FBC Holdings Limited

2012
annual report

Contents

Group Structure

FBC Holdings Limited
strength • diversity • service

	Shareholding 31 December 2012	Shareholding 31 December 2011
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%	100%
Eagle Insurance Company Limited	95%	95%
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 Nelson Mandela Avenue
P.O. Box 1227, Harare
Zimbabwe

Telephone	: 263 – 04 – 700312
	: 263 – 04 – 797770
	: 263 – 04 – 708071/2
Telex	: 24512 FIRSTB ZW
Swift	: FBCPZWHA
Fax	: 263 – 04 – 700761
E-mail	: info@fbc.co.zw
Web site	: http://www.fbc.co.zw

Transfer Secretaries
First Transfer Secretaries (Private) Limited
1 Armagh Avenue, Eastlea
P.O. Box 11 Harare

Telephone	: 263-04-782869
Mobile	: 263 772146157/8

Independent Auditor
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Building No 4, Arundel Office Park
Norfolk Road
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P.O. Box 453, Harare

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Fax	:263-04-338 395

Attorneys
Dube Manikai & Hwacha Legal Practitioners
Eastgate Building
6th Floor, Goldbridge, Southwing
Corner Sam Nujoma Street and Robert Mugabe Road
P.O. Box CR 36, Cranborne, Harare

Telephone	: 263 – 04 – 780351/2

Costa & Madzonga Legal Practioners
4th Floor, Three Anchor House,
54 Jason Moyo Avenue
P.O. Box CY 1221, Causeway, Harare

Telephone	: 263-4-790618
	: 263-4-790668
Fax	: 263-4-737575

FBC Bank Limited

Belgravia Private Banking Branch
2 Lanark Road, Belgravia, Harare
P.O. Box A852, Avondale, Harare

Telephone	:263-04-251975
	:263-04-251976
Fax	:263-04-253556

Chinhoyi Branch
Stand 5309 Magamba Way
P.O. Box 1220
Chinhoyi

Telephone	:263-067-24086
Fax	:263-067-26162

Jason Moyo Avenue Branch
Asbestos House
108 Jason Moyo Avenue
P.O. Box 2910, Bulawayo

Telephone	: 263-09-76079
	: 263-09-76371
Fax	: 263-09-67536

Gweru Branch
71 Sixth Street
P.O. Box 1833, Gweru

Telephone	: 263-054-26491
	: 263-054-26493/7
Fax	: 263-054-26498

FBC Centre Branch
45 Nelson Mandela Avenue
P.O. Box 1227, Harare

Telephone	: 263-04-700312
	: 263-04-797770
Fax	: 263 – 04 – 7008071/2

Kwekwe Branch
44a/b Robert Mugabe Way
P.O. Box 1963, Kwekwe

Telephone	: 263-055-24116
	: 263-055-24160
Fax	: 263-055-24208

Masvingo Branch
FBC House
179 Robertson Street, Masvingo

Telephone	: 263-039-62671
	: 263-039-62821
	: 263-039-62912
Fax	: 263-039-65876

Nelson Mandela Avenue Branch
Nelson Mandela Avenue
P.O. Box BE 818, Belvedere, Harare

Telephone	: 263-04-750946
	: 263-04-753608
Fax	: 263-04-775395

Southerton Branch
11 Highfield Junction Shop
P.O. Box St495, Southerton, Harare

Telephone	: 263-04-759712
	: 263-04-759392
Fax	: 263-04-759567

Zvishavane Branch
98 Robert Mugabe Way
P.O. Box 91, Zvishavane

Telephone	: 263-051-2176
	: 263-051-2177
Fax	: 263-051-3327

Mutare Branch
50 B Herbert Chitepo Avenue
P.O. Box 2797, Mutare

Telephone	: 263-020-62586
	: 263-020-62114
Fax	: 263-020-60543

Samora Machel Avenue Branch
Old Reserve Bank Building
76 Samora Machel Avenue
P.O. Box GD 450, Greendale, Harare

Telephone	: 263-04-700372
	: 263-04-700044
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General Information (continued)

Victoria Falls Branch
Shop 4 Galleria De Falls
P.O. Box 225, Victoria Falls
Telephone :263-013-45996/5
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Msasa Branch
104 Mutare Road
P.O. Box AY1 Amby, Msasa, Harare
Telephone :263-04-446806
Fax :263-051-3327

FBC Reinsurance Limited

Head Office
4th Floor, FBC Centre
45 Nelson Mandela Avenue
P.O. Box 4282, Harare
Telephone : 263-04-772703/7
Fax : 263-04772701

Bulawayo Office
1st Floor, Asbestos House
Jason Moyo Avenue
P.O. Box 2199, Bulawayo
Telephone : 263-09-888344
Fax : 263-09-888560

FBC Building Society

Leopold Takawira Branch
FBC House,Fidelity House
113 Leopold Takawira
P.O. Box 4041, Harare
Telephone : 263- 04-756811-6
Fax : 263- 04-772747

Gweru Branch
Impala Seeds Building
69B 6th Street
P.O. Box 1345, Gweru
Telephone : 263- 054-226189
: 263- 054-223586
Fax : 263- 054-226189

Bulawayo Branch
FBC House FBC House
Corner Robert Mugabe Way and 11th Avenue, Bulawayo
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: 263-09-68679
: 263-09-64547
: 263-09-69925/48
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FBC Centre Branch
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Mutare Branch
FBC House
P.O. Box 1224, Mutare
Telephone : 263-020-65894
: 263-020-65897/8
Fax : 263-020-66723

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

Eagle Insurance Company (Private) Limited

Harare Branch
Eagle House
105 Jason Moyo Avenue, Harare
Telephone : 263-04-708212
Fax : 263-04-797135

Mutare Branch
Manica Chambers
2nd Avenue Road, Mutatre
Telephone : 263-020-65723
Fax : 263-020-63079
: 263-020-65722

Bulawayo Branch
4th Floor, LAPF House
Corner 8th Avenue and Jason Moyo Street, Bulawayo
Telephone : 263-09-71791/4
Fax : 263-09-76224

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
: 263-04-700373

Microplan Financial Services (Private)Limited

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

Financial Highlights
For the year ended 31 December 2012

	31-Dec-12 US$	31-Dec-11 US$
Consolidated statement of comprehensive income		
Profit before income tax	16 892 650	15 674 998
Profit for the year	15 636 852	12 506 510
Consolidated statement of financial position		
Total equity	88 152 633	74 218 832
Total assets	392 054 851	279 592 710
Share statistics		
Shares in issue - actual (m)	592	592
Shares in issue - weighted (m)	536	546
Basic earnings per share - (US cents)	2.42	1.78
Diluted earnings per share - (US cents)	2.42	1.78
Headline earnings per share - (US cents)	2.39	1.84
Dividend per share - ordinary (US cents)	-	0.422
Closing share market price - (US cents)	7.5	6.5
Ratios		
Return on shareholders equity	18%	17%
Cost to income ratio	77%	75%

Chairman's Statement

Herbert Nkala (Chairman)

Financial Highlights

- **Group profit before income tax up 8% to US$16.9 million from US$15.7 million.**
- **Group profit for the year increased by 25% to US$15.6 million from US$12.5 million.**
- **Cost to income ratio 77% (2011-75%).**
- **Basic earnings per share increased to 2.42 US cents per share from 1.78 US cents per share.**
- **Total assets have grown by 40% to US$392 million from US$280 million.**
- **Shareholders' equity increased by 21% to US$67 million from US$55 million.**
- **Net asset value per share 12.5 US cents (2011-12.05 US cents).**

Financial performance review

The Group achieved profit before income tax of US$16.9 million registering a growth of 8% over last year's performance of US$15.7 million. Although the Group is benefiting from its diversified business model, the subdued performance of the manufacturing business and stock-broking unit diluted the sterling performance of other subsidiaries. All the Group businesses recorded positive performance except the stock-broking subsidiary which registered a loss. The results were achieved against a backdrop of an illiquid market, characterized by high interest rates and weakening credit quality.

The Group recorded a total income of US$74.2 million, 19% above last year, largely driven by net interest income, fee and commission income and earned insurance premium. The increase in revenues is in line with the increase in customer acquisitions and increased activity on their accounts.

The Group's cost to income ratio moved from 75% in 2011 to 77% due to expenses incurred to increase capacity and customer acquisitions. The linkage of revenues to expenses was however less pronounced as revenues grew by 19% whilst overheads increased by 23%. The Group will continue to channel significant resources to marketing, branding and information technology to achieve sustainable long term competitiveness.

The Group charged US$3.6 million for impairment allowance on financial assets in line with the challenging operating environment, characterized by an illiquid market, short-term credit facilities and prolonged cash conversion cycles. The Group places emphasis on adequate impairment charging and proper, prudent risk management to create value.

The Group's statement of financial position grew by 40% to US$392 million, a reflection of the increased success in deposits mobilization and other customer acquisitions.

Operating environment

Zimbabwe's Gross Domestic Product grew by 4.4% in 2012, a moderate growth, as the macro-economic fundamentals were dented by erratic rainfall patterns, lack of sufficient external financial and technical support, continued weaknesses in the global economy and domestic structural constraints. The continued shifting of policy and the regulatory framework is keeping potential investors on the fence, despite positive advancements on the political front. Foreign direct investment has remained elusive, with credit lines on offer being solicited at high premiums.

Despite a positive outturn on annual inflation at 2.91% by 31 December 2012 against projections of 4%, the medium to long term trends remain linked to developments in international oil prices, United States of America dollar to South African rand exchange rates, import tariffs and the level of aggregate demand in the economy.

Chairman's Statement (continued)

Financial sector overview

Under the multicurrency system, the stability of the country's banking sector has remained vulnerable to liquidity conditions. Loans and advances in the market have remained predominantly short term in nature and expensive, catering for the financing of working capital against much needed capital investments.

Total market deposits, at US$4.4 billion, increased by 29.4% from US$3.4 billion in 2011, while loans and advances increased by 29.6% to US$3.5 billion from US$2.7 billion. Adverse macro-economic developments presented potential liquidity challenges to the sector. However, under the vigilant supervision of the Reserve Bank, we are confident that the sector will remain safe and sound.

Regulatory environment and capitalisation

In mid 2012, the regulatory authorities announced major reviews in capital requirements for banking institutions and insurance companies.

The capital requirements for banking institutions were reviewed as follows:

Commercial banks: US$100 million from US$12.5 million.
Building societies: US$80 million from US$10 million.
Money-lending institutions: US$25 000 from US$5 000.

Banking institutions were required to comply with 25% of the new capital requirement by 31 December 2012, 50% by 30 June 2013, 75% by 31 December 2013 and 100% by 30 June 2014.

The capital requirements for insurance companies were reviewed as follows:

Short term reinsurance: US$1.5 million from US$ 400 000
Short term insurance: US$1.5 million from US$ 300 000

Insurance companies are required to comply with 50% of the new capital required by 30 June 2013 and 100% by 30 June 2014.

The FBC Holdings Limited subsidiaries held the following capital as at 31 December 2012:

FBC Bank Limited: US$30 million against a requirement of US$25 million. This was discounted from a gross capital of US$34.4 million after allowing for lending to related parties.
FBC Building Society: US$18.97 million against a requirement of US$20 million. This was discounted from a gross capital of US$19.3 million after allowing for lending to related parties.
Microplan Financial Services (Private) Limited: US$1 million against a requirement of US$25 000.
FBC Reinsurance Limited: US$7 million against a requirement of US$400 000.
Eagle Insurance Company (Private) Limited: US$2 million against a requirement of US$300 000
FBC Securities (Private) Limited: US$253 000 against a requirement of US$150 000.

FBC Building Society traded itself into compliance with the 31 December 2012 capital requirement of US$20 million on 28 February 2012, and as part of the FBC Holdings Limited re-capitalisation plan, the Society will merge with FBC Bank Limited in the first half of 2013.

The Group's recapitalization plan to meet the 30 June 2013 and 30 June 2014 minimum capital requirements was submitted to, and accepted by the Central Bank.

The Group's banking subsidiaries implemented Basel II on 1 January 2013, in line with the Reserve Bank of Zimbabwe requirements. The implementation is being fine-tuned and improved to match higher standards.

Share price performance

Positive trading in equities, especially in the last quarter of the year, saw the FBCH share price gain 15.4% to 7.5 US cents, against a 4.5% gain by the overall industrial index. Subsequently, FBCH's market capitalization ended the year stronger, at US$44.4 million, a trend which we anticipate will be carried through in 2013. The market capitalization of FBC Holdings Limited continues to be significantly below the Group's shareholders equity of US$67 million. This position is expected to reverse with liquidity improvement in the economy.

Chairman's Statement (continued)

Directorate

Mr Stanley Kudenga, Managing Director of FBC Reinsurance resigned from the Group effective 1 March 2012 after having served the Group for more than ten years. Mr Kleto Chiketsani, a seasoned insurance practitioner with over 20 years experience was appointed Managing Director of FBC Reinsurance taking over from Mr Kudenga. Mr Kleto Chiketsani was appointed to the Board of FBC Holdings Limited on 3 July 2012.

Mrs Chipo Mtasa was appointed to the Board of FBC Holdings Limited on 3 July 2012. Mrs Mtasa is a Chartered Accountant (Zimbabwe) with extensive experience in strategic management. I welcome Mrs Mtasa to the Group and look forward to her wise guidance.

e-Commerce

The operating landscape continues to demand innovative solutions in the face of a well-informed and technologically savvy customer. The Group's e-Commerce thrust is starting to pay-off with new revenue channels starting to flow into the fee-income base, driven by increased transaction traffic. FBC will exploit its industry knowledge as well as create partnerships to maintain leadership in technology driven financial services.

Corporate social investment

Through a vibrant corporate social responsibility programme, the FBC Holdings Group has continued to participate in alleviating social challenges that face the communities we serve. This is in line with the Group's mandate to give back to the societies it operates in, as a responsible corporate citizen. FBC Holdings Group invested a total of US$619 000 to charity organizations and various noble causes across the nation. The Group remains committed to support education, financial inclusion, enterprise development, sport, the arts and health sectors as part of its corporate social responsibility.

Dividend

In view of the need to preserve income in order to achieve the new minimum regulatory capital requirements announced by the Reserve Bank of Zimbabwe on 31 July 2012, the Board of Directors proposed the non payment of a dividend.

Outlook

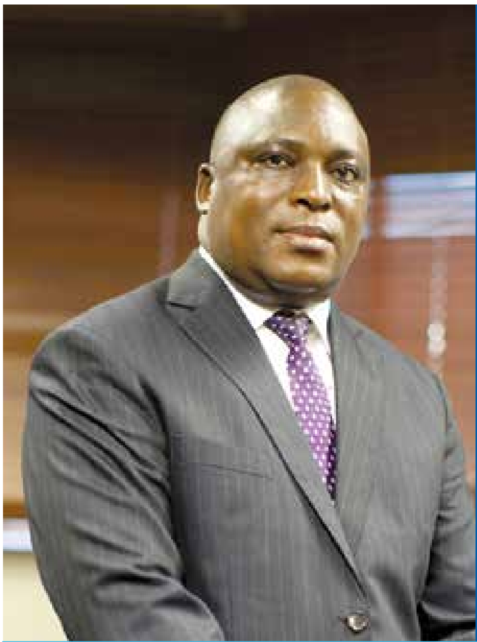
We remain optimistic that the country will have peaceful elections in 2013, which will result in macro economic stability and increased foreign direct investment, leading to improved liquidity. The Group is well poised to exploit the new environment to grow shareholders value.

Appreciation

I would like to convey my profound gratitude to our valued clients and other stakeholders for their continued support and confidence in the FBC brand. My heartfelt gratitude is also extended to all non-executive directors for their unwavering support and guidance through the years. The Group Chief Executive, management team and staff members' professionalism and dedication to their work underpins the resilience of the Group and I am confident in their capability to deliver sustained stakeholder value.

