RESERVE BANK OF ZIMBABWE

2009 FINANCIAL STATEMENTS

2. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and integrity of financial statements that present the state of affairs of the Bank at 31 December 2009, and the statements of comprehensive income, cash flows and changes in equity for the year then ended and information contained in this report.

In order to meet the above requirements, the Directors are responsible for maintaining adequate accounting records and internal controls to safeguard the assets of the Bank and to prevent and detect fraudulent activities. The internal control systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements of the Bank are prepared and presented in accordance with the requirements of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. Accordingly, these financial statements have been prepared in accordance with the accounting policies, as determined by the Directors, as set out in Note 3 to the financial statements. The Directors consider the accounting policies adopted to be suitable for the intended users of the financial statements. The financial statements are prepared under the historical cost convention (which for the purpose of determining opening balances is the deemed cost as described in Note 2.2) except for the revaluation of freehold land and buildings, investment properties and listed shares. The accounting policies are prepared on the basis of International Financial Reporting Standards, except as described in Note 2.1.

The audited financial statements are presented in United States dollars. These were audited by our independent auditors, KPMG and BDO Zimbabwe, who were given unrestricted access to all the accounting records and supporting documentation.

The Bank did not have a substantive Board as at 31 December 2009 as the term of office of the previous Board had expired. The Minister of Finance, Honourable Tendai Biti, appointed a new Reserve Bank of Zimbabwe Board in May 2010. The following are the new Audit and Oversight Committee members:-

- Mr. C.T. Kuwaza (Chairperson and Non-Executive Director)
- Dr. D. Ndlela (Non-Executive Director)
- Mr. W.L. Manungo (Non-Executive Director)
- Mr. N.P.S. Zhou (Non-Executive Director)
- Mr. M.P. Mahlangu (Non-Executive Director)

This committee met regularly with the Bank's external auditors and executive management to review accounting, auditing, internal control and financial reporting matters. The internal and external auditors have unrestricted access to the Audit and Oversight Committee.

3. BOARD MEMBERS

The new Board which was appointed in May 2010, approved the 2009 financial statements on 29 November 2011 The following is the composition of the new Board of the Bank as provided for in terms of the revised Reserve Bank of Zimbabwe Act [Chapter 22:15]:-

- Dr. G. Gono*
- Dr. C.L. Dhliwayo**
- Mr. E. Mashiringwani**
- Prof. A. M. Hawkins***
- Dr. G. Kanyenze***
- Dr. P. Kurasha***
- Mr. C.T. Kuwaza***
- Mr. M.P. Mahlangu***
- Mr. W.L. Manungo***
- Mr. N. Ncube**
- Dr. D. Ndlela ***
- Justice (Rtd), L.G. Smith***
- Mr .N.P.S. Zhou ***

Note

*	Chairman and Governor
**	Deputy Governor
***	Non-Executive Director

The revised Reserve Bank of Zimbabwe Act [Chapter 22:15], S14.1 provides for two deputy Governors. Currently and as shown above the Bank has three deputy Governors. At the time of approving of the financial statements, the issue of the deputy Governors was still to be addressed.

4. ACCOUNTING POLICIES

The accounting policies adopted by the Bank are set out in the notes to the financial statements.

5. RESULTS OF THE BANK'S OPERATIONS

The Bank incurred a deficit for the year of US$247 609 441, as indicated below:

	2009 US$
Deficit for the year before impairment of financial assets	161 808 288
Impairment of financial assets	85 801 153
Deficit after impairment of financial assets	247 609 441

Major contributors to the deficit were impairment of financial assets which contributed 35%, impairment of buildings 32% and interest expense 17%.

6. LOANS AND ADVANCES TO GOVERNMENT AND TO STATUTORY BODIES

As at 31 December 2009, loans and advances to Government and to Statutory Bodies were US$1.4 billion before impairment of financial assets. The Bank has adopted the Banking Regulations Statutory Instrument, (SI) 205 of 2000, which requires that an analysis of a loan's performance be made to determine the level of impairment. After the introduction of multi-currencies, the performance of these loans to Government and Statutory Bodies was very poor thus making recoverability of these loans uncertain. Accordingly, the Directors decided to fully impair the Government and Statutory Bodies debts as at 31 December 2009.

7. GOLD, FOREIGN ASSETS AND FOREIGN LIABILITIES

Total gold and foreign assets, for the Bank, as at 31 December 2009 were US$40 723 928. Foreign liabilities as at 31 December 2009 were US$705 662 030. Section 33 (2) of the Reserve Bank of Zimbabwe Act requires that the value of the reserve of gold and foreign assets convertible into gold be at least 40% of the Bank's foreign liabilities. However, as at 31 December 2009, the percentage of gold and foreign assets convertible into gold to the Bank's foreign liabilities was 6%.

8. GOING CONCERN

The Bank incurred a deficit for the year ended 31 December 2009 of US$229 million and as of that date its total liabilities exceeded its total assets by $1.1 billion, as reflected in these financial statements.

