th Street Extension, Harare on Thursday, 21 June 2012 at 1200 hours.

Agenda

1. To receive, consider and adopt the financial statements and the reports of the directors and auditors of the Company for the financial year ended 31 December 2011.

2. To sanction the dividend paid.

3. To elect Directors of the Company.

3.1 In terms of Article 95 of the Company's Articles of Association, Messrs Kenzias Chibota, Philip Mharidzo Chiradza and Canada Malunga retire by rotation. Being eligible, Messrs Chibota, Chiradza and Malunga offer themselves for re-election.

3.2 To note the resignation of Mr Livingstone Takudzwa Gwata from the Board with effect from 31 May 2011 and the resignation of Mr Stanley Kudenga from the Board with effect from 28 February 2012.

3.3 To confirm the appointment of Mr Felix Gwandekwande to the Board.

4. To approve the remuneration of the Directors for the past financial year.

5. To approve the remuneration of the Auditors for the past audit and to re-appoint Messrs. PricewaterhouseCoopers Chartered Accountants (Zimbabwe) of Harare as Auditors of the Company.

6. Special Business

Share Buy-Back as Ordinary Resolutions

To consider, and if deemed fit, to resolve by way of ordinary resolution with or without modification the following:-

6.1 Purchase of own shares

That the Directors be and hereby authorized in terms of section 50 of the Company's Articles of Association and Section 79 of the Companies Act (Chapter 24:03) to purchase the Company's own shares subject to the following terms and conditions:

The purchase price shall not be lower than the nominal value of the Company's shares and not greater than 10% (ten percent) nor 10% (ten percent) below the weighted average trading price for such ordinary shares traded over (5) business days immediately preceding the date of purchase of such shares by the Company.

6.2 The shares to be acquired under this resolution shall be ordinary shares in the Company and the maximum number of shares which may be acquired under this resolution shall be 10% (ten percent) of the ordinary shares of the Company in issue prior to the date of this resolution.

6.3 This authority shall expire on the date of the Company's next Annual General Meeting.

6.4 That the shares purchased according to this resolution shall be utilized for treasury purposes.

Directors Statement

In relation to the aforesaid proposed resolution, the Directors of the Company state that:-

(i) The Company is in a strong financial position and will, in the ordinary course of business, be able to pay its debts for a period of 12 months after the Annual General Meeting.
(ii) The assets of the Company will be in excess of its liabilities for a period of 12 months after the Annual General Meeting.
(iii) The ordinary capital and reserves of the Company will be adequate for a period of 12 months after the Annual General Meeting.
(iv) The working capital of the Company will be adequate for a period of 12 months after the Annual General Meeting.

7. To transact all such other business as may be transacted at an Annual General Meeting.

By Order Of The Board

Tichaona Mabeza
Group Company Secretary

6th Floor, FBC Centre
45 Nelson Mandela Avenue
HARARE
30 May 2012

Notes

Proxy Form for the year ended 31 December 2011

I/We ____

(name(s) in block letters)

of ____

____

(address in block letters)

being (a) member(s) of the Company and entitled to vote, do hereby appoint

____

____

or, failing him/her,

____

or, failing him/her, the Chairman of the meeting as my/our proxy to attend and speak and vote for me/us and on my/our behalf at the Annual General Meeting of members of the company to be held on Thursday, 21 June 2012 at 1200 hours and at any adjournment thereof, as follows:

		In favour of*	Against *	Abstain*
1.	Resolution to adopt the company annual financial statements			
2.	Resolution to sanction payment of a dividend			
3.	Resolution to re-elect the retiring directors by single resolution and confirm the appointment of new directors			
4.	Resolution to approve the remuneration of the directors			
5.	Resolution to approve the remuneration of the auditors and re-appoint them			
6.	Resolution to purchase the company's own shares			

Please indicate with an 'X' in the appropriate spaces provided how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she thinks fit.

A member of the company entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

Signed at ____________________ on ____________________ 2012

Full name(s) ____

(in block letters)

Signature (s) ____

Notes:

1) In order to be effective, proxy forms must be delivered or posted to the Transfer Secretaries, First Transfer Secretaries (Pvt) Ltd, 1 Armagh Avenue, Eastlea, P O Box 11, Harare so as to reach this address not later than 1200 hours on Wednesday 20, June 2012.
2) The delivery of a duly completed proxy form shall not preclude any member or his/her duly authorized representative from attending the meeting and speaking and voting thereat instead of the proxy.
3) If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted shall be regarded as the validly appointed proxy.

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www.fbc.co.zw