Herbert Nkala
Group Chairman
21 March 2013

Group Chief Executive's Report



John Mushayavanhu
(Group Chief Executive)

"The Group's statement of financial position increased by 40% to US$392 million from US$280 million on the back of improved brand acceptance by the market resulting in increased customer acquisitions."

I am pleased to present to you FBC Holdings' audited financial statements for the year ended 31 December 2012. The Group continues to exploit the inherent synergies and potential embedded in its diverse business model.

Group performance

It is pleasing to note that the Group continues to deliver positive performance despite the challenges associated with a recovering economy. The Group's various businesses continue to expand their activities in response to improving market opportunities. The contributions from the various subsidiaries have consistently been on a positive trend with the exception of FBC Securities (Private) Limited.

The Group total income at US$74 million registered a growth of 19% over last year buoyed by strong performance in the banking and insurance subsidiaries. Group profit before tax increased by 8% to US$16.9 million weighed down by higher overheads, incurred mainly to enhance the Group's competitiveness through implementing technology driven business solutions, integration of Information Technology ("IT") platforms and brand positioning. All the subsidiaries, except the stock-broking business which recorded a loss, contributed to the Group's profitability with the manufacturing business' contribution being significantly curtailed as a result of a change in strategic focus.

The Group net interest income contribution to total Group income improved to 27% from 22% achieved last year as a result of increased lending and an improvement in the cost of funding. Loans and advances to customers recorded a significant growth of 57% whilst the cost of funding was better than last year by 1.3%. As a result, the Group's net interest income increased by 47% to US$20.3 million from the US$13.8 million attained the previous year.

The Group fees and commission income was almost static at US$20.6 million, recording less than a 1% growth. This was primarily due to a reduction in the pricing of some services in an effort to ameliorate our customers' service charge burden and to stimulate transactions on our electronic service delivery channels. The contribution to total Group income by this revenue line, decreased to 28% from 33% last year.

Revenues from the insurance businesses registered a marked increase of 67% to US$14.6 million as a result of a growth in market share. The contribution of net earned insurance premium to total Group income increased to 20% from 14%. The insurance subsidiaries continue to consolidate underwriting of quality business, minimising claims, growing the customer base and improving risk management.

The Group impairment allowance at US$3.6 million is satisfactory in view of the liquidity challenges and the absence of appropriately structured funding in the economy. The liquidity constraints and high interest rates subsisting in the economy are denting the improvement of customers' credit

Group Chief Executive's Report (continued)

quality. The Group's total impairment allowance at US$9.8 million is considered adequate, with most of the loan book secured by tangible security.

The Group's cost to income ratio moved from 75% to 77% as the Group spent more to enhance competitiveness and branding in the long term. The Group will continue to invest in technology with a view to reduce the cost to income ratio to sustainable levels. The Group's statement of financial position increased by 40% to US$392 million from US$280 million on the back of improved brand acceptance by the market resulting in increased customer acquisitions.

All the Group's subsidiaries with prescribed capital requirements are adequately capitalised in line with regulatory guidelines, save for the Society which complied with the minimum regulatory capital as at the end of February 2013.

FBC Bank Limited

The Bank recorded a profit before income tax of US$6.7 million maintaining its contribution to the Group's profit before tax at 40%. Total Bank income was US$36.2 million, with the contribution of net interest income increasing to 49% from 42% recorded last year. This was driven by an increase in the Bank's lending portfolio by 45% to US$159.5 million. Non funded income remained almost static at US$18 million as the Bank eased pricing on some services in an effort to promote e-channel usage in the long term. The Bank has recorded significant success with this initiative as a significant number of our customers have now switched to e-channel transacting platforms. The Bank also successfully completed MasterCard acquiring, a programme that enables visitors and local MasterCard holders to transact on FBC Bank ATM's and POS machines countrywide.

The Bank's capital at US$34.4 million and US$30 million after deducting exposures to insiders, was well above the minimum regulatory capital requirement of US$25 million as at 31 December 2012. The Bank has a clear and regulatory authority approved capitalization plan to comply with the US$100 million capital by 2014.

The Bank engaged professional consultancy firm KPMG in the implementation of Basel II and managed to meet the Reserve Bank of Zimbabwe's Basel II compliance deadline of 1 January 2013. The Bank is currently fine tuning the process in an effort to gravitate towards the non standardised format.

The Bank maintained its A- rating from Global Credit Rating Agency in 2012.

FBC Building Society

The Building Society achieved a net surplus of US$5.5 million, representing a 90% increase from the 2011 net surplus of US$2.9 million. The unavailability of long term financing in the local market continues to hinder further prospects of advancing the Building Society's business objectives. The Building Society however managed to access a US$5 million credit facility from Shelter Afrique for direct mortgage lending. The Society loan book registered a 93% growth driven mostly by mortgages from the Society's housing projects. The Society completed and sold 202 high density houses, 88 medium density houses and 26 cluster units in the year under review. In 2013, the Society intends to undertake a high density housing project in Kwekwe's Mbizo suburb where 160 units are to be built. The Society's capital base stands at US$19.3 million against a regulatory minimum capital of US$20 million. The Society complied with the US$20 million minimum regulatory capital as at the end of February 2013, from normal trading surpluses.

Microplan Financial Services (Private) Limited

The Group's micro finance business contributed US$0.9 million to the overall Group profit before tax, representing a 55% growth in its first full year of operation. Microplan's business success is attributed to deliberate efforts towards new product development, coupled with a robust risk management framework. The business unit continues to aggressively pursue synergistic opportunities across the Group, including access to various service distribution channels, access to new business development, robust risk management guidance, and new business development. The Group will continue to support the unit in its efforts to become a significant player in the advancement of financial inclusion and alleviation of poverty in previously marginalised communities.

FBC Securities (Private) Limited

A subdued performance on the equities market in the first three quarters of the year under review impacted negatively on the unit's performance. Renewed foreign interest in the last quarter, however, saw traded volumes increasing, giving hope for the future. The stock broking industry witnessed a number of closures and suspensions owing to non-compliance issues. I am glad to report that FBC Securities met all regulatory requirements to the satisfaction of the authorities and its going concern status is safe and sound. During the year 2012 the unit recorded a loss of US$300 000. Strategically the unit remains an important element to the Group through which synergistic benefits continue to be realised. Going forward, I am certain that new strategies under employment will begin

Group Chief Executive's Report (continued)

to bear fruits and should see the unit contributing meaningfully to the Group. These include a leaner, more focused team, an aggressive pursuit of the foreign market and assisting local companies in capital raising and restructuring.

FBC Reinsurance Limited ("FBC Re")

FBC Re remains the most liquid reinsurer in Zimbabwe accounting for 60% of reinsurers' liquid assets as at the fourth quarter 2012 as per the Insurance and Pension Commission ("IPEC") Report. By the same measure, it is now the most profitable reinsurer in Zimbabwe, with an A- rating by the Global Credit Rating Agency ("GCR"). This is the highest credit rating a Zimbabwean insurance company can obtain from GCR, taking into consideration country risk.

The company recorded a profit before income tax of US$2.1 million representing a 49% growth from the previous year's performance. Market share of net premium income grew from 14% in 2011 to 17% in 2012. The company's capital position stands at US$7 million, which is 367% above the prescribed minimum capital requirement.

The company's profitability is underpinned by a strong underwriting discipline coupled with sound risk management principles as well as the fastest claims settlement turnaround time in the market.

FBC Re's superior claim settlement service was demonstrated in 2012 following the fire loss at OK Zimbabwe. The company was the first to settle its share of the loss commitment, despite the fact that FBC Re had the largest exposure on that loss, with a total commitment of over 30% of the total loss. The company continues to manage its exposures through retrocession arrangements with strong international re-insurers.

Eagle Insurance Company (Private) Limited

Following its acquisition by the Group last year, the company's profitability has improved, recording a profit before income tax of US$0.74 million, 74% up from the previous year. The company's market share in terms of net premium income is up to 5.8% from 3.7% in 2011 as at the fourth quarter 2012. The company's capital position stands at US$2 million which is significantly higher than the prescribed minimum capital requirement of US$1.5 million by year 2014. The Group continues to support and nurture Eagle Insurance which was acquired as a loss making business in early 2011. The Group will continue to support Eagle Insurance in its efforts to develop sound risk management principles as well as a strong underwriting discipline and superior claim settlement service to clients. The Group believes the future of Eagle Insurance also lies in new product development, evidenced by the company's introduction of the Hospital Cash Plan product - a first in the Zimbabwean market. The company also leads the insurance industry by being the first insurance company to develop fully implemented web based IT systems to drive e-commerce service delivery.

Turnall Holding Limited ("Turnall")

Turnall's performance was lower than the previous year, but remains positive. The company's turnover of US$42.5 million was 18% lower than the previous year, with profit before income tax decreasing from US$5.1 million to US$1.2 million due to a combination of the unavailability of liquidity and high interest rates in the market. The business changed its model to emphasize cash flow management and cost control rather than growing volumes.

The focus on improving working capital management resulted in a reduction in sales and production levels, negatively impacting on margins and profitability.

The company has continued to believe in strategically positioning the business through a capital expenditure program to enhance both the technology and product offering for the future. To this end the company will commission a state of the art concrete tile plant and a pavers production line in June 2013.

We are confident that the concrete tile plant will enable us to compete in the high end segment of the housing market and offer price competitive products on the back of improved technology and machinery.

Service delivery

To continually provide quality service, convenience and savings to our clients, the Group has invested in technology and continues to explore emerging technologies. It is also committed to investing in the upgrading of equipment in order to enhance the FBC customer service experience.

Risk management

The Group maintains a strong risk management culture supported by a risk philosophy which states that 'everyone is a risk manager'. Policies and procedure manuals are regularly reviewed to ensure that they remain relevant to conditions prevailing in the operating environment and are in conformity with best practices. The Group, through its Enterprise-Wide

Group Chief Executive's Report (continued)

Risk Management frame-work, conducts stress tests to assess the vulnerability of the Group against 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 that 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

Employee relations continue to be positive and healthy and this has been sustained through employee participation, recognition and commitment to the Group and its value system. The Group retained its key staff members over the year through concerted employee retention programmes as well as initiatives to improve employee engagement and talent management. The employee engagement levels in 2012 improved over prior year levels. Talent management, employee engagement, retention and performance management remain the Group's human capital management focus as it endeavours to have more engaged and highly productive employees. It is expected that the conducive human capital management fundamentals and initiatives will be sustained going forward.

Information technology and e-Commerce

The operating landscape continues to demand innovative solutions in the face of a well-informed and technologically savvy customer. The Group's e-Commerce thrust is starting to pay-off with new revenue channels starting to flow into the fee-income base driven by increased transaction traffic. The Group has enhanced its capacity to serve more customers more conveniently with the current infrastructure, hence increased productivity. The high mobile phone penetration rate should see the Group leverage the channel to enter new segments with technology-driven products and services at a competitive cost. Strategic partnerships are a key factor in establishing financial reach which ensures viable financial inclusivity, in an increasingly competitive industry which mobile network operators have also entered with vigour and enthusiasm. FBC will exploit its industry knowledge as well as create partnerships to maintain leadership in technology-driven financial services.

Product development

FBC Holdings believes that novelty and awareness are necessary ingredients to success in a competitive and fast changing economic landscape. Technologies like the mobile phone continue to avail major opportunities in the distribution of financial and information services. As a Group we have embraced these technological advancements through our e –Commerce drive and have in the past launched Mobile Moola, SMS Alerts and the Hospital Cash Plan among other technologically driven products. We continue to strive to employ technology to unlock the latent potential amongst the unbanked. The Bank has continued to roll out MasterCard products since we secured membership. This association with MasterCard and our e-Commerce drive continues to leverage the FBC brand into the more affluent segments whilst extending convenience and quality banking services to our clients.

Marketing and public relations

The FBC brand has risen in stature during the course of the year and continues to be regarded highly in the market place. Various customer awareness initiatives have been undertaken to keep the public informed of new products and pertinent developments within the Group.

Appreciation

As always, my sincere gratitude is extended to our valued and loyal customers who have demonstrated their well placed confidence in us over the years. Their support continues to propel us to achieve even more. I wish to thank the FBC team comprising the Board of Directors, Management and Staff for their continued support.

John Mushayavanhu
Group Chief Executive
21 March 2013

Directors' Report

Your directors have pleasure in submitting their ninth annual report and audited financial statements, for the financial year ended 31 December 2012, for FBC Holdings Limited.

1 ACTIVITIES AND INCORPORATION

FBC Holdings Limited (''the Company") and its subsidiaries (together "the Group") are incorporated and domiciled in Zimbabwe. The Group comprises four wholly-owned subsidiaries and three subsidiaries controlled 60%, 58% and 95%.The Group, through its subsidiaries, provides a wide range of commercial banking, mortgage financing, reinsurance, short term insurance, stockbroking and other related financial services, and also manufactures pipes and roofing sheets.

2 AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Company was 800 000 000 ordinary shares of a nominal value of US$0.00001 each as at 31 December 2012. The issued and fully paid ordinary shares remained at 591 850 127 ordinary shares of US$0.00001 as at 31 December 2012 with no movement for the year. The details of the authorized and issued share capital are set out in note 17 of the consolidated financial statements.

3 RESERVES

The Group's total shareholders' equity attributable to equity holders of the parent as at 31 December 2012 was US$67 037 129 (2011: US$55 538 942).

4 FINANCIAL STATEMENTS

	2012 US$	2011 US$
The results reflected a profit before income tax for the year of	16 892 650	15 674 998
Income tax expense	(1 255 798)	(3 168 488)
Profit for the year	15 636 852	12 506 510
Equity holders of the parent	12 987 368	9 705 377
Non-controlling interest	2 649 484	2 801 133
	15 636 852	12 506 510

5 DIRECTORS' INTERESTS

As at 31 December 2012, the Directors' interest in the issued shares of the Company directly or indirectly is shown below:

Directors' shareholding **Number of shares**	Direct holding	Indirect holding	Total
H. Nkala (Chairman)	-	410 339	410 339
J. Mushayavanhu (Group Chief Executive)	142 241	32 717 329	32 859 570
T. Kufazvinei (Executive Director)	274 812	14 733 505	15 008 317
W. Rusere (Executive Director)	5 000	12 717 200	12 722 200
G. G. Nhemachena (Non Executive Director)	5 960	9 082	15 042
F. Gwandekwande (Executive Director)	79 763	13 900	93 663
	507 776	60 601 355	61 109 131

The other directors have no shareholding in the Company.

6 DIRECTORATE

Details of Directors are reflected on pages 17 and 18.

Mr Stanley Kudenga, Managing Director of FBC Reinsurance resigned from the Board of FBC Holdings Limited with effect from 28 February 2012 after having served the Group for more than ten years. Mr Kleto Chiketsani, a seasoned insurance practitioner with over 20 years experience was appointed Managing Director of FBC Reinsurance taking over from Mr. Kudenga. Mr Kleto Chiketsani was appointed to the Board of FBC Holdings Limited on 3 July 2012. Mrs Chipo Mtasa was appointed to the Board of FBC Holdings Limited on 3 July 2012.

7 CAPITAL ADEQUACY

The following subsidiaries have their capital regulated by the regulatory authorities:
FBC Bank Limited, FBC Building Society and Microplan Financial Services (Private) Limited are all regulated by the Reserve Bank of Zimbabwe ("RBZ"). The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries.