The Bank is wholly owned by the Government of Zimbabwe through the Ministry of Finance and remains core to the Government functions, being the custodian of monetary policy. Subsequent to the 2009 financial year end, the board and management have worked to ensure that the Bank remains a going concern through decisive implementation of the following interventions:

- Reducing operating costs through a 75% retrenchment exercise that resulted in 1 445 employees leaving the Bank. This left the Bank with a headcount of only 530;
- Ceasing all non-core and quasi-fiscal activities;
- Disposing its major subsidiaries and non-core investments to raise supplementary resources to meet the Bank's financial obligations;
- Charging service fees for its major services to the market in the areas of Exchange Control and National Payments System Management;

The Ministry of Finance, through a letter of support dated 8 November 2011 signed by the Honourable Minister, confirmed the Bank's strategic significance to the Government's operations and pledged to continue supporting the Bank as necessary to ensure that it remains a going concern. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

9. APPROVAL OF FINANCIAL STATEMENTS

The financial statements which appear on pages 10 to 41 were approved by the Board of Directors on 29 November 2011 in line with the Reserve Bank of Zimbabwe Act [Chapter 22:15], the Directors approved the following officials to sign the financial statements:

Dr. G. Gono	Governor
Dr. C.L. Dhliwayo	Deputy Governor
Mr. E. Mashiringwani	Deputy Governor
Mr. N. Ncube	Deputy Governor
Mr. A.J. Manase	Bank Secretary
Mr C.T. Kuwaza	Audit Committee Chairman and Deputy Chairman of the Board

Dr. G. Gono
Chairman and Governor

Mr. C. T. Kuwaza
Deputy Chairman of the Board

Mr. A. J. Manase
Bank Secretary

29 November 2011

KPMG

BDO

BDO Kudenga & Co
Chartered Accountants (Zimbabwe)

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF THE RESERVE BANK OF ZIMBABWE AND THE MINISTER OF FINANCE

Report on the Financial Statements

We have audited the financial statements of the Reserve Bank of Zimbabwe, set out on pages 10 to 41, which comprise the statement of financial position as at 31 December 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which includes a summary of significant accounting policies and other explanatory notes. These financial statements are prepared in compliance with the requirements of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

The Directors' responsibility for the financial statements
The Directors are responsible for the preparation and presentation of these financial statements in accordance with the Reserve Bank of Zimbabwe Act [Chapter 22:15] as described in notes 2 and 3, and, for determining the acceptability of the basis of accounting and for such internal control the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' judgement, 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 auditors consider internal controls relevant to the institution's preparation and presentation of its 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 controls. An audit also includes evaluating the appropriateness of accounting principles 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 qualified audit opinion.

Basis for qualified opinion
As part of our audit, we received a third party confirmation that there were liabilities amounting to US$21 893 287 that were not recognised and disclosed in the Bank's financial statements. Management are disputing that these amounts are, in fact, liabilities of the Bank. This matter is currently unresolved. Accordingly, we were unable to obtain sufficient appropriate audit evidence to confirm or dispel whether any adjustments are required to the financial statements in this regard.

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF THE RESERVE BANK OF ZIMBABWE AND THE MINISTER OF FINANCE (continued)

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements of the Reserve Bank of Zimbabwe for the year ended 31 December 2009, have been prepared, in all material respects, in accordance with the Reserve Bank of Zimbabwe Act [Chapter 22:15] as described in notes 2 and 3.

Report on Other Legal and Regulatory Requirements

In accordance with S36 (4) (c) of the Reserve Bank of Zimbabwe Act [Chapter 22:15], we report the following areas of non-compliance with that Act:

- Section 33(2) prescribes the ratio of Gold and Foreign Assets to Foreign Liabilities at 40%. As indicated in note 27, the ratio was 6%.
- Section 7(2) stipulates that the Bank's lending to the Government and Statutory Bodies should not exceed 20% of the prior year Consolidated Revenue Reserves of the Government. As indicated in note 11.2, it was not possible for the Directors to determine whether or not the Bank complied with this requirement for the reasons given in that note. In these circumstances, we are unable to confirm or dispel whether the Bank has complied with Section 7(2).

KPMG
Chartered Accountants (Zimbabwe)

29 November 2011

BDO Zimbabwe
Chartered Accountants

29 November 2011

RESERVE BANK OF ZIMBABWE
STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Notes	2009 US$
Operating account		
Interest and commission income	5.1	1 090 235
Interest expense	5.2	(41 346 878)
Net interest and commission expense		**(40 256 53)**
Other income	5.3	13 709 328
Net interest and commission expense after other income		**(26 547 315)**
Operating costs	5.4	(135 260 973)
Deficit for the year before impairment of financial assets		**(161 808 288)**
Impairment of financial assets	6	(85 801 153)
Deficit for the year		**(247 609 441)**
Other comprehensive income		18 819 194
Revaluation gain		214 000
Fair value gain on quoted shares classified as available for sale		18 605 194
Total deficit for the year		**(228 790 247)**

RESERVE BANK OF ZIMBABWE
STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Notes	2009 US$
Assets		
Property and equipment	7	54 902 070
Investment properties	8	9 100 000
Investment in subsidiaries and joint ventures	9	26 477 559
Other investments	10	23 749 059
Loans and advances to Government and to Statutory bodies	11	-
Other loans and advances	12	159 362
Receivables	13	76 368 092
Gold and foreign assets	14	40 723 928
Cash balances	15	432 935 493
Total assets		**664 415 563**
Equity and liabilities		
Capital and reserves		
Share capital	16	-
Revaluation reserve	17	214 000
Reporting currency conversion	2.2	(903 842 225)
Mark to market reserve	18	18 605 194
General reserve fund	19	-
Accumulated deficit		(247 609 441)
Total capital and reserves		**(1 132 632 472)**
Liabilities		
Bills payable	20	3 945 852
Currency in circulation	21	-
International Monetary Fund facility	22	566 460 331
Foreign liabilities	23	544 012 432
Domestic loans	24	125 078 117
Deposit accounts	25	468 987 344
Payables	26	88 563 959
Total liabilities		1 797 048 035
Total equity and liabilities		**664 415 563**

Dr. G. Gono
Chairman and Governor

Mr. C. T. Kuwaza
Deputy Chairman of the Board

Mr. A. J. Manase
Bank Secretary

29 November 2011

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Share capital US$	Revaluation reserve US$	Mark to Market reserve US$	Reporting currency conversion US$	General reserve fund US$	Accumulated deficit US$	Total US$
Opening balance as at 1 January 2009	-	-	-	(903 842 225)	-	-	(903 842 225)
Deficit for the year	-	-	-	-	-	(247 609 441)	(247 609 441)
Fair value gain on quoted investments	-	-	18 605 194	-	-	-	18 605 194
Revaluation surplus on revaluation of immovable property	-	214 000	-	-		-	214 000
Balance at 31 December 2009	-	214 000	18 605 194	(903 842 225)	-	(247 609 441)	(1 132 632 472)

RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Notes	2009 US$
Cash flows from operating activities		
Operating loss before financing costs and Government grants		(249 109 441)
Adjusted for:		
Depreciation and amortisation		13 003 808
Impairment of financial assets		41 891 471
Mark-to-market loss		36 540 000
Profit on disposal of property, plant & equipment		(57 927)
Profit on disposal of shares		(10 717 529)
Provision for doubtful debts		85 801 153
Interest expense		41 346 878
Provision for payments due		20 867 049
Accrued rent receivable		(167 406)
Dividend received		(1 050 072)
Operating cash flows before changes in working capital		(21 652 016)
Working capital changes:		
Increase in prepayments		(416 408)
Increase in Special Drawing Rights (SDR)		408 675 826
Revaluation in SDR		1 290 176
Increase in Statutory Reserves		63 192 987
Increase in RTGS Settlement Accounts		55 315 226
Increase in deposits – Government		1 857 584
Increase in deposits – Foreign Currency Accounts (FCA)		5 551 922
Decrease in FCA Deposits – other		(2 089 182)
Decrease in FCA Diplomatic Missions		(3 512 169)
Increase in loans to staff		(178 700)
Increase in debtors – Federal Reserve Bank		(1 500 000)
Increase in amounts due from the Government – International Monetary Fund (IMF)		(50 000 000)
Increase in amounts due from the Government		(40 300 018)
Net cash from operating activities		416 235 228
Cash flows from investing activities		
Proceeds from disposal of quoted shares		24 160 937
Afreximbank dividend received		1 050 072
Purchase of property, plant & equipment		(1 255 869)
Increase in investment in Homelink		(2 519 150)
Net cash from investing activities		21 435 990
Cash flows from financing activities		
Government grant received		1 500 000
Settlement of short term foreign loans		(14 228 019)
Settlement of accrued bank liabilities		(6 962 139)
Net cash utilised in financing activities		(19 690 158)

RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2009

	Notes	2009 US$
Net increase in cash and short term funds		417 981 060
Cash and short term funds at beginning of the year comprise of:		
Balances with foreign banks		1 733 375
Cash on hand		1 140 385
Committed funds		12 995 874
SDR holdings		203 457
		16 073 091
Cash and short term funds at the end of the year comprise of:		
Balances with foreign banks		54 610 618
Cash on hand		18 359 604
Committed funds		1 118 658
SDR holdings		359 965 271
		434 054 151

1. REPORTING ENTITY

The Reserve Bank of Zimbabwe is a statutory body enacted by the Reserve Bank of Zimbabwe Act [Chapter 22:15]. It is incorporated and domiciled in Zimbabwe. The address of the Bank's registered office is 80 Samora Machel Avenue, Harare.

1.1 Nature of business

The Reserve Bank of Zimbabwe ("the Bank") was established under the Reserve Bank of Zimbabwe Act [Chapter 22:15] ("the Act"). The functions of the Bank are as follows:

a) to regulate Zimbabwe's monetary system;

b) to achieve and maintain the stability of the Zimbabwe dollar;

c) to foster the liquidity, solvency, stability and proper functions of Zimbabwe's financial system;

d) to advance the general economic policies of the Government of Zimbabwe;

e) to supervise Banking institutions and to promote the smooth operations of the payments systems;

f) to formulate and execute the monetary policy;

g) to act as Banker, financial advisor and fiscal agent of the State;

h) Whenever appropriate, to represent the interests of Zimbabwe in international or inter-governmental meetings, multilateral agencies and organisations in matters concerning monetary policy;

i) to provide banking services for the benefit of:

   i) Foreign governments; and

   ii) Foreign central banks or other monetary authorities; and

   iii) International organisations of which Zimbabwe is a party;

j) to participate in international organisations whose objectives is to pursue financial and economic stability through international monetary co-operation;

k) to undertake responsibilities and perform transactions concerning the state's participation in or membership of international organisations; and

l) to exercise any functions conferred or imposed upon it by or in terms of any other enactment.

2. BASIS OF PREPARATION

The financial statements of the Bank are prepared and presented in accordance with the requirements of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. Accordingly, these financial statements have been prepared in accordance with the accounting policies, as determined by the Directors, as set out in Note 3 to the financial statements. The Directors consider the accounting policies adopted to be suitable for the intended users of the financial statements.

The financial statements are prepared under the historical cost convention (which for the purpose of determining opening balances is the deemed cost as described in Note 2.2) except for the revaluation of freehold land and buildings, investment properties and listed shares.

2.1 Financial Reporting Framework

The accounting policies are prepared on the basis of International Financial Reporting Standards, except as described below.

2.1.1 IAS 24 *Related Party Disclosures*

The Bank has not fully complied with this standard. The Directors have deemed it inappropriate to fully disclose all transactions with the related parties which were mainly between the Bank and the State.

2.1.2 IAS 27 *(Revised) Consolidated and Separate Financial Statements* and IFRS 3 *Business Combinations*

The financial statements of the subsidiary companies of the Bank are not consolidated. Similarly, associate companies are not accounted for on an equity basis. The Directors of the Bank are of the opinion that the nature of the activities of the Bank and its subsidiaries are so diverse that consolidation would not result in meaningful presentation of the results of the Bank and its subsidiaries and associates. This is however, not in accordance with International Accounting Standard 27 (IAS 27) Consolidation and Separate Financial Statements and IFRS 3 Business Combinations.