The capital position for these subsidiaries is detailed in the table below;

Company	Regulatory authority	Minimum capital required US$	Net regulatory capital US$	Total equity US$
As at 31 December 2012				
FBC Bank Limited	RBZ	25 000 000	29 989 249	34 433 093
FBC Building Society	RBZ	20 000 000	18 979 135	19 360 110
FBC Reinsurance Limited	IPEC	1 500 000	7 027 072	7 027 072
FBC Securities (Private) Limited	SECZ	150 000	252 819	252 819
Eagle Insurance Company (Private) Limited	IPEC	1 000 000	2 036 088	2 036 088
Microplan Financial Services (Private) Limited	RBZ	10 000	1 213 468	1 213 468
As at 31 December 2011				
FBC Bank Limited	RBZ	12 500 000	18 928 844	28 198 757
FBC Building Society	RBZ	10 000 000	14 062 550	14 416 055
FBC Reinsurance Limited	IPEC	400 000	5 671 890	5 671 890
FBC Securities (Private) Limited	SECZ	150 000	229 656	229 656
Eagle Insurance Company (Private) Limited	IPEC	200 000	1 683 720	1 683 720
Microplan Financial Services (Private) Limited	RBZ	5 000	418 472	418 472

At 31 December 2012, the banking subsidiary's capital adequacy ratio computed under the Reserve Bank of Zimbabwe regulations was 15.37% and that of the building society was 50%, against the statutory minimum ratio of 12%. The respective capital adequacy ratios are determined as illustrated below.

FBC Bank Limited capital adequacy ratio

	2012 US$	2011 US$
Ordinary share capital	18 500 000	18 500 000
Retained profit	14 292 779	8 058 443
Regulatory reserve	660 244	660 244
Capital allocated for market and operational risk	(3 243 976)	(2 807 954)
Advances to insiders	(4 443 844)	(9 269 913)
Tier 1 capital	25 765 203	15 140 820
Revaluation reserve	980 070	980 070
Tier 1 and 2 capital	26 745 273	16 120 890
Tier 3 capital allocated for market and operational risk	3 243 976	2 807 954
	29 989 249	18 928 844
Risk weighted assets	195 115 408	143 642 673
Tier 1 ratio (%)	13.21%	10.08%
Tier 2 ratio (%)	0.50%	0.89%
Tier 3 ratio (%)	1.66%	2.03%
Capital adequacy ratio (%)	15.37%	13.00%
Minimum statutory capital adequacy ratio	12.00%	10.00%

Directors' Report (continued)

FBC Building Society capital adequacy ratio	2012 US$	2011 US$
Share capital and share premium	10 141 559	10 141 559
Accumulated surplus	8 069 388	3 062 273
Capital allocated for market and operational risk	(1 083 182)	(641 239)
Advances to insiders	(380 975)	(353 505)
Tier 1 capital	16 746 790	12 209 088
Non distributable reserve	839 778	839 778
Revaluation reserve	309 385	309 385
Regulatory reserve	-	63 060
Tier 1 and 2 capital	17 895 953	13 421 311
Tier 3 capital allocated for market and operational risk	1 083 182	641 239
	18 979 135	14 062 550
Risk weighted assets	37 948 332	28 682 079
Tier 1 ratio (%)	44.13%	42.57%
Tier 2 ratio (%)	3.03%	4.23%
Tier 3 ratio (%)	2.85%	2.24%
Capital adequacy ratio (%)	50.01%	49.04%
Minimum statutory capital adequacy ratio	12.00%	10.00%

8 DIVIDEND ANNOUNCEMENT

In view of the need to preserve income in order to achieve the new minimum regulatory capital requirements announced by the Reserve Bank of Zimbabwe on 31 July 2012, the Board of Directors proposed the non payment of a dividend.

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 statement 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 INDEPENDENT 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
21 March 2013

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 25 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 former 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) (Resigned)

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 21 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.

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 of FBC Building Society for four years and was appointed Managing Director of 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 a former President of the Institute of Chartered Accounts Zimbabwe. He is the Managing Director of Murray & Roberts Zimbabwe Limited that was recently renamed Masimba Holdings Limited. He was appointed to the Board of FBC Holdings Limited on the 8th of June 2011.

KLETO CHIKETSANI – Bachelor of Business Studies (Honours) (UZ), AIISA (EXECUTIVE DIRECTOR)

Kleto has 20 years experience in reinsurance gathered with two leading reinsurers in Zimbabwe. He is a founder member of FBC Reinsurance Limited, having joined the company (then Southern Africa Reinsurance Company Limited) on 1 January 1995 as Senior Underwriter and rose through the ranks to become Executive Director, Operations of FBC Reinsurance Limited in 2006. He holds a Bachelor of Business Studies (Honours) Degree from the University of Zimbabwe and is also an Associate of the Insurance Institute of South Africa. He was appointed Managing Director for FBC Reinsurance Limited on 1 March 2012.

CHIPO MTASA - B.Acc (Hons), CA(Z) (NON-EXECUTIVE DIRECTOR)

Chipo, is a Chartered Accountant (Zimbabwe) who completed her articles with Coopers & Lybrand. She has wide experience in various sectors of commerce and industry in Zimbabwe. She is the former Group Chief Executive for the Rainbow Tourism Group and is currently the Managing Director of Telone and director of several other companies. She was appointed to the Board of FBC Holdings Limited on the 3rd of July 2012.

Corporate Governance

The 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 of five executive directors and nine 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 Human Resources and Remuneration				Board Finance & Strategy				Board Risk & Compliance				Board Marketing & 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	✓	✓	✓	✓	✓	✓	✓	✓	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	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
Kleto Chiketsani	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	✓	✓
John Mushayavanhu	✓	✓	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✕
Webster Rusere	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A	N/A	N/A
Chipo Mtasa	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
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	✓	✓	✓	✓
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	✓	✕	✓	✕	N/A	N/A	N/A	N/A	✓	✓	✓	✓
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
Felix Gwandekwande	✓	✓	✓	✕	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Legend

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

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 (resigned 28 February 2012)
T. Kufazvinei
J. Mushayavanhu
W. Rusere
J. M. Matiza
F. Gwandekwande
G. Chikwava
K. Chiketsani (appointed 3 July 2012)

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
P.M. Chiradza
J.R. Mawere
C. Mtasa (appointed 3 July 2012)

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.

Corporate Governance (continued)

Board Audit Committee

Members

P.M. Chiradza (Chairman)
J.R. Mawere
G.G. Nhemachena
C. Malunga

The Committee is chaired by a non-executive director and comprises non-executive directors only. The Divisional Director of Internal Audit, the Group Chief Executive, the 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 (Resigned 28 February 2012)
J. Mushayavanhu
W. Rusere
P.M. Chiradza
F. Gwandekwande
K. Chiketsani (Appointed 3 July 2012)
C. Mtasa (Appointed 3 July 2012)

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.

Corporate Governance (continued)

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
Company Secretary
Divisional Director Human Resources

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

Group Internal Audit

The Group 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

Corporate Governance (continued)

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 in note 41 under Financial Risk 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 Group'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 and 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 the 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	2012	2011	2010
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
(Company Secretary)

pwc

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 2012 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 information set out on pages 25 to 97.

Directors' Responsibility for the consolidated 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 2012, and the Group's consolidated financial performance and its consolidated 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.

Pricewaterhouse Coopers

PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)

Harare **20 May 2013**

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 US$	2011 US$
ASSETS			
Balances with other banks and cash	4	82 415 090	50 359 054
Loans and advances to customers	5.1	190 592 547	121 333 026
Trade and other receivables including insurance receivables	5.2	26 582 806	23 173 709
Financial assets at fair value through profit or loss	6	2 932 818	2 123 239
Inventory	7	22 152 528	17 290 873
Prepayments and other assets	8	6 921 582	5 708 773
Deferred income tax assets	16	1 664 338	1 292 080
Investment property	9	25 000	25 000
Intangible asset	10	1 457 875	1 418 791
Property, plant and equipment	11	57 310 267	56 868 165
Total assets		**392 054 851**	**279 592 710**
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	12.1	128 101 881	70 790 291
Deposits from other banks	12.2	84 389 793	54 114 334
Borrowings	13	41 566 592	36 504 626
Insurance liabilities	14	10 976 731	8 380 408
Trade and other payables	15	29 885 061	21 866 385
Current income tax liability		1 712 581	4 843 420
Deferred income tax liability	16	7 269 579	8 874 414
Total liabilities		**303 902 218**	**205 373 878**
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Share capital and share premium	17.3	7 681 908	7 681 908
Other reserves	18	34 616 972	34 750 923
Retained profits		24 738 249	13 106 111
		67 037 129	55 538 942
Non controlling interest		21 115 504	18 679 890
Total equity		**88 152 633**	**74 218 832**
Total equity and liabilities		**392 054 851**	**279 592 710**

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Group Company Secretary)

Company Statement of Financial Position

As at 31 December 2012

	Note	2012 US$	2011 US$
ASSETS			
Amounts due from related parties	19	7 451 340	1 096 846
Available for sale financial asset	20	2 825 891	-
Investments in subsidiaries	21	40 240 602	53 113 958
Deferred income tax asset		10 075	401 040
Jointly controlled asset	22	90 000	101 250
Total assets		**50 617 908**	**54 713 094**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to related parties	23	1 271 459	7 778 613
Other liabilities		377 141	233 472
		1 648 600	8 012 085
Equity			
Share capital and premium		7 681 908	7 681 908
Other reserves	24	41 287 400	39 019 101
		48 969 308	46 701 009
Total equity and liabilities		**50 617 908**	**54 713 094**

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Note	2012 US$	2011 US$
Interest income	25	37 806 670	26 621 440
Interest expense	25.1	(17 511 395)	(12 773 813)
Net interest income		**20 295 275**	**13 847 627**
Fee and commission income	26	20 605 148	20 430 481
Fee and commission expense	26.1	(27 318)	(20 067)
Net fee and commission income		**20 577 830**	**20 410 414**
Revenue	27	53 613 611	56 292 235
Cost of sales	27.1	(37 504 472)	(39 054 161)
Gross profit		**16 109 139**	**17 238 074**
Insurance premium revenue	28	22 951 209	15 075 827
Premium ceded to reinsurers and retrocessionaires		(8 373 776)	(6 334 763)
Net earned insurance premium		**14 577 433**	**8 741 064**
Net trading income		1 163 206	1 016 385
Net gains from financial assets at fair value through profit or loss	29	388 229	145 506
Other operating income	30	1 103 913	760 314
		2 655 348	1 922 205
Total income		**74 215 025**	**62 159 384**
Impairment allowance on financial assets	5.4	(3 603 842)	(3 717 144)
Net insurance commission expense	31	(3 012 597)	(2 138 109)
Insurance claims and loss adjustment expenses	32	(5 811 900)	(3 108 215)
Administrative expenses	33	(44 894 036)	(37 487 980)
Share of loss of associate		-	(32 938)
Profit before income tax		**16 892 650**	**15 674 998**
Income tax expense	34	(1 255 798)	(3 168 488)
Profit for the year		**15 636 852**	**12 506 510**
Other comprehensive income			
Gains on property revaluation		-	3 844 017
Tax relating to other comprehensive income		-	(714 285)
Other comprehensive income, net income tax		-	3 129 732
Total comprehensive income for the year		**15 636 852**	**15 636 242**
Profit attributable to:			
Equity holders of the parent		12 987 368	9 705 377
Non - controlling interest		2 649 484	2 801 133
Profit for the year		**15 636 852**	**12 506 510**
Total comprehensive income attributable to:			
Equity holders of the parent		12 987 368	11 798 046
Non - controlling interest		2 649 484	3 838 196
Total comprehensive income for the year		**15 636 852**	**15 636 242**
Earnings per share (US cents)			
Basic	40.1	2.42	1.78
Diluted	40.2	2.42	1.78

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	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 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 excercised	11	-	-	(11)	-	-	-	-	-	-	-	-
Dividend declared and paid	-	-	(1 000 227)	-	-	-	-	-	-	(1 000 227)	(495 092)	(1 495 319)
Share option remeasurement	-	-	-	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**
Balance as at 1 January 2012	**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**
Profit for the year	-	-	12 987 368	-	-	-	-	-	-	12 987 368	2 649 484	15 636 852
Other comprehensive income:												
Gain on revaluation of property, plant	-	-	-	-	-	-	-	-	-	-	-	-
and equipment, net of income tax	-	-	-	-	-	-	-	-	-	-	-	-
Regulatory impairment allowance	-	-	63 060	-	-	-	-	(63 060)	-	-	-	-
Total other comprehensive income	**-**	**-**	**63 060**	**-**	**-**	**-**	**-**	**(63 060)**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**13 050 428**	**-**	**-**	**-**	**-**	**(63 060)**	**-**	**12 987 368**	**2 649 484**	**15 636 852**
Transaction with owners:												
Share options exercised	-	-	-	-	-	-	-	-	-	-	-	-
Dividend declared and paid	-	-	(1 352 280)	-	-	-	-	-	-	(1 352 280)	(213 870)	(1 566 150)
Increase in ownership interest	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares purchase	-	-	-	-	(201 085)	-	-	-	-	(201 085)	-	(201 085)
Treasury share reserve release	-	-	(66 010)	-	130 194	-	-	-	-	64 184	-	64 184
Balance as at 31 December 2012	**5 918**	**7 675 990**	**24 738 249**	**110 716**	**(2 757 535)**	**33 659 224**	**3 191 743**	**627 590**	**(214 766)**	**67 037 129**	**21 115 504**	**88 152 633**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 US$	2011 US$
Cash flow from operating activities			
Profit before income tax		16 892 650	15 674 998
Adjustments for non cash items:			
Depreciation	11	3 830 018	3 169 303
Amortisation charge	10	582 752	468 042
Impairment allowance on financial assets	5.4	3 603 842	3 717 144
Share option remeasurement		-	27 790
Impairment allowance on property, plant and equipment	11	-	54 548
Share of loss of associate		-	32 938
Fair value adjustment on financial assets at fair value through profit or loss	29	(388 229)	(145 506)
Fair value adjustment on investment property	9	-	(55 000)
Loss on remeasurement of previously held associate		-	367 995
Write-off of goodwill		-	4 290
Profit on disposal of property, plant and equipment	30	(175 108)	(18 349)
Net cash generated before changes in operating assets and liabilities		**24 345 925**	**23 298 193**
Increase in loans and advances		(63 331 490)	(41 706 497)
Increase in trade and other receivables		(3 822 387)	(4 842 319)
Decrease in statutory reserves		-	85 250
(Increase)/decrease in financial assets at fair value through profit or loss		(809 579)	189 996
Increase in inventory		(4 861 655)	(7 047 126)
Increase in prepayments and other assets		(1 212 809)	(2 582 841)
Increase/(decrease) in deposits from customers		57 311 590	(39 257 314)
Increase in deposits from other banks		30 275 459	44 623 835
Increase in insurance liabilities		2 596 323	1 561 562
Increase in trade and other payables		8 018 676	6 225 934
		48 510 053	**(19 451 327)**
Income tax paid		(6 257 609)	(2 781 424)
Net cash generated from /(used in) operating activities		**42 252 444**	**(22 232 751)**
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		-	(569 859)
Purchases of intangible assets	10	(621 836)	(708 914)
Purchase of property, plant and equipment	11	(4 336 496)	(5 420 081)
Proceeds from sale of property, plant and equipment		239 484	104 218
Net cash used in investing activities		**(4 718 848)**	**(6 594 636)**
Cash flows from financing activities			
Purchase of additional interest in existing subsidiary		-	(476 987)
Proceeds from borrowings		36 725 399	46 636 020
Repayment of borrowings		(31 663 432)	(33 419 813)
Dividend paid to company's shareholders		(1 352 280)	(1 000 227)
Dividends paid to non-controlling interests		(213 870)	(495 092)
Purchase of treasury shares		(201 085)	(1 562 585)
Net cash generated from financing activities		**3 294 732**	**9 681 316**
Net increase/(decrease) in cash and cash equivalents		**40 828 328**	**(19 146 071)**
Cash and cash equivalents at beginning of the year		41 091 857	60 237 928
Cash and cash equivalents at the end of year	4.1	**81 920 185**	**41 091 857**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

1 GENERAL INFORMATION

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking, mortgage financing, micro lending, reinsurance, short-term insurance, stockbrocking and also manufactures pipes and roofing sheets.