2.1.3 IAS 39 *(Revised) Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instrument: Disclosures*

The Bank has not complied fully with IAS 39 (Revised) and IFRS 7, which requires the disclosure of risks associated with the entity's involvement in financial instruments. The objective of IAS 39 is to establish principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Bank has recognised most of its financial instruments at cost, which is not in accordance with the requirements of IAS 39 (Revised) as a majority of these debt instruments were issued at interest rates that are significantly below prevailing market interest rates.

2. BASIS OF PREPARATION (Continued)

2.1 Financial Reporting Framework (Continued)

2.1.4 IAS 21 *Effects of changes in foreign exchange rates*

The Bank has not recognised realised and unrealised exchange gains and losses on monetary items in the statement of comprehensive income in accordance with International Accounting Standard 21 (IAS21) – Effects of changes in foreign exchange rates, which requires that all realised and unrealised exchange gains and losses on monetary items be recognised in the statement of comprehensive income. The exchange gains and losses are either recoverable from or payable to the Government of Zimbabwe in accordance with the provisions of Section 34 of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. The 2009 net unrealised exchange losses have been debited to the statement of financial position as other receivables.

2.1.5 IAS 1 *(Revised) Presentation of Financial Statements*

These financial statements do not comply fully with IAS 1 and IAS 21 as comparative information has not been disclosed as required. After the adoption of the US$ as the functional and reporting currency, the Bank could not construct comparative financial information due to the lack of a reliable foreign exchange rate. The comparative information that has not been disclosed pertains to:

- Statement of comprehensive income;
- Statement of cash flows;
- Statement of financial position;
- Statement of changes in equity; and
- Notes to the financial statements

2. BASIS OF PREPARATION (Continued)

2.2 Reporting currency and translations

2.2.1 Adoption of new functional and reporting currency

The Bank changed its functional and presentation currency from Zimbabwe dollars (ZW$) to United States dollars (US$) with effect from 1 January 2009 in line with the Ministry of Finance's approval of the use of multi-currencies in the economy.

2.2.2 Determination of opening balances

The Bank's opening balances with the change in function currency were determined as follows:

Item of Statement of Financial Position	Procedures used to determine opening balance
Share Capital	The Bank has 2 000 000 Ordinary shares in issue which are all held by Government. Share Capital is nil as the redenomination from Zimbabwe dollars to United States dollars has not been done.
Owner occupied property and furniture and equipment	An independent valuer determined the fair values as at 1 January 2009.
Investment properties	An independent valuer determined the fair values as at 1 January 2009.
Motor vehicles	Carrying amounts were determined by reference to directors' valuations, based on quotations obtained from the market.
Quoted investments	Deemed costs were determined by reference to the Zimbabwe Stock Exchange, (ZSE), prices published on 21 February 2009.
Investment in unquoted shares.	Deemed costs were determined through the use of independent valuers' reports except for Fidelity Printers and Refineries whose value was determined by the directors using the Net Asset Value per the 31 December 2008 audited financial statements.
Balances with banks and cash at hand, (gold and foreign assets).	Actual United States dollars or other foreign currencies were converted at cross rates held by the Bank on Nostro accounts or as cash at hand. Zimbabwe dollar balances were recorded at nil in US$ terms.
Receivables	Recoverable amount in US$ agreed with the Bank's counter parties.
Currency in circulation	ZW$ balances at nil in US$ terms.
Liabilities, (bills payable, International Monetary Fund (IMF), foreign liabilities, domestic loans, deposits accounts and payables).	Settlement amounts were agreed with the Bank's suppliers and other counterparties.
Non- distributable reserve.	This was determined as the net of the US$ total assets and total liabilities.

2. BASIS OF PREPARATION (Continued)

2.3 Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years.

Management judgement was used in the application of accounting policies that have a significant effect on the financial statements and on estimates with a significant risk of material adjustments in the subsequent year.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4, to the financial statements.

2.4 Changes in accounting policies

The Bank determined the opening balances as determined under 2.2.2 above. Except for this deviation from prior years as necessitated by the change in functional currency, the Bank has continued with the same accounting policies as it applied in the prior year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

Interest income
Interest income arises from the Bank's lending and money market activities. It is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable to the instrument.

Fees and commission income
The Bank recognises fees on an accrual basis in accordance with the substance of the underlying transaction. Commission income is recognised from services offered to the financial institutions that are supervised by the Bank.

Dividend income
Dividend income from investments is recognised when the Bank's rights to receive the dividend have been established.

Other income
Other income arising from the provision of services to clients is recognised on the accrual basis in accordance with the substance of the underlying transaction.

3.2 Foreign currency translation

These financial statements are expressed in United States dollars (US$).

Transactions in currencies other than the US$ are recorded at the spot exchange rate on the transaction date.

Monetary assets and liabilities carried at amounts that are denominated in currencies other than the US$ are translated at the spot exchange rate on the reporting date.

Realised and unrealised exchange gains and losses arising on the translation of non-monetary foreign assets and liabilities are transferred to the Unrealised Exchange Gains or Losses accounts which are disclosed under either “Loans and Advances to Government and to Statutory Bodies” or other payables respectively on the Statement of Financial Position. Once realised, these unrealised exchange gains and losses are transferred to the realised Gold and Foreign Currency Adjustment account.

In terms of Section 34(1) of the Reserve Bank of Zimbabwe Act [Chapter 22:15], any realised exchange gains and losses arising on the retranslation of monetary foreign assets and liabilities and/or the settlement of non-monetary foreign assets and liabilities are for the account of the Government of Zimbabwe and are recorded in the Gold and Foreign Currency Adjustment account which is disclosed under “Loans and Advances Government and to Statutory Bodies” on the Statement of financial position.

3.3 Employee benefits

3.3.1 Retirement benefits costs

The Bank contributes towards defined contribution plans. Contributions to these plans are recognised as an expense in Statement of Comprehensive Income in the periods in which services are rendered by the employees.

3.3.2 Pension scheme

The Bank and its employees contribute to the Finance Trust of Zimbabwe Pension Fund. The Fund is a defined contribution fund, the assets of which are held in a separate trustee administered Fund. The Bank contributes 15% and the employees 6% of pensionable earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3.3 Termination benefits

Termination benefits are recognised as an expense when the Bank is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank 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.

3.3.4 Short term benefits

Short-term benefits consist of salaries, accumulated leave payments and any non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under accumulated leave if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.4 Taxation

The Bank is exempt from income tax in terms of the Income Tax Act [Chapter 23:06].

3.5 Property and equipment

Land and buildings held for use in the provision and supply of services, or for administrative purposes, are initially measured at cost and subsequently stated in the Statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by independent professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from the fair value determined at the reporting date. Any revaluation increase arising on the revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same assets previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.

A decrease in carrying amount is charged as an expense to the extent that it exceeds the balance if any held in revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the accumulated fund.

Furniture, equipment and motor vehicles are stated at deemed cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write-off the cost or valuation of assets, other than land and buildings under construction, over their estimated useful lives to their residual values, using the straight-line method, on the following basis:

Buildings	25 years
Machinery	4 years
Furniture and equipment	4-10 years
Motor vehicles	5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost and subsequently at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of materials and direct labour, any other costs attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes the cost for subsequent accounting.

3.7 Financial instruments

3.7.1 Financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Bank's statement of financial position when it becomes a party to the contractual provisions of the instrument. Management determines the appropriate classification at initial recognition of the financial instrument.

3.7.2 Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held to maturity investments', 'available for sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and it is determined at the time of initial recognition.

The Bank's main financial assets are debtors and other receivables, amounts due from subsidiaries, foreign assets, amounts due from the Government of Zimbabwe and Statutory Bodies, investments, loans and advances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial instruments (Continued)

3.7.2 Financial Assets (Continued)

All financial assets are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are immediately recognised immediately in profit or loss. The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option-pricing valuation techniques whose variables include only data from observable markets. The purchases and sales of financial assets that require delivery are recognised on trade date, being the date on which the Bank commits itself to purchasing or selling the asset. Financial asset investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

Subsequent to initial recognition, fair value for at fair value through profit and loss and available-for-sale financial assets is based on quoted bid prices. Other financial assets are carried at cost plus any accrued interest.

3.7.3 Loans and receivables

Trade receivables, loans and advances to Government and to Statutory bodies, other loans and advances that are not quoted on an active market are classified as loans and receivables. These include loans to subsidiaries as well as amounts due from the Government of Zimbabwe and Statutory Bodies. Loans and receivables do not have fixed or determinable payments due to the nature of the activities of the Bank and are therefore initially measured at cost and subsequently at cost less any impairment losses.

3.7.4 Gold and **foreign assets**

Gold and foreign assets are recognised at the rate of exchange ruling when they are acquired and subsequently restated using the spot exchange rate at reporting date. Gains and losses arising from movements in fair value of foreign assets and gold are for the account of the Government of Zimbabwe as stipulated in Section 34 (1) of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

3.7.5 Other investments

Investments are recognised and derecognized at a trade date value where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value. Investments have been classified as either, available-for-sale or held-to-maturity.

Investments that are classified as available-for-sale are measured at fair value. For available-for-sale investments, gains and losses arising from changes in fair value are recognised in other comprehensive income, until the security is disposed of at which time the cumulative gain or loss previously recognised in other comprehensive income is included in profit or loss for the period.

Investments that have a fixed maturity date and the Bank has the intention and ability to hold them until maturity have been classified as held-to-maturity investments. Held-to-maturity investments are carried at historical cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial instruments (Continued)

3.7.6 Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are recognised when the Bank becomes party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value, generally being their issue proceeds net of transaction costs incurred.

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option-pricing valuation techniques whose variables include only data from observable markets.

The Bank's main financial liabilities include International Monetary Fund ("IMF") facility, domestic loans, payables, currency in circulation, foreign loans, bills payable and deposit accounts.

<u>Currency in circulation and payables</u>

Currency in circulation and payables are subsequently measured at cost.

<u>IMF facility, foreign loans, domestic loans, bills payable and interest bearing deposit accounts</u>

IMF facility, foreign loans, domestic loans, bills payable and interest bearing deposit accounts are subsequently measured at cost plus any accrued interest.

3.7.7 Offsetting financial instruments

The Bank offsets financial assets and financial liabilities and reports the net balance in the Statement of financial position where there is a legally enforceable right to set off and there is an intention to settle on a net basis or to realise the financial assets and settle the financial liability simultaneously and the maturity date for the financial assets and liabilities are the same and the financial assets and liabilities are denominated in the same currency.

3.7.8 Impairment of financial assets

At each reporting date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. The Bank considers objective evidence of impairment as (i) insolvency/financial difficulties on the part of a debtor; (ii) delinquency by a counterparty; and (iii) renegotiation of loans to be on terms that the Bank would not otherwise consider. A financial asset or group of financial assets is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that loss event had a negative effect on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The Bank first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Loans and advances are analysed on a case by case basis taking into account breaches of key loan conditions in accordance with the Banking Regulations Statutory Instrument, (SI 205 of 2000).

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in profit or loss. Previously impaired advances are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal recognised as a reduction in impairment for credit losses in profit or loss. Subsequent recoveries of previously written off advances are recognised in profit or loss.

3.7.9 Derecognition of financial assets and financial liabilities

The Bank derecognises a financial asset when it loses control over the contractual rights that comprise the financial assets and transfers substantially all the risks and benefits associated with the financial asset. This arises when the rights are either realised, or they expire or are surrendered.