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

These consolidated financial statements were approved for issue by the Board of Directors on 19 March 2013.

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") interpretations 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 2012
The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2012 and are relevant to the Group;

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 7 (amendment)	Financial instruments: Disclosures on derecognition	1 July 2011
IAS 12 (amendment)	Deferred tax	1 January 2012

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

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. This amendment was early adopted and allowed the Group to achieve compliance with IFRS for the year ended 31 December 2010.

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.

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.

(b) New standards, amendments and interpretations that have been issued but not effective for the financial year beginning 1 January 2012 and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. The following, set out below, are expected to have an effect on the consolidated financial statements of the Group;

Standard/Interpretation	Content	Applicable for financial years beginning on/ after
IAS 1 (amendment)	Other comprehensive income	1 July 2012
IAS 27 (amendment)	Separate financial statements	1 January 2013
IAS 32 (amendment)	Asset and liability offsetting	1 January 2014
IAS 34 (amendment)	Interim financial reporting	1 January 2013
IFRS 7 (amendment)	Asset and liability offsetting	1 January 2013
IFRS 9 (new)	Financial Instruments	1 January 2015
IFRS 10 (new)	Consolidated financial statements	1 January 2015
IFRS 12 (new)	Disclosures of interests in other entities	1 January 2013
IFRS 13 (new)	Fair value measurement	1 January 2013
Annual improvements 2011	Improvements to various International Financial Reporting Standards	1 January 2013

The Group is considering the implications of these new standards, amendments and interpretations, and their impact on the Group and the 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. The amendments do not address which items are presented in other comprehensive income.

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.

IAS 34 (amendment) 'Interim financial reporting'. The amendment brings IAS34 into line with the requirements of IFRS 8, Operating Segments. A measure of total assets and liabilities is required for an operating segment in interim financial statements.

IFRS 7 (amendment) 'Financial instruments: disclosures' on derecognition. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 9 (new) '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 (new) '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 (new) '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 (new) '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.

Annual improvements
Improvements to IFRS were issued by the International Accounting Standard Board ("IASB") to be applied for financial periods beginning on or after 1 January 2013. They contain numerous amendments to IFRS that the IASB considered 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 effective for accounting periods beginning after 1 January 2012 and not relevant to the Group

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 1 (amendment)	Government loans	1 January 2013
IFRS 11 (new)	Joint arrangements	1 January 2013
IFRIC 20 (new)	Stripping costs in the production phase of a surface mine	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 1 (amendment) 'First time adoption', on government loans. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS.

IFRS 11 (new) '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.

IFRIC 20 (new) 'Stripping costs in the production phase of a surface mine'. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine.

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 carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or loses arising from such remeasurement are recognised through the statement of comprehensive income.

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 within "changes in ownership reserve". Gains or losses on disposals to non-controlling interests are also recorded in equity within "changes in ownership reserve".

(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 a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the 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. 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 or 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 or 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. The CODM is responsible for allocating resources and assessing performance of the operating segments.

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

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 or 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.

Foreign exchange gains or 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, available for sale 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 categorised 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. The Group's loans and receivables comprise 'loans and advances to customers', 'trade and other receivables' and 'balances with banks and cash' in the statement of financial position. Loans and receivables 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 receivables are stated net of impairment allowances.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

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 within administrative expenses 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. Available-for-sale financial assets and 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 and available-for-sale financial assets is recognised in the statement of comprehensive income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When these financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains or losses from investment securities'.

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 section 2.5.6.

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, 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 statement of comprehensive income 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="11">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">Equity securities (listed on the Zimbabwe Stock Exchange)</td></tr>
<tr><td colspan="3">Available for sale</td><td colspan="2">Equity securities (listed on the Zimbabwe Stock Exchange)</td></tr>
<tr><td rowspan="9">Loans and receivables</td><td colspan="2">Loans and advances to other banks</td><td colspan="2">Placements</td></tr>
<tr><td colspan="2" rowspan="2">Trade receivables</td><td colspan="2">Large corporate customers</td></tr>
<tr><td colspan="2">Retail customers</td></tr>
<tr><td rowspan="6">Loans and advances to customers</td><td rowspan="3">Loans to individuals</td><td colspan="2">Mortgage</td></tr>
<tr><td colspan="2">Term loans</td></tr>
<tr><td colspan="2">Overdraft</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">Demand deposits Promissory notes Savings and current accounts</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Individuals</td></tr>
<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 realise 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

(a) 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 a loss event (or events) on loans and receivables carried at amortised cost has occurred, the amount of the allowance 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 allowance 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.

(b) 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 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 allowances are applied to write-off advances when all security has been realised 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 allowance in the financial statements they are shown as a recovery in the statement of financial position.

(c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are reset to performing loans status. These loans are subject to ongoing review to determine whether they are considered impaired or past due.

(d) 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 on hand, deposits held at call with other 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 statement of financial position, bank overdrafts are shown as liabilities.

2.7 Trade and other receivables including insurance 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

(a) Classification of insurance contracts

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 are classified as insurance contracts. 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.

(b) Recognition and measurement

(i) Revenue

Gross premiums written reflect business written during the year, and exclude any taxes or duties based on premiums Premiums written include 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.

(ii) 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.

(iii) 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 handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for 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.

(iv) Unexpired risk provision

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims 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.

(c) Reinsurance assets

The reinsurance subsidiary cedes reinsurance to another reinsurer (hereafter a retrocessonaire) 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 recognised 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 recognised 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 recognised 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 trade 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.

(d) Reinsurance liabilities

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(e) Deferred acquisition costs

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

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.

For general insurance contracts the deferred acquisition cost 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 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 investment property will flow to the Group and the cost of 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 or losses from disposal is determined as the difference between the net proceeds and the carrying amount of the asset and 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's proportionate share of the recognised amounts of the acquiree's identifiable net assets 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 3-5 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 ranging from 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 periodic 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 separate property, plant and equipment.

(b) Subsequent costs

The cost of replacing part of an item of property, plant 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 within 'operating expenses' during the financial period in which they are incurred. Subsequent costs can also be recognised 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 or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income within other 'operating 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 allowance 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 (note 2.14)

(d) 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 the Group has a 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 jointly controlled asset.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2012

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 allowance 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 or CGUs). 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 thereporting 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 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2012

2.18 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.

2.19 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.

2.20 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 within 'other operating income' on a straight-line basis over the lease term.

2.21 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 income and dividend income.

2.21.1 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 rate 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.

2.21.2 Fee and commission income

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.

Fees and commissions 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.

2.21.3 Net trading income

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

2.21.4 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.

2.21.5 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.

2.21.6 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.

2.21.7 Insurance premium (including reinsurance premiums)

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.

2.22 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 recognises 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 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 within operating expenses in the statement of comprehensive income. 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.

2.23 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 then dividing by the weighted average number of outstanding shares during the year excluding ordinary shares purchased by the Company and held as treasury shares but taking into consideration, for the effects of all potential dilutive factors.

2.24 Headline earnings per share

The Group presents headline earnings per share ("HEPS") for its ordinary shares. Headline earnings are calculated by excluding the following from the profit or loss attributable to ordinary shareholders of the Company; impairment/ subsequent reversal of impairment of property, plant and equipment and intangible assets; gains or losses on disposal of such assets; any remeasurements to investment property; remeasurement of goodwill impairment; the recognised gain on bargain purchase; gains or losses on deemed disposals of financial assets classified as available for sale or associates and gains or losses in the loss of control or a subsidiary.

These earnings are then divided by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company and held as treasury 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 allowances on loans and advances

The Group reviews its loan portfolios to assess impairment at least monthly. In determining whether an impairment allowance should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is a 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 allowance the expected cash flows are discounted using the original effective interest rate when the loan was granted. Additional information is disclosed in note 5.

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 during the ordinary course of business is estimated. 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 34.

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 the 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 14.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

		2012 US$	2011 US$
4	**BALANCES WITH BANKS AND CASH**		
	Balances with Reserve Bank of Zimbabwe ("RBZ")		
	Statutory reserves	-	9 035 745
	Current account balances	50 701 657	12 654 910
		50 701 657	21 690 655
	Balances with other banks and cash		
	Notes and coins	23 907 633	16 086 163
	Other bank balances	7 805 800	12 582 236
		31 713 433	28 668 399
	Balances with banks and cash (excluding bank overdrafts)	**82 415 090**	**50 359 054**
	Current	82 415 090	50 359 054
	Non-current	-	-
	Total	**82 415 090**	**50 359 054**

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. Statutory reserves were converted to treasury bills which have been classified as loans and advances in 2012.

4.1 Cash and cash equivalents

Cash and bank balances comprise balances with less than three months maturity from date of acquisition, including cash on hand, deposits held at call with 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;

	2012 US$	2011 US$
Balances with other banks and cash	31 713 433	28 668 399
Current account balance at Reserve Bank of Zimbabwe ("RBZ")	50 701 657	12 654 910
Bank overdrafts	(494 905)	(231 452)
	81 920 185	**41 091 857**

5 LOANS AND RECEIVABLES

5.1 Loans and advances to customers

	2012 US$	2011 US$
Loans and advance maturities		
Maturing within 1 year	144 452 501	102 743 469
Maturing after 1 year	55 928 410	22 619 684
Gross carrying amount	**200 380 911**	**125 363 153**
Impairment allowance	(9 788 364)	(4 030 127)
	190 592 547	**121 333 026**
Current	135 315 806	99 236 924
Non-current	55 276 741	22 096 102
Total	**190 592 547**	**121 333 026**

The maturity analysis of loans and receivables is based on contractual maturity from year end. Assets with a value of US$ 27 901 388 (2011 - US$27 686 056) were pledged as collateral on deposits from customers.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2012

Reconciliation of impairment allowance by nature of advance	**Residential mortgage loans US$**	**Other personal lending US$**	**Wholesale and corporate loans US$**	**Total US$**
As at 1 January 2012	175 337	851 482	3 003 308	4 030 127
Charge for the year	292 872	1 715 928	1 098 914	3 107 714
Net allowance	-	-	-	-
Increase in impairment allowances	292 872	1 715 928	1 098 914	3 107 714
Reversal of impairment	-	-	-	-
Interest in suspense		349 312	2 301 211	2 650 523
Amount written off during the year and uncollectable	-	-	-	-
As at 31 December 2012	**468 209**	**2 916 722**	**6 403 433**	**9 788 364**

The specific allowance is arrived at after discounting the expected cash flows 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.

	2012 US$	**2011 US$**
5.2 Trade and other receivables including insurance receivables		
Retail trade receivables	16 813 011	16 116 973
Insurance receivables;		
- Due by insurance clients and insurance brokers	4 807 101	3 124 743
- Due by reinsurers	492 749	252 512
- Due by retrocessionaires	4 497 710	4 004 276
Gross carrying amount	**26 610 571**	**23 498 504**
Impairment allowance	(27 765)	(324 795)
	26 582 806	**23 173 709**
Current	26 582 806	23 173 709
Non-current	-	-
Total	**26 582 806**	**23 173 709**

5.3 Irrevocable commitments

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

5.4 Allowance for impairment	**Loans and advances US$**	**Trade and other receivables US$**	**Total US$**
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**
Balance as at 1 January 2012	4 030 127	324 795	4 354 922
Impairment allowance through statement of comprehensive income	3 107 714	496 128	3 603 842
Reversal of impairment	-	(41 419)	(41 419)
Amounts written off during the year as uncollectible	-	(751 739)	(751 739)
Interest in suspense	2 650 523	-	2 650 523
Balance as at 31 December 2012	**9 788 364**	**27 765**	**9 816 129**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2012

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2012 US$	2011 US$
Listed securities at market value	**2 932 818**	**2 123 239**
Current	2 932 818	2 123 239
Non-current	-	-
Total	**2 932 818**	**2 123 239**

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other operating income' in the income statement. The fair value of all equity securities is based on their current bid prices in an active market.

7 INVENTORY

Consumables	1 508 735	1 439 729
Raw materials	4 334 764	6 443 529
Work in progress	3 854 289	2 349 729
Finished goods	12 454 740	7 057 886
	22 152 528	**17 290 873**

Included in work in progress is US$1 796 799 (2011: US$2 280 192) 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$29 136 968 (2011: US$25 671 283).

No inventory was impaired during the period.

8 PREPAYMENTS AND OTHER ASSETS

Prepayments	2 385 095	1 011 507
Deferred acquisition costs	848 404	695 756
Recoveries	276 898	458 912
Commission receivable	1 474 367	1 551 695
Collateral issued	198 697	131 642
Stationary stock and other consumables	76 228	38 191
Jointly controlled asset	90 000	101 250
Other	1 571 893	1 719 820
	6 921 582	**5 708 773**
Current	6 921 582	5 708 773
Non-current	-	-
Total	**6 921 582**	**5 708 773**

Notes to the Consolidated Financial Statements (continued)
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9 INVESTMENT PROPERTY

	2012 US$	2011 US$
Balance as at 1 January	25 000	610 000
Fair value adjustment	-	55 000
Transfer to property, plant and equipment	-	(640 000)
Balance as at 31 December	**25 000**	**25 000**
Current	-	-
Non-current	25 000	25 000
Total	**25 000**	**25 000**
Investment property comprises of the following:		
Residential house, Victoria Falls	25 000	25 000
	25 000	**25 000**

The fair value of the investment property as at 31 December 2011 was 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. No valuation was carried out as at 31 December 2012.

Included in other operating income is rental income of US$2 400 (2011: US$66 933) relating to investment property.

10 INTANGIBLE ASSETS

	Software US$
Year ended 31 December 2011	
Opening net book amount	1 177 919
Additions	708 914
Amortisation charge	(468 042)
Closing net book amount	**1 418 791**
As at 31 December 2011	
Cost	2 627 737
Accumulated amortisation	(1 208 946)
Net book amount	**1 418 791**
Year ended 31 December 2012	
Opening net book amount	1 418 791
Additions	621 836
Amortisation charge	(582 752)
Closing net book amount	**1 457 875**
As at 31 December 2012	
Cost	3 249 573
Accumulated amortisation	(1 791 698)
Net book amount	**1 457 875**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2012

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$	Plant and machinery US$	Computer equipment US$	Furniture and office equipment US$	Motor vehicles US$	Total US$
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
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**
Year ended 31 December 2012						
Opening net book amount	28 545 237	22 758 317	1 274 448	2 973 783	1 316 380	56 868 165
Additions	140 000	2 586 205	459 396	819 268	331 627	4 336 496
Disposals	-	(577)	(13 209)	(39 231)	(11 359)	(64 376)
Depreciation	(601 941)	(1 949 319)	(507 041)	(391 156)	(380 561)	(3 830 018)
Closing net book amount	28 083 296	23 394 626	1 213 594	3 362 664	1 256 087	57 310 267
As at 31 December 2012						
Cost or valuation	30 220 085	28 052 262	2 651 891	4 675 175	3 557 314	69 156 727
Accumulated depreciation	(2 082 241)	(4 657 636)	(1 438 297)	(1 312 511)	(2 049 676)	(11 540 361)
Accumulated impairment	(54 548)	-	-	-	(251 551)	(306 099)
Net book amount	**28 083 296**	**23 394 626**	**1 213 594**	**3 362 664**	**1 256 087**	**57 310 267**

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 assets were also tested for impairment on the same date through comparison with open market values determined by independent valuers. The impairment loss resulting has been recognised in the statement of comprehensive income. No borrowing costs were capitalised (2011: Nil).