The Bank derecognises a financial liability when the obligation specified in the contract is either discharged or cancelled or expired.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount of the portion of the asset to be transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed, and (ii) any cumulative gain that had been recorded in other comprehensive income is recognised in profit or loss.

3.8 Investments in subsidiaries and joint ventures

A subsidiary is an investment in entity wherein the Bank has power to govern the financial and operating policies so as to obtain benefits from the entity's activities.

A joint venture is a contractual arrangement entered into by the Bank and other parties to share control of an economic activity. The strategic financial and operating decisions relating to the economic activity require the consent of the Bank and the other parties.

Investments in subsidiaries and joint ventures are stated at deemed cost. Subsequent to initial recognition the investments in the subsidiaries and joint ventures are carried at cost less any accumulated impairment.

3.9 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3.10 Operating leases

Leases where substantially all the rewards and risks of ownership remain with the lessor are accounted for as operating leases.

Rental income and expenditure under operating leases is accounted for through profit or loss on the accrual basis according to when the respective receipts and payments are due.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE BANK'S ACCOUNTING POLICIES

In the process of applying the Bank's accounting policies, the Directors have made the following judgements and estimations that have a significant effect on the amounts recognised in the financial statements:

4.1 Property and equipment, useful lives, residual values and depreciation rates

The Bank's property and equipment are depreciated using depreciation rates, useful lives and residual values estimated by the Directors. The Bank's buildings have been independently revalued based on open market values at 31 December 2009, by external property valuers while motor vehicles were revalued on the basis of Directors' valuations. The Directors valued the motor vehicles by reference to market values for comparable assets in the market, mostly quotations from auctioneers. The Directors have reviewed the results of the independent valuation for reasonableness and they believe the buildings have been fairly valued.

4.2 Fair valuation of investment properties

The fair value of investment properties at year-end was independently determined by the Bank's property valuers, Knight Frank. This resulted in a fair value decline of $36.5 million. The Directors have reviewed the results of the independent valuation for reasonableness and they believe the investment properties have been fairly valued.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE BANK'S ACCOUNTING POLICIES (Continued)

4.3 Impairment of loans and advances

At each reporting date, the Bank reviews the carrying amount of its loans and advances against estimations of the recoverable amount. The Bank has estimated impairment for loans and advances in accordance with the Banking Regulations Statutory Instrument, (SI 205 of 2000), as set out in note 6.

4.4 Investments in unquoted shares

Deemed costs for investments in unquoted shares were determined through the use of independent valuers' reports, except for the investment in Fidelity Printers and Refineries (Fidelity) whose deemed cost was determined on the basis of a Directors' valuation. The Directors have reviewed the results of the independent valuation for reasonableness and they believe the investments in unquoted shares have been fairly valued. The Directors determined the fair value of the investment in Fidelity by using the Net Asset Value per the 31 December 2008 audited financial statements.

	2009 US$

5. INCOME AND EXPENDITURE

5.1 Interest and commission income comprises:

Interest income	
- Bills	609 357
- Bank charges (RTGS)	314 251
- Other	166 627
	1 090 235

Interest income consists mainly of interest on Loans and Advances and on Foreign Treasury Bills. Interest earning assets as at 31 December 2009 were US$11.7 million. The weighted average interest rate on assets was 5.8% per annum.

5.2 Interest expense comprises:

- Interest expense on loans and advances	36 427 073
- Interest expense on deposits	4 919 805
	41 346 878

Interest expense consists mainly of interest on bills, bonds, loans and advances. Interest bearing liabilities as at 31 December 2009 were US$722 million. The weighted average interest rate charged on liabilities was 5.4% per annum.

5.3 Other income comprises:

Proceeds from sale of local shares	10 717 529
Dividends from foreign shares	1 050 072
Profit on disposal of property and equipment	57 927
Sundry	1 883 800
	13 709 328

	2009 US$
5.4 Operating expenses	
Operating expenses include:	
Auditors' remuneration	650 937
Depreciation of property and equipment	13 003 808
Impairment loss	41 891 471
Fair value adjustment on investment properties	36 540 000
Directors' fees	17 250
Notes and coins	1 435 321
Staff costs	25 743 106
- salaries	21 960 522
- medical expenses	625 132
- NSSA contributions	452 298
- other	2 705 154

6. IMPAIRMENT OF FINANCIAL ASSETS

Movements in impairment of financial assets comprise:	
Loans and advances to Government and to Statutory bodies (see note 11.2)	(77 849 980)
Other loans and advances (see note 12.2)	(7 951 173)
	(85 801 153)

7 PROPERTY AND EQUIPMENT

	Land US$	Buildings US$	Furniture equipment, and machinery US$	Motor vehicles US$	Total US$
Deemed cost at 1 January 2009	180 503	94 516 750	2 427 550	18 931 283	116 056 086
Additions	-	1 240 460	15 409	-	1 255 869
Assets transferred to Government	-	-	-	(4 547 700)	(4 547 700)
Assets transferred to Subsidiaries	-	-	-	(2 146 800)	(2 146 800)
Depreciation charge	-	(7 609 281)	(1 213 773)	(4 180 754)	(13 003 808)
Disposals	-	-	-	(1 034 107)	(1 034 107)
Impairment	-	(41 891 471)	-	-	(41 891 471)
Revaluation	-	214 000	-	-	214 000
Carrying amount at 31 December 2009	**180 503**	**46 470 459**	**1 229 185**	**7 021 922**	**54 902 070**
Deemed cost	**180 503**	**54 079 739**	**2 442 959**	**11 202 676**	**67 905 878**
Accumulated depreciation	**-**	**(7 609 281)**	**(1 213 773)**	**(4 180 754)**	**(13 003 808)**

Buildings were revalued at 31 December 2009 by independent professional valuers on the basis of open market value. The valuations were conducted in accordance with International Valuation Standards using the following assumptions:

- The properties are still in the same state of repair and development as when inspected during the previous valuation exercise.
- Each property is not contaminated and is not adversely affected by any existing or proposed environmental law.
- There are no abnormal ground conditions, or archaeological remains present which might adversely affect the present or future occupation development or value of the properties, each property is free from rot, infestation, structural or latent defect.
- No currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to each of the properties.
- The stands, land, buildings and improvements are suitable for the purpose which they are being used and comply with all statutory and local by-laws and regulations.