Depreciation expense of US$1 900 862 (2011: US$1 571 942) has been charged in 'cost of sales', US$297 701 (2011: nil) in distribution expenses US$1 637 487 and (2011: US$1 579 361) in 'administrative expenses'.

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

	2012 US$	2011 US$
Cost	25 714 687	25 574 687
Accumulated depreciation	(2 082 241)	(1 480 300)
Net book amount	**23 632 446**	**24 094 387**

12 DEPOSITS FROM CUSTOMERS

	2012 US$	2011 US$
Demand deposits	91 944 231	59 564 521
Promissory notes	30 007 720	1 532 925
Other time deposits	6 149 930	9 692 845
	128 101 881	**70 790 291**
Current	128 101 881	70 790 291
Non-current	-	-
Total	**128 101 881**	**70 790 291**

12.1 DEPOSITS FROM OTHER BANKS

	2012 US$	2011 US$
Money market deposits	84 389 793	54 114 334
	84 389 793	**54 114 334**
Current	84 389 793	54 114 334
Non-current	-	-
Total	**84 389 793**	**54 114 334**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

12.2 Deposit concentration

	2012 US$	%	2011 US$	%
Agriculture	4 982 313	2%	2 427 028	2%
Construction	2 225 233	1%	1 923 578	2%
Wholesale and retail trade	31 663 276	15%	10 975 722	9%
Public sector	16 766 961	8%	19 335 840	16%
Manufacturing	10 930 868	5%	1 735 285	1%
Telecommunication	2 351 318	1%	546 209	0%
Transport	4 558 834	2%	7 134 496	6%
Individuals	38 390 033	18%	18 220 129	15%
Financial services	84 389 793	40%	54 114 334	43%
Mining	12 699 878	6%	3 051 222	2%
Other	3 533 167	2%	5 440 782	4%
	212 491 674	**100%**	**124 904 625**	**100%**

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

13 BORROWINGS

	2012 US$	2011 US$
Bank borrowings	7 789 365	7 292 933
Foreign lines of credit	33 777 227	29 211 693
	41 566 592	**36 504 626**
Current	37 449 753	29 143 532
Non-current	4 116 839	7 361 094
Total	**41 566 592**	**36 504 626**

These loans are analysed as follows:

Eastern and Southern African Trade and Development Bank ("PTA Bank") – US$5 000 000 loan facility to be repaid in 36 months ending 31 October 2013 and the interest rate per annum LIBOR plus 4% per annum. The loan is secured by the Harare and Bulawayo Turnall Holdings Limited properties.

African Export-Import Bank ("Afreximbank") - US$15 million to be repaid in full in October 2013 with an option to renew it annually for 2 years ending 8 November 2015. The loan is unsecured with an interest rate of LIBOR plus 4.5% per annum.

African Export-Import Bank ("Afreximbank") through Zimbabwe Economic and Trade Revival Facility ("ZETREF") - US$15 million to be repaid in full in October 2013 with an option to renew it annually for 2 years ending 31 December 2015. The loan is unsecured. Interest rate of LIBOR plus 4.5% per annum.

Kingdom Bank Limited - US$2.54 million global loan facility ending 31 December 2014 that is unsecured. Interest is payable at an average rate of 20% per annum.

Shelter Afrique - US$5 000 000 to be repaid quarterly over 10 years ending 31 December 2022, 2 years capital repayment grace period. Interest rate per annum is 11%.

BancABC Limited - US$5 million global loan facility ending 30 March 2014 that is unsecured. Interest is payable at an average rate of 16% per annum.

The Zimbabwe Agriculture Development Trust ("ZADT") - US$4.25 million facility matures on 31 December 2013. The credit facility has a tenure of 12 months at an interest rate of 6.5% per annum.

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant. The carrying amount of the Group borrowings are denominated in US$.

14 INSURANCE LIABILITIES

	2012 US$	2011 US$
Gross outstanding claims	7 336 142	5 918 568
Provision for unearned premium	3 640 589	2 461 840
	10 976 731	**8 380 408**
Current	10 976 731	8 380 408
Non-current	-	-
Total	**10 976 731**	**8 380 408**

14.1 Gross outstanding claims

	2012 US$	2011 US$
Gross outstanding claims at the beginning of the year	5 918 568	4 320 780
Reinsurer's share of technical provisions	(4 026 380)	(3 372 657)
Net outstanding claims at the beginning of the year	1 892 188	948 123
Acquisition of subsidiary	-	389 864
Change in provision for claims	796 729	554 201
Reinsurer's share of technical provisions at the end of the year	4 647 225	4 026 380
Gross outstanding claims at the end of the year	**7 336 142**	**5 918 568**

14.2 Provision for unearned premium

	2012 US$	2011 US$
Gross provision for unearned premium	4 622 793	(1 310 074)
Reinsurer's share of the provision for unearned premium	(982 204)	2 461 840
Balance at end of the year	**3 640 589**	**1 151 766**

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.

Assumptions and sensitivities for general insurance liabilities

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The impact of many of the items affecting the ultimate costs of the loss are difficult to estimate. The provision estimation difficulties also differ by class of business due to a difference in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which if identified, can be allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business;
- random fluctuations, including the impact of large losses.

Gross outstanding claims includes incurred but not yet reported ("IBNR") losses and is provided for at 7% (2011 : 7%) of net written premium for the reinsurance subsidiary and 5% (2011: 5%) of net written premium for the insurance subsidiary. The 7% and 5% were arrived at after consideration of past experiences. A separate calculation is carried out to estimate the size of reinsurance recoveries. The Group is covered by a variety of excess of loss reinsurance programmes with sufficiently high retentions for only relatively few, large claims to be recoverable. The method used by the Group takes historical data, gross IBNR estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. The Group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

The table below summarises the impact of increases or decreases of percentages used to estimate IBNR on the Group's post-tax profit for the year. The analysis is based on the assumption that the percentages have increased or decreased by 10% with all other variables held constant.

Impact of 10% increase in the percentage used to estimate IBNR	2012 US$	2011 US$
Incurred but not yet reported ("IBNR") losses	103 281	62 349

15 TRADE AND OTHER PAYABLES

	2012 US$	2011 US$
Trade and other payables	21 249 775	19 924 015
Deferred income	1 122 067	1 739 934
Other liabilities	7 513 219	202 436
	29 885 061	**21 866 385**
Current	29 885 061	21 866 385
Non-current	-	-
Total	**29 885 061**	**21 866 385**

16 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% (2011:25.75%).

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

	2012 US$	2011 US$
As at 1 January	7 582 334	8 842 314
On acquisition of subsidiary	-	(173 118)
Statement of comprehensive income charge (note 34)	(1 977 093)	(1 801 147)
Tax charge relating to revaluation of property, plant and equipment	-	714 285
As at 31 December	**5 605 241**	**7 582 334**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

		2012 US$	2011 US$
16	**DEFERRED INCOME TAX ASSET AND LIABILITY (continued)**		
16.1	**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:		
	Accelerated tax depreciation	(901 929)	72 321
	Allowances for impairments	(1 350 386)	(817 804)
	Other provisions	775 473	(339 685)
	Unrealised gains and losses	(499 136)	(314 939)
	Other temporary difference	123 054	-
	Assessable tax losses	(124 169)	(401 040)
	Total	**(1 977 093)**	**(1 801 147)**
16.2	**Deferred income tax assets and liabilities**		
	Deferred income tax assets and liabilities are attributable to the following items:		
	Allowance for loan impairment	(2 352 842)	(1 190 396)
	Property, plant and equipment allowances	8 466 486	8 981 027
	Unrealised gains on foreign exchange and equities	89 272	972 545
	Accrual for leave pay	(91 632)	(23 497)
	Deferred acquisition costs	218 463	169 493
	Unearned premium reserve	(60 564)	(643 369)
	Prepayments	314 299	76 831
	Assessable tax loss	(375 724)	(401 040)
	Net outstanding claims	(602 517)	(359 260)
		5 605 241	**7 582 334**
16.3	**Timing of reversal temporary differences**		
	Deferred income tax assets		
	Deferred income tax asset to be recovered after more than 12 months	1 664 338	517 353
	Deferred income tax asset to be recovered within 12 months	-	774 727
	Total	**1 664 338**	**1 292 080**
	Deferred income tax liabilities		
	Deferred income tax liability to be recovered after more than 12 months	7 269 579	7 859 335
	Deferred income tax liability to be recovered within 12 months	-	1 015 079
	Total	**7 269 579**	**8 874 414**
	Net deferred income tax liability	**5 605 241**	**7 582 334**

The deferred income tax arising from property, plant 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.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

17 SHARE CAPITAL AND SHARE PREMIUM

	2012 US$	2011 US$
17.1 Authorised		
Number of ordinary shares	800 000 000	800 000 000
Par value of shares US$	0.00001	0.00001
17.2 Issued and fully paid		
Number of ordinary shares	591 850 127	591 850 127

17.3 Share capital movement

	Number of Shares	Share Capital US$	Share Premium US$	Total US$
As at 1 January 2011	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**
Disposal of treasury shares	-	-	-	-
As at 31 December 2012	**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.

18 OTHER RESERVES

	2012 US$	2011 US$
Share option reserves	110 716	110 716
Revaluation reserves	3 191 743	3 191 743
Non distributable reserves	33 659 224	33 659 224
Regulatory reserves	627 590	690 650
Treasury shares reserves	(2 757 535)	(2 686 644)
Changes in ownership	(214 766)	(214 766)
	34 616 972	**34 750 923**

The definitions of the reserves are as follows;
The share option reserve is a reserve for the expected cost of issuing shares to employees that exercise options.

The revaluation reserve consists of increases in the value of land and buildings on revaluation.

Non-distributable reserves are the net result of the restatements of assets and liabilities that could be recovered or settled in a currency other than the Zimbabwe dollar (“ZW$”) or could be reasonably translated into a currency other than the ZW$ as at 1 January 2009, less deferred income tax and net of amounts subsequently transferred to share capital and share premium.

Regulatory reserves are impairment allowances, the Group is legally required to maintain on its statement of financial position that are over and above those required by IFRS.

Treasury share reserve represents shares the Group has issued and subsequently reacquired.

Change in ownership reserve represents the net loss or gain resulting in a step acquisition of a subsidiary.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2012

19 - 24 Related to the FBC Holdings Limited (the Company) Statement of Financial Position

19 AMOUNTS DUE FROM RELATED PARTIES	2012 US$	2011 US$
Share option balances due from subsidiaries	82 926	82 926
Other intercompany receivables	7 368 414	1 013 920
	7 451 340	**1 096 846**
Current	7 451 340	1 096 846
Non-current	-	-
Total	**7 451 340**	**1 096 846**

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

20 AVAILABLE FOR SALE FINANCIAL ASSETS

	2012 US$	2011 US$
At 1 January		
Transfer from investment in subsidiary on Group restructuring	2 345 011	-
Net gains transfer to equity	480 880	-
As at 31 December	**2 825 891**	**-**

The available-for-sale financial assets include Zimbabwe Stock Exchange listed shares denominated in United States of America dollars. The resulting available-for-sale financial assets are the remaining shares in Turnall Holdings after a Group restructuring where a portion of the investment in subsidiary was disposed to another subsidiary. This was fully eliminated in the consolidated financial statements.

21 INVESTMENT IN SUBSIDIARIES

21.1 Investment in subsidiaries	Equity interest 2012	Equity interest 2011	2012 US$	2011 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%	599 573	349 573
Turnall Holdings Limited	10%	58%	-	13 123 357
Eagle Insurance Company (Private) Limited	95%	95%	1 126 987	1 126 986
Microplan Financial Services (Private) Limited	100%	100%	5 000	5 000
			40 240 602	**53 113 958**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

21.2 Movement analysis - investment in subsidiaries

	US$
Balance as at 1 January 2011	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**
Capital injection	
FBC Securities (Private) Limited	250 000
Group restructuring	
Turnall Holdings Limited disposal to FBC Bank Limited	(10 778 345)
Reclassification to available for sale financial asset	(2 345 011)
Balance as at 31 December 2012	**40 240 602**

FBC Bank Limited realised its security of Turnall Holdings Limited shares in full settlement of the balance owed to it by FBC Holdings Limited ("the Company"). The investment in Turnall Holdings Limited is classified as an available for sale financial asset in the stand alone financial statements of the Company, because the investment could be sold should the floor price determined by management be met.

However it is not considered a discontinued operation nor a non current asset held for sale in accordance with International Financial Reporting Standard ("IFRS") 5: Non-current Assets Held for Sale and Discontinued Operations as it does not meet the criteria, because the sale is not considered highly probable.

22 JOINTLY CONTROLLED ASSET

	2012 US$	2011 US$
The Company has a 45% share in a houseboat as a shared asset. The value stated is the value of the share held according to a directors valuation performed on recognition.		
Balance at 1 January	101 250	112 500
Depreciation	(11 250)	(11 250)
Balance as at 31 December	**90 000**	**101 250**

The jointly controlled asset is included in prepayments and other assets on the consolidated statement of financial position.

23 AMOUNTS DUE TO RELATED PARTIES

	2012	2011
Short term loan liability	1 271 459	7 778 613

The liability relates to an amount payable to FBC Reinsurance Limited by the holding company following purchase of Eagle Insurance Company Limited in 2011. The loan attracts interest of 14% per annum.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

24 OTHER RESERVES

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

	Share option reserves US$	Revaluation reserves US$	Non distributable reserves US$	Treasury shares reserves US$	Available for sale ("AFS") reserves US$	Retained profits US$	Total US$
At 1 January 2011	82 926	112 500	33 546 724	(1 124 059)	-	7 172 399	39 790 490
Share option remeasurement	27 800	-	-	-	-	-	27 800
Profit for the year	-	-	-	-	-	431 287	431 287
Purchase of treasury shares	-	-	-	(1 230 476)	-	-	(1 230 476)
Balance at 31 December 2011	**110 726**	**112 500**	**33 546 724**	**(2 354 535)**	**-**	**7 603 686**	**39 019 101**
AFS revaluation gain	-	-	-	-	480 880	-	480 880
Deferred tax on AFS revaluation gain	-	-	-	-	(48 088)	-	(48 088)
Profit for the year	-	-	-	-	-	3 187 787	3 187 787
Dividend declared and paid	-	-	-	-	-	(1 352 280)	(1 352 280)
Balance at 31 December 2012	**110 726**	**112 500**	**33 546 724**	**(2 354 535)**	**432 792**	**9 439 193**	**41 287 400**

The definitions of the reserves are as follows;
The share option reserve is a reserve for the expected cost of issuing shares to employees that exercise options.
The revaluation reserve consists of increases in the value of the jointly controlled asset on initial valuation.
Non-distributable reserves are the net result of the restatements of assets and liabilities that could be recovered or settled in a currency other than the Zimbabwe dollar ("ZW$") or could be reasonably translated into a currency other than the ZW$ as at 1 January 2009, less deferred income tax and net of amounts subsequently transferred to share capital and share premium.
Treasury shares reserves represents shares the Company has issued and subsequently reacquired.
Available for sale reserve comprises the changes in the fair value of available-for-sale financial assets, net of tax.
Retained profits are Company profits not distributed to shareholders.

25 INTEREST INCOME

	2012 US$	2011 US$
Cash and cash equivalents	1 823 319	1 415 500
Loans and advances to other banks	919 545	872 231
Loans and advances to customers	32 053 931	17 332 021
Investment securities	2 809 677	6 992 698
Other interest income	200 198	8 990
	37 806 670	**26 621 440**

25.1 INTEREST EXPENSE

	2012 US$	2011 US$
Deposit from other banks	6 625 777	4 929 626
Demand deposits	218 328	4 962 512
Afreximbank and PTA Bank	6 474 285	2 415 038
Time deposits	4 193 005	466 637
	17 511 395	**12 773 813**

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		2012 US$	2011 US$
26	**FEE AND COMMISSION INCOME**		
	Retail service fees	15 403 897	14 406 934
	Credit related fees	4 799 658	4 035 881
	Investment banking fees	102 713	1 483 510
	Brokerage	95 844	231 298
	Financial guarantee contracts issued	203 036	272 858
		20 605 148	**20 430 481**
26.1	**FEE AND COMMISSION EXPENSE**		
	Brokerage	27 318	20 067
	Other	-	-
		27 318	**20 067**
27	**REVENUE**		
	Property sales	11 105 170	4 426 975
	Sales of construction products	41 516 549	50 206 737
	Export sales of construction products	991 892	1 658 523
		53 613 611	**56 292 235**
27.1	**COST OF SALES**		
	Depreciation of property, plant and equipment	2 119 318	1 571 942
	Raw materials	29 136 969	25 671 283
	Staff costs	6 052 734	6 354 093
	Other	195 451	5 456 843
		37 504 472	**39 054 161**
28	**INSURANCE PREMIUM REVENUE**		
	Gross premium written	24 129 957	15 424 478
	Change in unearned premium reserve (“UPR”)	(1 178 748)	(348 651)
		22 951 209	**15 075 827**
29	**NET GAINS FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**		
	Financial assets at fair value through profit or loss (note 6); fair value gains	388 229	145 506
30	**OTHER OPERATING INCOME**		
	Investment property fair value adjustment (note 9)	-	55 000
	Loss on remeasurement of previously held interest in Eagle Insurance Company (Private) Limited	-	(367 995)
	Write-off of goodwill	-	(4 290)
	Rental income	317 581	286 928
	Profit disposal of property, plant and equipment	175 108	18 349
	Sundry income	611 224	772 322
		1 103 913	**760 314**

Rental income is earned from owner occupied properties. Included in rental income is US$2 400 earned from investment property.

Notes to the Consolidated Financial Statements (continued)
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31 NET INSURANCE COMMISSION EXPENSE

	2012 US$	2011 US$
Commissions paid	3 604 237	2 863 990
Commission received	(461 550)	(389 982)
Change in technical provisions	(130 090)	(335 899)
	3 012 597	**2 138 109**

32 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	Gross US$	Reinsurance US$	Net US$
Year ended 31 December 2011			
Claims and loss adjustment expenses	3 652 994	(1 148 873)	2 504 121
Change in technical provisions	2 282 357	(1 678 263)	604 094
Total claims	**5 935 351**	**(2 827 136)**	**3 108 215**
Year ended 31 December 2012			
Claims and loss adjustment expenses	8 640 361	(3 777 142)	4 863 219
Change in technical provisions	923 782	24 899	948 681
Total claims	**9 564 143**	**(3 752 243)**	**5 811 900**

33 ADMINISTRATIVE EXPENSES

	2012 US$	2011 US$
Marketing	1 640 948	2 154 038
Premises	1 895 187	1 600 130
Computer	1 634 589	1 348 108
Insurance	1 229 368	1 394 548
Travel	1 785 420	1 831 668
Security	1 533 428	1 349 313
Communication	796 344	1 021 997
Donations	639 849	490 294
Subscriptions	600 382	334 054
Other administration expenses	4 135 270	2 985 363
Staff costs (note 33.1)	19 946 495	15 110 582
Directors' remuneration (note 33.2)	5 428 907	4 658 536
Audit fees:		
- Current year fees	468 362	413 130
- Prior year fees	34 099	51 655
- Other services	63 724	-
Depreciation	1 710 700	1 579 361
Amortisation (note 10)	582 752	486 042
Operating lease payment	768 212	679 161
	44 894 036	**37 487 980**

Notes to the Consolidated Financial Statements (continued)

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		2012 US$	2011 US$
33.1	**Staff costs**		
	Salaries and allowances	18 125 087	13 002 808
	Retrenchment cost	-	356 153
	Share based payments	243 699	39 402
	Social security	206 973	296 734
	Pension contribution	1 370 736	1 415 485
		19 946 495	**15 110 582**
33.2	**Director's remuneration**		
	Board fees	667 756	681 406
	Other emoluments	61 642	1 249 858
	For services as management	4 699 509	2 727 272
		5 428 907	**4 658 536**
33.3	**Operating leases**		
	Non - cancellable operating lease rentals are payable as follows:		
	Up to one year	640 914	564 063
	One to two years	166 546	143 831
		807 460	**707 894**

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 2012, US$ 768 212 (2011: US$679 161) was recognised as an expense in the statement of comprehensive Income.

34 INCOME TAX EXPENSE:

		2012 US$	2011 US$
34.1	**Charge for the year**		
	Current income tax on income for the reporting year	2 878 323	4 905 928
	Adjustments in respect of prior years	354 431	62 471
	Deferred income tax	(1 977 093)	(1 801 070)
	Withholding tax	137	1 159
	Income tax expense	**1 255 798**	**3 168 488**

The income tax rate applicable to the Group`s taxable income for the year ended 31 December 2012 is 25.75% (2011:25.75%).

34.2 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% (2011:25.75%) as follows;

	2012 US$	2011 US$
Profit before income tax	**16 892 650**	**15 674 998**
Income tax charged based on profit for the year at 25.75% (2011:25.75%)	4 349 857	4 036 311

	2012 US$	2011 US$
Tax effect of:		
Exempt income	(1 572 483)	(928 796)
Additional/(savings) tax resulting from permanent differences	166 243	(8 024)
Income subject to tax at lower rates	(2 802)	-
Impairment allowance	(2 042 938)	-
Expenses not deductible for tax purposes	3 353	67 838
Adjustments in respect of prior years	354 431	
Withholding tax	137	1 159
Income tax expense	**1 255 798**	**3 168 488**
Effective rate	**7%**	**20%**

35 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 Company 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 in compliance with the relevant banking regulations. The following is a list of related parties to the Group and transactions with them:

Key management

Name	**Position**
John Mushayavanhu	The Group Chief Executive
Trynos Kufazvinei	Group Finance Director
Kleto Chiketsani	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)
Stanley Kudenga	Managing Director (FBC Reinsurance Limited) (resigned on 28 February 2012)
Musa Bako	Managing Director (Eagle Insurance Company (Private) Limited)

The following are companies related to directors, key management and the Group:
Arena Investments (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)
Dinkrain Investments (Private) Limited (owned by FBC Bank Limited board member)
Tirent Investments (Private) Limited (owned by FBC Bank Limited board member)
Fleetwood Investments (Private) Limited (owned by FBC Holdings Limited board member)
Rus Enterprises (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)
Altiwave Investments (Private) Limited (related to FBC Bank Limited)

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Below are the companies related to directors, key senior management and Group and their loan balances as at 31 December 2012.

	2012 US$	2011 US$
Lobels Bread (Private) Limited	-	2 394 544
Arena Investments (Private) Limited	260 530	111 938
Fleetwood Investments (Private) Limited	16 717	9 003
J Med Supplies (Private) Limited	66 005	130 010
Altiwave Investments (Private) Limited	477 183	-
Destiny Electronics (Private) Limited	164 521	234 551
Codchem (Private) Limited	-	30 000
Rus Enterprises (Private) Limited	11 096	5 325
Gossard Enterprises t/a Woodmaster (Private) Limited	36 000	-
Décor on View (Private) Limited	1 689	-
Algorhythm (Private) Limited	46	21
Defined Wear (PBC) (Private) Limited	77 212	104 154
The above loans are all secured by tangible security.	**1 110 999**	**3 019 526**
Loans to non executive directors		
Balance as at 1 January	262 932	56 500
Advances during the year	186 361	350 260
Repayments made during the year	(219 934)	(143 828)
Balance as at 31 December	**229 359**	**262 932**
Loans to executive directors		
Balance as at 1 January	2 534 317	3 685 225
Advances during the year	176 664	1 221 983
Repayments made during the year	(763 139)	(2 372 891)
Balance as at 31 December	**1 947 842**	**2 534 317**

The loans advanced to directors and officers of the Group have, along with other loans have been subjected to impairment procedures. No allowance for impairment of is provided against loans from related parties (2011 :US$884 350).

Compensation for key management		
Short term employee benefits	4 699 509	2 727 272
Post- employment benefits	38 251	273 806
Termination benefits	607 913	2 023 267
	5 345 673	**5 024 345**
Income from loans to executive directors		
Income from loans to executive directors	185 769	245 146
Income from loans to non-executive directors		
Income from loans to non-executive directors	61 332	22 814

Notes to the Consolidated Financial Statements (continued)
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Group entities	Equity interest 2012	Equity interest 2011
FBC Bank Limited	100%	100%
FBC Building Society	60%	60%
FBC Reinsurance Limited	100%	100%
FBC Securities (Private) Limited	100%	100%
Turnall Holding Limited	58%	58%
Microplan Financial Services (Private) Limited	100%	100%
Eagle Insurance Company (Private) Limited	95%	95%

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

36 POST EMPLOYMENT BENEFITS

	2012 US$	2011 US$
Contributions made during the year are as follows:		
Self administered pension fund	1 370 736	1 415 845
National Social Security Authority ("NSSA") Scheme	206 973	296 734
	1 577 709	**1 712 579**

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.

37 CAPITAL COMMITMENTS

Capital expenditure authorised but net yet contracted	7 687 961	7 845 445

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

38 CONTINGENT LIABILITIES

Guarantees and letters of credit	8 225 844	7 859 645

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 contingent liabilities, the Group has no indication of the timing of any outflow "if any" on guarantees extended.

39 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.

Notes to the Consolidated Financial Statements (continued)
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40 EARNINGS PER SHARE

40.1 Basic earnings per share

	2012 US$	2011 US$
Profit attributable to equity holders	12 987 368	9 705 377

Weighted average number of ordinary shares	Shares issued	Treasury shares	Shares outstanding	Weighted
Year ended 31 December 2011				
Issued ordinary shares as at 1 January 2011	590 738 106	30 231 435	560 506 671	560 506 671
Share options exercised	1 112 021	-	1 112 021	648 679
Treasury shares purchased	-	23 148 299	(23 148 299)	(15 432 199)
Weighted average number of ordinary shares as at 31 December	**591 850 127**	**53 379 734**	**538 470 393**	**545 723 151**
Basic earnings per share for the year ended 31 December 2011 (US cents)				**1.78**
Weighted average number of ordinary shares				
Year ended 31 December 2012				
Issued ordinary shares as at 1 January 2012	591 850 127	53 379 734	538 470 393	538 470 393
Treasury shares purchased	-	2 912 065	(2 912 065)	(2 184 049)
Weighted average number of ordinary shares as at 31 December	**591 850 127**	**56 291 799**	**535 558 328**	**536 286 344**
Basic earnings per share for the year ended 31 December 2012 (US cents)				**2.42**

40.2 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 does not have dilutive ordinary shares.

	2012 US$	2011 US$
Profit attributable to equity holders	12 987 368	9 705 377
Weighted average number of ordinary shares at 31 December	**536 286 344**	**545 723 151**
Diluted earnings per share (US cents)	**2.42**	**1.78**

40.3 Headline earnings per share

	2012 US$	2011 US$
Profit attributable to equity holders	12 987 368	9 705 377
Adjusted for excluded remeasurements		
Profit on the disposal of property, plant and equipment	(175 109)	(18 349)
Share of loss of associate	-	32 938
Goodwill impairment	-	4 290
Fair value gain on remeasurement of investment property	-	(55 000)
Loss on remeasurement of previously held associate	-	367 995
Headline earnings	**12 812 259**	**10 037 251**
Weighted average number of ordinary shares at 31 December	**536 286 344**	**545 723 151**
Headline earnings per share (US cents)	**2.39**	**1.84**

41 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments:
(a) Credit risk
(b) Market risk
(b.i) Interest rate risk
(b.ii) Currency risk
(b.iii) Price risk
(c) Liquidity risk
(d) Settlement risk
(e) Operational risk
(f) Capital 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.

41.1 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet their obligations as and when they fall due. Credit risk arises from lending, trading, insurance products and investment activities and products. Credit risk and exposure to loss are inherent parts of the Group's business.

The Group manages, limits and controls concentrations of credit risk in respect of individual counterparties and groups. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty or group or counterparties and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors of the subsidiary companies.

The Board Credit Committees of the Bank, Microplan and the Building Society periodically review and approve 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 subsidiary Board Credit Committee.

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

The Group Credit Management Division periodically prepares detailed reports on the quality of the customers for review by the Board Loans Review Committees of the subsidiary companies 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.

Credit policies, procedures and limits

The Group has sound and well-defined policies, procedures and limits which are reviewed annually and approved by the Board of Directors of the subsidiary companies and strictly implemented by management. Credit risk limits include delegated approval and write-off limits to advances managers, management and 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, cession of book debts and the underlying moveable assets financed. In addition, a guarantee is often required particularly in support of a credit facility granted to 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 the entities recognise the possible events or future changes that 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 has put in place a stress testing framework that guides the group in conducting credit stress tests.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

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 loans.

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 or classified 8, 9 and 10 under the Basel II ten tier grading system.

Provisioning policy and write offs

Determination of general and specific impairment allowances
The Group complies with the following Reserve Bank of Zimbabwe provisioning requirements:

General allowance for impairment
Pass Grade "A"- No evident weakness, performing to contractual terms
General allowance for impairment for facilities in this category are maintained at 1% of total customer account outstanding balances and off balance sheet (i.e. contingent) risks.

Special Mention Grade "B" - Exhibits potential weaknesses, which require close monitoring
General allowance for impairment for these facilities are maintained at 3% of total customer account outstanding balances and off balance sheet (i.e. contingent) risks.

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

Doubtful Grade "D" - Full repayment and/or settlement highly improbable
Specific allowance for impairment 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.

Loss Grade "E" - Collection not possible
Specific allowance for impairment 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.

The basis for writing off assets
When an advance which has been identified as impaired and subjected to a specific allowance for impairment, 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 the subsidiary Board Credit Committee for the exposure to be immediately written off from the bank's books while long term recovery strategies are being pursued.

Credit risk and Basel II

The Group has implemented Credit Risk Basel II standards in line with the regulatory authorities' approach. Internal processes have been revamped in an effort to comply with the requirements. Policies and procedure manuals have been realigned to comply with the minimum requirements of Basel II.

41.1.1 Exposure to credit risk

	2012 US$	2011 US$
Loans and advances		
Past due and impaired		
Grade C: Impaired	12 741 919	7 167 209
Grade D: Impaired	3 059 909	1 679 551
Grade E: Impaired	2 470 241	965 261
Gross amount, past due and impaired	18 272 069	9 812 021
Allowance for impairment	(7 633 643)	(2 895 075)
Carrying amount, past due and impaired	10 638 426	6 916 946
Past due but not impaired		
Grade B:	13 003 340	7 214 601
Neither past due nor impaired		
Grade A:	169 105 502	108 336 531
Gross amount, not impaired	182 108 842	115 551 132
Allowance for impairment	(2 154 721)	(1 135 052)
Carrying amount, not impaired	179 954 121	114 416 080
Total carrying amount	**190 592 547**	**121 333 026**

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 instalments of amounts of loans and advances to customers by class that were past due but not impaired were as follows;

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2012

41.1 Credit risk (continued)

	Personal loans US$	Corporate loans US$	Mortgages US$	Total US$
As at 31 December 2012				
Past due up to 1 month	4 908 590	-	765 607	5 674 197
Past due 1-3 months	361 915	3 880 938	3 086 290	7 329 143
Past due 3-6 months	-	-	-	-
Past due 6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	**5 270 505**	**3 880 938**	**3 851 897**	**13 003 340**
Value of collateral	817 000	4 503 000	4 035 727	
Amount of (under)/over collateralisation	(4 453 505)	622 062	183 830	
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**
Value of collateral	800 000	6 444 733	1 393 750	
Amount of (under)/over collateralisation	(633 065)	2 099 954	(43 007)	

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$18 272 069 (2011: US$9 812 021) The breakdown of the fair value of related collateral held by the Group as security, are as follows;

	Personal loans US$	Corporate loans US$	Total US$
As at 31 December 2012			
Gross carrying amount	4 555 802	13 716 267	18 272 069
Less allowance for impairment	(1 564 132)	(6 069 511)	(7 633 643)
Net carrying amount	**2 991 670**	**7 646 756**	**10 638 426**
Value of collateral	**1 597 992**	**5 750 500**	**7 348 492**
As at 31 December 2011			
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**
Value of collateral	**981 418**	**5 422 195**	**6 403 613**

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.