The impairment loss arose as a result of the decrease in market values of buildings since the valuation which was performed on 31 December 2008.

The residual values and remaining useful lives of property and equipment were not reassessed in the current year due to the fact that the effect of the reassessment would not have had a material impact on the Bank's statements of financial position and comprehensive income.

8. INVESTMENT PROPERTIES

	2009 US$
Balance at the beginning of the year	45 640 000
Fair value adjustment	(36 540 000)
Balance at the end of the year	**9 100 000**

The Bank's investment properties comprise properties that were valued at 31 December 2009 by an independent professional valuer, who has recognised and relevant professional qualifications and have recent experience in the locations and categories of the investment properties that were valued. The valuations were performed on the basis of open market value. The valuations were conducted in accordance with International Valuation Standards and were based on prevailing arm's length market transactions. Please refer to note 7 for the key valuations assumptions and estimates.

The following amounts were recognised in the Statement of comprehensive income as a result of rentals from the investment property held:

	2009 US$
Rental income	262 956
Direct operating expenses from property that generated rental income	(120 361)
	142 595

9. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

9.1 Investment in subsidiaries and joint ventures at deemed cost

	Shareholding	
Fidelity Printers & Refiners (Private) Limited	100%	16 647 587
Aurex (Private) Limited	100%	2 021 855
Export Credit Guarantee Company (Private) Limited	100%	-
Homelink (Private) Limited	100%	6 720 522
Fiscorp (Private) Limited	100%	-
Tuli Coal (Private) Limited	70%	840 000
Sirtech (Private) Limited	50%	-
Transload (Private) Limited	50%	247 595
St Lucia Park (Private) Limited	50%	-
Venture Capital Company of Zimbabwe	50%	-
		26 477 559

Investments in subsidiaries and joint ventures are carried at deemed costs. Deemed costs were determined at 1 January 2009 as described in note 2.2.2 to these financial statements.

All the above subsidiaries and joint ventures are incorporated in Zimbabwe and their functions are stated below:
Fidelity Printers and Refineries (Private) Limited refines gold and prints currency notes and securities.
Aurex (Private) Limited manufactures gold jewellery.
Export Credit Guarantee Company (Private) Limited guarantees export credit facilities.
Homelink (Private) Limited mobilises foreign currency from Zimbabweans in the diaspora.
Tuli Coal (Private) Limited mines and export Coal from Beitbridge.
Fiscorp (Private) Limited manages quasi fiscal activities on behalf of the Reserve Bank of Zimbabwe.
St Lucia Park (Private) Limited is a training and conference centre.
Venture Capital Company of Zimbabwe (Private) Limited is involved in financing of small to medium size private sector enterprises.
Sirtech Investments (Private) Limited is involved in home-grown technologies.
Transload (Private) Limited is involved production of bio-diesel from jatropha.

10. OTHER INVESTMENTS

	2009 US$
Unquoted shares	8 731 968
Available for sale investments	15 017 091
Total	**23 749 059**

Available for sale investments consist of local shares listed on the Zimbabwe Stock Exchange.
Fair value of available for sale investments is determined using Zimbabwe Stock Exchange market values as at 31 December 2009.

The Bank has 10% shareholding in Infrastructure Development Bank of Zimbabwe.

11. LOANS AND ADVANCES TO GOVERNMENT AND STATUTORY BODIES

11.1 Loans and advances to Government

	2009 US$
Loans and advances to Government	1 394 103 897
Gold and foreign currency adjustment account	-
	1 394 103 897
Impairment charge	(1 394 103 897)
Balance	-

The Bank has adopted the provisions/impairment of the Banking Regulations Statutory Instrument, (SI 205 of 2000). All loans and advances to the Government and Statutory Bodies were provided for 100%.

11.2 Movement of impairment of loans and advances to Government

	2009 US$
Balance at the beginning of the year	(1 316 253 917)
Additional charge	(77 849 980)
Amounts provided for that have been recovered	-
Balance at the end of the year	**(1 394 103 897)**

Limits on loans and advances to Government are set out in Section 7(2) of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

Section 7(2) of the Act establishes a limit on lending by the Bank to the Government and to Statutory Bodies. This section of the Act stipulates that the Bank's lending to the Government and to Statutory Bodies should not exceed 20% of the previous year's consolidated revenues of the Government. It is difficult to determine whether the Bank complied or not given that the Government consolidated revenue for 2008 were denominated in Zimbabwe dollars and there was no reliable exchange rate to translate the Zimbabwe dollar amounts into United States dollars.

11. LOANS AND ADVANCES TO GOVERNMENT AND STATUTORY BODIES (Continued)

11.3 Gold and Foreign Currency Adjustment account ("GFCA")

11.3.1 Realised exchange gains or losses

	2009 US$
Balance at the beginning of the year	-
Net foreign exchange losses incurred by the Bank and charged to the GFCA account	-
Balance at the end of the year	-

The GFCA account is established and maintained in terms of Section 34 of the Reserve Bank of Zimbabwe Act [Chapter 22:15].

All realised exchange gains and losses arising from the movement in any other currency other than the US$ are transferred to this account.

The balance on the GFCA account is either recoverable from or payable to the Government. Any payment to the Bank of the balance in this account shall be made upon the request of the Bank and any payment by the Bank shall be made in accordance with arrangements approved by the Minister of Finance.

The balance of the GFCA account does not accrue any interest.