Notes to the Consolidated Financial Statements (continued)
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	2012 US$	2011 US$
Renegotiated loans and advances to customers		
- Continuing to be impaired after restructuring	-	-
- Non-impaired after restructuring – would otherwise have been impaired	2 469 658	-
- Non-impaired after restructuring – would otherwise not have been impaired	-	-
Total	**2 469 658**	**-**

Repossessed collateral

During the year ended 31 December 2012 the Group did not repossess any collateral (2011 - US$ nil).

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

	2012 US$	2012 %	2011 US$	2011 %
Mining	12 395 909	7%	6 874 711	6%
Manufacturing	35 382 390	19%	27 260 955	22%
Mortgage	16 968 935	9%	7 094 052	6%
Wholesale	12 210 166	6%	12 641 786	11%
Distribution	19 621 528	10%	-	0%
Individuals	46 758 523	25%	31 883 909	26%
Agriculture	9 886 442	5%	13 087 043	11%
Communication	1 938 286	1%	1 335 104	1%
Construction	1 971 742	1%	4 935 627	4%
Local authorities	2 133 306	1%	7 152 689	6%
Other services	31 325 320	16%	9 067 150	7%
	190 592 547	**100%**	**121 333 026**	**100%**

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

Sector	Grade A US$	Grade B US$	Grade C US$	Grade D US$	Grade E US$	Total US$
As at 31 December 2012						
Manufacturing	28 377 176	2 890 674	2 853 835	378 466	882 239	35 382 390
Wholesale	10 337 374	558 585	312 790	819 792	181 625	12 210 166
Individuals	43 206 363	1 208 396	1 663 053	579 462	101 249	46 758 523
Mortgage	12 321 443	3 999 586	530 406	-	117 500	16 968 935
Agriculture	9 647 639	145 278	60 601	-	32 924	9 886 442
Other services	47 190 413	3 625 343	116 876	13 471	745	50 946 848
Construction	1 954 499	13 486	77	-	3 680	1 971 742
Communication	1 713 236	28 066	136	-	196 848	1 938 286
Local Authorities	2 133 219	-	87	-	-	2 133 306
Mining	10 603 345	-	1 792 564	-	-	12 395 909
	167 484 707	**12 469 414**	**7 330 425**	**1 791 191**	**1 516 810**	**190,592,547**
Percentage of total loans	88%	7%	4%	1%	1%	100%
As at 31 December 2011						
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%

Reconciliation of allowance for impairment for loans and advances

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2012

Allowances for impairment	31 December 2012 Specific allowance US$	Collective allowance US$	Total US$	31 December 2011 Specific allowance US$	Collective allowance US$	Total US$
Balance at 1 January	2 895 075	1 135 052	4 030 127	361 908	234 451	596 359
Increase in impairment allowance	2 088 045	1 019 669	3 107 714	2 533 167	900 601	3 433 768
Impairment reversal	-	-	-	-	-	-
Interest in suspense	2 650 523	-	2 650 523	-	-	-
	7 633 643	**2 154 721**	**9 788 364**	**2 895 075**	**1 135 052**	**4 030 127**

41.1.2 Trade and other receivables including insurance receivables

	2012 US$	2011 US$
Past due and impaired	6 430 768	4 019 681
Allowance for impairment	(27 765)	(324 795)
Carrying amount	6 403 003	3 694 886
Past due but not impaired	2 870 522	2 382 719
Neither past due nor impaired	17 309 281	17 096 104
Gross amount, not impaired	20 179 803	19 478 823
Allowance for impairment	-	-
Carrying amount, not impaired	20 179 803	19 478 823
Total carrying amount	**26 582 806**	**23 173 709**

As at 31 December 2012, trade receivables amounting to US$2 870 522 (2011:US$2 382 719) 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:

	2012 US$	2011 US$
Up to 3 months	2 062 408	2 382 719
3 to 6 months	808 114	-
6 - 12 months	-	-
	2 870 522	**2 382 719**

As at 31 December 2012, trade receivables amounting to US$6 430 768 (2011: US$4 019 681) were impaired. The amount of the allowance was US$27 765 as at 31 December 2012 (2011: US$324 795) 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:

	2012 US$	2011 US$
3 to 6 months	-	-
Over 6 months	6 430 768	4 019 681
	6 430 768	**4 019 681**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

	2012 US$	2011 US$
Reconciliation of the allowance for impairment of trade receivables including insurance receivables		
Allowances for impairment		
Balance as at 1 January	324 795	902 742
Allowance for trade receivables including insurance receivables' impairment	496 128	283 376
Receivables written off during the year as uncollectible	(751 739)	(782 567)
Unused amounts reversed	(41 419)	(78 756)
Balance as at 31 December	**27 765**	**324 795**
Maximum exposure to credit risk before collateral held or other credit enhancement		
Credit risk exposures relating to on-balance sheet assets are as follows;		
Loans and advances to customers;		
- Individuals	67 112 389	52 240 341
- Corporates	133 268 522	73 122 812
	200 380 911	125 363 153
Trade and other receivables including insurance receivables	26 610 571	23 498 504
Commission receivable	1 474 367	1 551 695
Balances with other banks and cash	82 415 090	50 359 054
Total on balance sheet	**310 880 939**	**200 772 406**
Off balance sheet credit exposure		
- Financial guarantees and letters of credit	8 225 844	7 859 645
- Loan commitments	-	-
Total off balance sheet credit exposure	**8 225 844**	**7 859 645**
Total credit exposure	**319 106 783**	**208 632 051**

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2012, 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 an irrecoverable debt when the subsidiary Board Credit Committee determines that the debt is 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 and standardised loans, write off decisions are generally based on a product specific past due status.

Exposure to credit risk is also managed through regular analysis of the ability of debtors to meet interest and capital repayment obligations and by changes these lending limits where appropriate.

41.2 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, settle claims and other unexpected demands for cash. Liquidity risk arises when assets and liabilities have differing maturities.

Management of liquidity risk

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 entities' Board Asset Liability Committees and Board Risk and Compliance 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.

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 Group 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 banking 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.

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For the year ended 31 December 2012

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturity analysis	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
On balance sheet items as at 31 December 2012				
Liabilities				
Deposits from customers	107 565 002	18 948 879	1 588 000	128 101 881
Deposits from other banks	50 461 284	33 928 509	-	84 389 793
Borrowings	882 958	30 486 709	10 196 925	41 566 592
Insurance liabilities	-	1 674 174	9 302 557	10 976 731
Current income tax liabilities	-	1 712 581	-	1 712 581
Trade and other liabilities	7 938 366	15 060 174	6 886 521	29 885 061
Total liabilities - (contractual maturity)	166 847 610	101 811 026	27 974 003	296 632 639
Assets held for managing liquidity risk (contractual maturity dates)	184 660 836	82 475 243	65 358 798	332 494 877
Liquidity gap	17 813 226	(19 335 783)	37 384 795	35 862 238
Cumulative liquidity gap - on balance sheet	17 813 226	(1 522 557)	35 862 238	-
Off balance sheet items				
Assets				
Guarantees and letters of credit	-	-	-	-
Commitments to lend	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Guarantees and letters of credit	-	8 225 844	-	8 225 844
Commitments to lend	-	-	13 270 266	13 270 266
Total liabilities	-	8 225 844	13 270 266	21 496 110
Liquidity gap	-	(8 225 844)	(13 270 266)	(21 496 110)
Cumulative liquidity gap - on and off balance sheet	17 813 226	(9 748 401)	14 366 128	-
On balance sheet items as at 31 December 2011				
Liabilities				
Deposits from customers	70 425 718	364 574	-	70 790 292
Deposits from other 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
Current income tax liabilities	-	4 843 420	-	4 843 420
Trade and other liabilities	-	21 866 385	-	21 866 385
Total liabilities - (contractual maturity)	125 373 385	59 302 748	11 823 331	196 499 464
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)	(21 036 292)	14 043 507	(8 025 830)
Cumulative liquidity gap - on balance sheet	(1 033 045)	(22 069 337)	(8 025 830)	-

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	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Off balance sheet items as at 31 December 2011				
Assets				
Guarantees and letters of credit	-	-	-	-
Commitments to lend	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
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	-	(7 859 645)	(58 115 187)	(65 974 832)
Cumulative liquidity gap - on and off balance sheet	(1 033 045)	(29 928 982)	(74 000 662)	-

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.

41.3 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 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. The market risk for the non-trading portfolio is managed as detailed in notes 41.3.1 to 41.3.3.

41.3.1 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 maintained within the established limits.

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 analysing 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.

Scenario:	Impact on earnings as at 31 December			
5% increase in interest rates	**2012 US$**	**2012 US$**	**2011 US$**	**2011 US$**
Interest bearing assets	211 728 282	1 893 597	132 426 044	544 217
Interest bearing liabilities	254 058 266	(875 569)	161 409 251	(663 326)
Net effect		**1 018 028**		**(119 109)**

In calculating the sensitivity, shocks are defined in terms of simple interest rate. The analysis assumes a static bank portfolio, that there will be no defaults, prepayments or early withdrawals and the analysis is limited to a 30 day period.

INTEREST RATE REPRICING AND GAP ANALYSIS

Total position as at 31 December 2012

	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	8 666 679	2 479 117	201 575	-	-	71 067 719	82 415 090
Loans and advances to customers	72 555 610	37 931 443	21 667 286	35 716 807	32 509 765	(9 788 364)	190 592 547
Trade and other receivables including insurance receivables	-	-	-	-	-	26 582 806	26 582 806
Financial assets at fair value	-	-	-	-	-	2 932 818	2 932 818
Inventory	-	-	-	-	-	22 152 528	22 152 528
Prepayments and other assets	-	-	-	-	-	6 921 582	6 921 582
Deferred income tax assets	-	-	-	-	-	1 664 338	1 664 338
Investment in associate	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	25 000	25 000
Intangible asset	-	-	-	-	-	1 457 875	1 457 875
Property, plant and equipment	-	-	-	-	-	57 310 267	57 310 267
Total assets	**81 222 289**	**40 410 560**	**21 868 861**	**35 716 807**	**32 509 765**	**180 326 569**	**392 054 851**
Liabilities							
Deposits from customers	108 093 485	12 160 294	7 238 102	610 000	-	-	128 101 881
Deposits from other banks	37 956 591	20 441 492	8 670 650	17 321 060	-	-	84 389 793
Borrowings	-	833 333	-	30 486 709	10 246 550	-	41 566 592
Insurance liabilities	-	-	-	-	-	10 976 731	10 976 731
Trade and other payables	-	-	-	-	-	29 885 061	29 885 061
Current income tax liabilities	-	-	-	-	-	1 712 581	1 712 581
Deferred income tax liabilities	-	-	-	-	-	7 269 579	7 269 579
Shareholder equity	-	-	-	-	-	88 152 633	88 152 633
Total liabilities	**146 050 076**	**33 435 119**	**15 908 752**	**48 417 769**	**10 246 550**	**137 996 585**	**392 054 851**
Interest rate repricing gap	(64 827 787)	6 975 441	5 960 109	(12 700 962)	22 263 215	42 329 984	-
Cumulative gap interest rate repricing gap	(64 827 787)	(57 852 346)	(51 892 237)	(64 593 199)	(42 329 984)	-	

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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 through profit or loss	-	-	-	-	-	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 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
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)	14 043 508	28 983 206	-
Cumulative gap interest rate repricing gap	(54 602 954)	(53 205 874)	(41 849 919)	(43 026 714)	(28 983 206)	-	

Notes to the Consolidated Financial Statements (continued)
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41.3.2 Currency risk

The Group operates locally and the majority of its customers transact in US$, the functional currency of the Group and its subsidiaries. The Group is exposed to various currency exposures primarily with respect to the South African rand, Botswana pula, British pound and the Euro, mainly due to the cash holding and switch transactions in the banking subsidiary. Foreign exchange risks arise from future commercial transactions and recognised assets and liabilities.

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 2012

	ZAR US$	EUR US$	BWP US$	GBP US$	TOTAL US$
Assets					
Balances with other banks and cash	1 895 916	273 359	799 644	798 911	3 767 830
Trade and other receivables	2 047 113	-	74 613	-	2 121 726
Loans and advances to customers	459 552	732	1 545	321	462 150
Total assets	**4 402 581**	**274 091**	**875 802**	**799 232**	**6 351 706**
Liabilities					
Deposits from customers	1 407 255	198 199	154 822	49 414	1 809 690
Trade and other payables	339 036	63 192	40	104	402 372
Total liabilities	**1 746 291**	**261 391**	**154 862**	**49 518**	**2 212 062**
Net currency positions	**2 656 290**	**12 700**	**720 940**	**749 714**	**4 139 644**

Foreign exchange gap analysis as at 31 December 2011

	ZAR US$	EUR US$	BWP US$	GBP US$	TOTAL US$
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**

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For the year ended 31 December 2012

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

Currency	2012 Cross rate	2011 Cross rate
British pound ("GBP")	1.616	1.542
SA rand ("ZAR")	8.476	8.179
Euro ("EUR")	1.319	1.294
Pula ("BWP")	7.874	7.536

The table below summarises the impact of increases or decreases of exchange rates on the Group's post-tax profit for the year. The analysis is based on the assumption that the exchange rates have increased or decreased by 10% with all other variables held constant.

	2012	2011
Impact of 10% increase in exchange rates:		
Assets	(372 521)	(294 898)
Liabilities	141 741	290 889
Net position	**(230 780)**	**(4 009)**

41.3.3 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.

The table below summarises the impact of increases or decreases of the Zimbabwe Stock Exchange ("ZSE") on the Group's post-tax profit for the year. The analysis is based on the assumption that the equity index has increased or decreased by 25% with all other variables held constant and the Group's equity instruments moved according to the historical correlation with the index.

	2012	2011
Impact of 25% equity index:		
Financial assets at fair value through profit or loss	733 204	530 810

41.4 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 counterparty 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.

41.5 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.

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. Subsidiaries have board committees responsible for ensuring robust operational risk management frameworks. 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 Group 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 subsidiary entities 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 of the banking subsidiaries 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 for the banking subsidiaries.

41.5 Capital risk

41.5.1 Regulatory Capital and Financial Risk Management
Capital risk refers to the risk of the Group's subsidiaries own capital resources being adversely affected by unfavourable external developments.

The Group's objective when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:
- To comply with the capital requirements set by the regulators of the Group's subsidiaries;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its businesses.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe (the "RBZ"), for supervisory purposes for the banking subsidiaries. The required information is filed with the RBZ on a quarterly basis.

It is the intention of the Group to maintain a ratio of total regulatory capital to its risk-weighted assets (the "Capital Adequacy Ratio") above the minimum level set by the Reserve Bank of Zimbabwe which takes into account the risk profile of the Group.

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The regulatory capital requirements are strictly observed when managing economic capital. The banking subsidiaries' regulatory capital is analysed into three tiers;

- **Tier 1** capital, which includes ordinary share capital and premium, retained earnings, non distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- **Tier 2** capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.
- **Tier 3** capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital allocated to risk of losses in the on and off balance sheet position arising from movements in market prices.

Various limits are applied to elements of the capital base. The amount of capital qualifying for tier 2 capital cannot exceed tier 1 capital and the qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investment in the capital of other banks and certain other regulatory items.

The Group's operations are categorised as either banking or trading book, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Overall, the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and its individually regulated operations have always complied with all externally imposed capital requirements throughout the period except the one banking subsidiary, which subsequently complied on 28 February 2013.

The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries.

The following subsidiaries have their capital regulated by the regulatory authorities:

Company	Regulatory authority	Minimum capital required US$	Net regulatory capital US$	Total equity US$
As at 31 December 2012				
FBC Bank Limited	RBZ	25 000 000	29 989 249	34 433 093
FBC Building Society	RBZ	20 000 000	18 979 135	19 360 110
FBC Reinsurance Limited	IPEC	1 500 000	7 027 072	7 027 072
FBC Securities (Private) Limited	SECZ	150 000	252 819	252 819
Eagle Insurance Company (Private) Limited	IPEC	1 000 000	2 036 088	2 036 088
Microplan Financial Services (Private) Limited	RBZ	10 000	1 213 468	1 213 468
As at 31 December 2011				
FBC Bank Limited	RBZ	12 500 000	18 928 844	28 198 757
FBC Building Society	RBZ	10 000 000	14 062 550	14 416 055
FBC Reinsurance Limited	IPEC	400 000	5 671 890	5 671 890
FBC Securities (Private) Limited	SECZ	150 000	229 656	229 656
Eagle Insurance Company (Private) Limited	IPEC	200 000	1 683 720	1 683 720
Microplan Financial Services (Private) Limited	RBZ	5 000	418 472	418 472

41.5.2 Capital allocation

The allocation of capital between specific operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each subsidiary is firstly premised on minimum regulatory requirements. The process of allocating capital to specific operations and subsidiaries is undertaken independently of those responsible for the operations. The Assets and Liability Committee ("ALCO") at the banking subsidiaries set the Assets and Liability Management ("ALM") policies which determine the eventual asset allocation dependent on desired risk return profiles based on ALCO forecasts on the different markets the Group participates in and economic fundamentals.

Group Risk monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through ALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

42 INSURANCE RISK MANAGEMENT

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

42.1 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.

The retrocessionaires that the Group transacted with for the year had the following ratings;

Ratings	Number of retrocessionaires
A	1
A-	2
B+	3
BB+	4
BB	1
BB-	1
Total	**12**

42.2 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 Group 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, region 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.

41.3 Reinsurance strategy

The short-term insurance company reinsures all business in excess of its underwriting capacity as determined by the balance sheet size. The short-term insurance company 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.

42.4 Retrocession strategy

The reinsurance company 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.

42.5 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 cash flows 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; and
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:

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

Legend

* classes of business underwritten

x classes of business not underwritten

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)
- **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 and investment returns less the amounts paid to cover claims and administrative expenses incurred by the Group.

42.6 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 departments 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** - 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).
- **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 or default

The return to shareholders under these products arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover commissions, retrocessions, claims and operating expenses incurred by the Group. 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 Group 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.

42.7 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.

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 Group 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 Group has to ensure that all products are adequately priced and that salvage recovery is pursued in order to mitigate losses.

42.8 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.

42.9 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.

42.10 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.

43 DIVIDEND DECLARED

A final dividend of US0.253 cents per share was declared on 5 March 2012 on 591 850 127 ordinary shares relating to the financial year ended 31 December 2011. This final dividend was paid in April 2012. No dividend was proposed for the year ended 31 December 2012.

44 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	
	2012	2011	2012	2011
Financial assets	US$	US$	US$	US$
Loans and advances to customers				
– Individuals	63 727 458	31 883 909	63 727 458	31 883 909
– Corporates	126 865 089	89 449 117	126 865 089	89 449 117
Trade and other receivables including insurance receivables	26 582 806	23 173 709	26 582 806	23 173 709
Financial assets at fair value through profit or loss receivables	2 932 818	2 123 239	2 932 818	2 123 239
Financial liabilities				
Deposits from banks	84 389 793	54 114 334	84 389 793	54 114 334
Due to customers				
– Individuals	38 390 033	18 220 129	38 390 033	18 220 129
– Corporates	89 711 848	52 570 162	89 711 848	52 570 162
Borrowings	41 566 592	36 504 626	41 566 592	36 504 626
Insurance liabilities	10 976 731	8 380 408	10 976 731	8 380 408
Trade and other payables	29 885 061	21 866 385	29 885 061	21 866 385
Off-balance sheet financial instruments				
Guarantees, acceptances and other financial facilities	8 225 844	7 859 645	8 225 844	7 859 645

The fair values approximates the financial instruments' carrying amount due the short-term tenor of the financial instruments.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2012

45 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).

45.1 Position as at 31 December 2012

	Held for trading US$	Designated at fair value US$	Held to maturity US$	Loans and receivables US$	Available for sale US$	Financial liabilities at amortised cost US$	Total carrying amount US$
Trading assets							
Balances with other banks and cash	-	-	-	82 415 090	-	-	82 415 090
Loans and advances to customers	-	-	-	190 592 547	-	-	190 592 547
Trade and other receivables including insurance receivables	-	-	-	26 582 806	-	-	26 582 806
Financial assets at fair value through profit or loss	2 932 818	-	-	-	-	-	2 932 818
Total	**2 932 818**	**-**	**-**	**299 590 443**	**-**	**-**	**302 523 261**
Trading liabilities							
Deposits from other banks	-	-	-	-	-	128 101 881	128 101 881
Deposits from customers	-	-	-	-	-	84 389 793	84 389 793
Borrowings	-	-	-	-	-	41 566 592	41 566 592
Insurance liabilities	-	-	-	-	-	10 976 731	10 976 731
Trade and other liabilities	-	-	-	-	-	29 885 061	29 885 061
Total	**-**	**-**	**-**	**-**	**-**	**294 920 058**	**294 920 058**

45.2 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 amortised 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 liabilities	-	-	-	-	-	8 380 408	8 380 408
Trade and other liabilities	-	-	-	-	-	21 866 385	21 866 385
Total	**-**	**-**	**-**	**-**	**-**	**191 656 044**	**191 656 044**

46 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 2012				
Financial assets at fair value through profit or loss	2 932 818	-	-	2 932 818
As at 31 December 2011				
Financial assets at fair value through profit or loss	2 123 239	-	-	2 123 239
Liabilities				
As at 31 December 2012				
Financial liabilities	-	-	-	-
As at 31 December 2011				
Financial liabilities	-	-	-	-

The fair value of all equity securities is based on their bid prices on the Zimbabwe Stock Exchange as at 31 December 2012.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

47 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, short term 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 2012	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	33 926 104	2 252 320	5 653 513	-	43 680	104 291	3 285	41 983 193
Interest expense	(16 191 911)	(740 188)	(2 038 362)	-	-	-	(3 117 802)	(22 088 263)
Net interest income	17 734 193	1 512 132	3 615 151	-	43 680	104 291	(3 114 517)	19 894 930
Turnover	-	-	11 105 170	-	-	-	42 508 441	53 613 611
Cost of sales	-	-	(7 370 540)	-	-	-	(30 133 932)	(37 504 472)
Gross profit	-	-	3 734 630	-	-	-	12 374 509	16 109 139
Net earned insurance premium	-	-	-	10 916 829	5 372 704	-	-	16 289 533
Net fee and commission income	16 578 794	181 650	4 325 001	-	-	68 526	-	21 153 971
Net trading income and other income	1 852 785	254 497	108 727	1 221 043	81 089	-	253 761	3 771 902
	36 165 772	1 948 279	11 783 509	12 137 872	5 497 473	172 818	9 513 753	77 219 475
Intersegment revenue	(2 516 072)	(257 455)	(1 731 588)	(1 186 712)	(1 349 678)	(39 766)	(55 929)	(7 137 200)
Intersegment interest expense & commission	3 366 209	529 888	1 116 681	150 088	724 283	-	1 250 052	7 137 200
Revenue from external customers	**37 015 909**	**2 220 712**	**11 168 602**	**11 101 248**	**4 872 078**	**133 052**	**10 707 876**	**77 219 475**
Segment profit before income tax	**6 691 552**	**881 412**	**5 478 729**	**2 094 406**	**739 551**	**(301 364)**	**1 209 889**	**16 794 175**
Impairment allowances on financial assets	2 031 685	685 152	390 877	-	-	-	496 128	3 603 842
Depreciation	1 013 614	639	167 377	81 875	79 622	24 466	2 462 425	3 830 018
Amortisation	553 825		28 927					582 752
Segment assets	**281 171 886**	**8 507 481**	**56 461 813**	**19 243 995**	**6 586 222**	**1 606 752**	**67 485 937**	**441 064 085**
Total assets includes :								
Additions to non-current assets	1 413 685	1 020	134 045	41 602	87 392	54 589	2 604 160	4 336 493
Investment in associates	-	-	-	491 139	-	-	-	-
Segment liabilities	**246 738 794**	**7 294 013**	**37 101 703**	**12 216 923**	**4 550 136**	**1 353 932**	**37 950 537**	**347 206 038**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term insurance	Underwriting general classes of short term insurance	Equity market dealing	Production & sales of building materials	

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2012

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)	(14 700 160)
Net interest income	12 973 166	758 134	2 277 646	-	-	68 118	(2 229 437)	13 847 627
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	-	-	-	6 976 215	2 703 006	-	-	9 679 221
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
	31 042 464	892 904	7 646 289	7 458 179	2 764 240	294 362	13 370 311	63 468 749
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	**30 958 081**	**892 904**	**7 038 640**	**7 430 094**	**2 764 971**	**285 212**	**14 098 847**	**63 468 749**
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 allowances on financial assets	3 006 895	169 045	257 828	-	-	-	-	3 433 768
Depreciation	975 072	537	226 998	60 232	74 227	8 704	1 823 533	3 169 303
Amortisation	468 042	-	-	-	-	-	-	468 042
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	1 625 516	4 110	118 959	100 188	33 290	25 703	4 415 003	6 322 769
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**	**230 370 384**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing	Underwriting general classes of short term insurance	Underwriting general classes of short term insurance	Equity market dealing materials	Production & sales of building	

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2012

47 SEGMENT REPORTING (CONTINUED)

	2012 US$	2011 US$
Operating segments reconciliations		
Revenue		
Total income for reportable segments	77 219 475	58 222 424
Elimination of intersegment revenue received from the holding company	(445 819)	1 076
Loss on remeasurement of previously held associate	-	(367 995)
Write off of goodwill	-	(4 290)
Intersegment eliminations	(2 558 631)	(938 155)
Group total income	**74 215 025**	**56 913 060**
Group profit or loss before tax		
Total profit before income tax for reportable segments	16 794 175	16 799 684
Share of loss from associate	-	(32 938)
Intersegment eliminations	98 475	(554 767)
Loss on remeasurement of previously held associate	-	(367 995)
Write off of goodwill and other assets	-	(168 986)
Profit before income tax	**16 892 650**	**15 674 998**
Group assets		
Total assets for reportable segments	441 064 085	312 113 033
Other group assets	90 000	101 251
Deferred tax asset allocated to the holding company	10 075	401 040
Share of loss of associate	-	(168 058)
Intersegment eliminations	(49 109 309)	(32 854 556)
Group total assets	**392 054 851**	**279 592 710**
Group liabilities		
Total liabilities for reportable segments	347 206 038	230 370 384
Elimination of intersegment payables	(43 303 819)	(24 996 506)
Group total liabilities	**303 902 219**	**205 373 878**

In the normal course of business companies trade with one another or Group companies and the material intergroup transactions include:
1) Underwriting of insurance risk by the Insurance subsidiary;
2) Reinsurance of the subsidiaries insurance risk;
3) Borrowings from the bank by Group companies and placement of funds and operating of current accounts;
4) Placement of funds with the Building Society by Group companies.

These transactions result in income and expenses and assets and liabilities that are eliminated on consolidation.

48 SUBSEQUENT EVENTS

Minimum capital requirement for bank and building society subsidiaries

The two subsidiaries are required to comply with 50% of the new minimum regulatory capital requirements by 30 June 2013 and 75% by 31 December 2013. The two subsidiaries will merge to form one financial institution as per the recapitalisation plan submitted to, and accepted by the Reserve Bank of Zimbabwe and this institution is set to comply with the regulatory requirements as stipulated by the Reserve Bank of Zimbabwe.

Memorandum of understanding between banks and the Reserve Bank of Zimbabwe ("MoU")

At the end of January 2013, the Reserve Bank of Zimbabwe and banking institutions signed a memorandum of understanding ("MoU") that provides a standardised framework for the determination of interest rate margins and bank charges with an effective date of 1 February 2013. The impact of this memorandum is expected to be a decrease in the Group's non funded income, however this negative impact will be counteracted by a strategy to increase volumes of transactions amongst the Group's client base.

Shareholding Information
for the year ended 31 December 2012

Spread of shareholding

	Shareholders Number	%	Shares held Number (M)	%
0 - 100	1 228	14.29	-	0.02
101 - 200	1 563	18.32	-	0.05
201 - 500	2 543	29.81	1	0.14
501 - 1,000	986	11.56	1	0.12
1 001 - 5 000	1 360	15.97	3	0.53
5 001 - 10 000	284	3.33	2	0.34
10 001 - 50 000	360	4.22	8	1.28
50 001 - 100 000	66	0.77	5	0.82
100 001 - 500 000	78	0.91	18	2.96
500 001 - 1 000 000	15	0.18	11	1.90
1 000 001 and over	48	0.56	544	91.85
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
Local companies	291	49.11
Employee	2	0.33
Fund managers	0	0.02
Government	0	0.01
Insurance companies	12	2.00
Investment trusts and property	4	0.63
Local residents	16	2.64
Nominees local	59	9.98
Non residents	5	0.80
Other corporate holdings	0	0.07
Pension funds	203	34.34
Total	**592**	**100.00**

Top ten shareholders		Number of shares (M)	%
1	National Social Security Authority	156	26.34
2	FBC Nominees (Private) Limited	56	9.57
3	Tirent Investments (Private) Limited	33	5.53
4	Cashgrant Investments (Private) Limited	28	4.67
5	Local Authorities Pension Fund	22	3.79
6	Three Hearts Investments (Private) Limited	16	2.76
7	Vidryl International (Private) Limited	15	2.49
8	Equivest Nominees (Private) Limited	13	2.17
9	Scodal Investments (Private) Limited	13	2.15
10	Mileway Farming (Private) Limited	10	1.73
	Total	**362**	**61.20**

Performance on the Zimbabwe Stock Exchange	2012	2011
Number of shares in issue	591 850 127	591 850 127
Market prices (US cents per share)		
Closing	7.5	6.5
High	8.0	8.6
Low	3.5	3.5
Market capitalisation (US$)	**44 388 760**	**38 470 258**

Notice of Annual General Meeting

Notice is hereby given that the Ninth 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, 27 June 2013 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 2012.

2. To sanction the non-payment of a dividend.

3. To elect Directors of the Company.

3.1 In terms of Article 95 of the Company's Articles of Association, Messrs Johnson Rex Mawere, Godfrey Gaviro Nhemachena, and Herbert Nkala retire by rotation. Being eligible, Messrs Mawere, Nhemachena and Nkala offer themselves for re-election.

3.2 To confirm the appointment of Mr Kleto Chiketsani and Mrs Chipo Mtasa to the Board.

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

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

6th Floor, FBC Centre
45 Nelson Mandela Avenue
HARARE
30 May 2013

Notes

Proxy Form
for the year ended 31 December 2012

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, 27 June 2013 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 non-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 ______________ 2013

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 (Private) Limited, 1 Armagh Avenue, Eastlea, P O Box 11, Harare so as to reach this address not later than 1200 hours on Wednesday 26, June 2013.
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.

Notes

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www.fbc.co.zw