11.3.2 Unrealised exchange gains and losses

	2009 US$
Balance at the beginning of the year	-
Movement for the period	6 019 930
Balance at the end of the year	6 019 930

Net unrealised foreign exchange losses incurred by the Bank are to be transferred to the realised GFCA account, once they are realised. The unrealised exchange loss has been accounted for under other receivables.

12. OTHER LOANS AND ADVANCES

12.1 Other loans and advances:

	2009 US$
Private sector loans:	
- Swift charges	98 600
- Zimbabwe Industry Tobacco Auction Centre (ZITAC)	616 864
- Export Support Fund	7 395 071
	8 110 535
Impairment of other loans and advances	(7 951 173)
	159 362

12.2 Movement in impairment of other loans and advances

	2009 US$
Balance at the beginning of the year	-
Charge for the year	(7 951 173)
Amounts provided for that have been recovered	-
Balance at the end of the year	(7 951 173)

12. OTHER LOANS AND ADVANCES (continued)

12.2 Advances to the private sector

Advances to the private sector represent support granted to tobacco farmers and ZITAC and attract interest at a rate of 9.66% per annum.

13. RECEIVABLES

	2009 US$
Receivables	7 818 819
Prepayments	416 408
	8 235 227
Other	68 132 865
	76 368 092

Other receivables are made up mostly of SDR41.7 million withdrawn by the Government of Zimbabwe from their IMF allocation converted at an exchange rate of $1.5863 / SDR1.

14. GOLD AND FOREIGN ASSETS

	2009 US$
Gold	759 735
Foreign investments	27 960 708
	28 720 443
Committed funds	12 003 485
Afreximbank	1 118 658
South African Treasury Bills (Held to maturity)	10 884 827
	40 723 928

South African Treasury Bills of ZAR82.5 million are held to maturity investments, at the South African Reserve Bank. These treasury bills were pledged as security for the South African overdraft facility of ZAR73 million.

15. CASH AND BANK BALANCES

	2009 US$
Nostro account balances	414 575 889
Cash balances	18 359 604
	432 935 493

16. SHARE CAPITAL

Authorised, issued and fully paid	
2 000 000 ordinary shares of ZW$0.0000 each	-

The share capital of the Bank is denominated in Zimbabwe dollars and disclosed as nil as the Bank has not yet redenominated its share capital in United States dollars. Refer to note 2.2.

17. REVALUATION RESERVE

	2009 US$
Opening balance	-
Movement for the year	214 000
Arising from the revaluation of land and buildings	**214 000**

18. MARK TO MARKET RESERVE

Opening balance	-
Movement for the year	18 605 194
Closing balance	**18 605 194**

19. GENERAL RESERVE FUND

Balance at the end of the year	-

In terms of Section 31 of the Reserve Bank of Zimbabwe Act [Chapter 22:15], the Bank is required to maintain a general reserve. Once the balance of the reserve exceeds three times the issued share capital of the Bank, any operating surplus, after providing for bad and doubtful debts, depreciation, staff costs and any such items as are usually provided by financial institutions, shall ultimately be paid to the Government of Zimbabwe. The Bank had no General reserve at 31 December 2009 as it was the first year of operating after the conversion to the United States dollar functional currency and the Bank could not transfer any amount to this reserve after it incurred a deficit.

20. BILLS PAYABLE

	2009 US$
Local bonds	**3 945 852**

Local bonds

The local bonds were issued by the Bank in US$ prior to the introduction of the multicurrency system to raise funds to finance the Nation's critical requirements. The bonds were issued for a period of two years at 6% plus the ruling London-Interbank offer rate. These have since matured and the Bank is treating them as creditors.

21. CURRENCY IN CIRCULATION

	2009 US$
Notes	-
Coins	-
	-

Currency in circulation is nil due to the adoption of multi - currencies and the suspension of the ZWD as a transacting currency.

22. INTERNATIONAL MONETARY FUND FACILITIES

		2009 US$
22.1	Special Drawing Rights (SDR) allocation (2009)	425 316 271
	Poverty Reduction and Growth Fund (PRGF)	139 817 336
	IMF No. 1 and 2	1 326 724
		566 460 331

The SDR allocation was allocated to the Government of Zimbabwe by the IMF, and was deposited into the Bank's offshore account.

The Special Drawing Rights (SDR) amount equivalent owed by the Bank under the Poverty Reduction and Growth Fund (PRGF) was as follows:

	2009 SDR
PRGF	73 754 569
Accrued charges	15 757 170
	89 511 739

The exchange rate as at 31 December 2009 between the United States Dollars and International Monetary Fund's Special drawing rights was $1.5620 / SDR1

23. FOREIGN LIABILITIES

	2009 US$
Aggregated foreign loans	**544 012 432**

The Bank's foreign loans are loans owed to non resident companies, and were drawn down in foreign currencies during the Zimbabwe dollar era. The foreign loans attract interest rates of between 1.25% and 11% per annum.

Included in foreign loans is the South African Reserve Bank overdraft of ZAR73 million, US$ equivalent of about US$9.7 million which is secured by encumbered assets in the form of South African Treasury Bills held at the South African Reserve Bank amounting to ZAR82.5 million, US$ equivalent of US$11 million.

	2009 US$
24. DOMESTIC LOANS	**125 078 117**

The Bank's domestic loans are loans owed to resident companies. These loans were drawn down in foreign currencies during the Zimbabwe dollar era. The domestic loans attract interest rates of between 1.25% and 11% per annum of the funds advanced.

		2009 US$
25.	**DEPOSIT ACCOUNTS**	
	Local	
	Financial institutions	
	- statutory reserves	71 605 666
	- Bankers RTGS	55 216 826
	- Parastatals	193 248 204
	- Corporates	69 127 270
	Other	1 108 310
		390 306 276
	Government of Zimbabwe	1 857 584
	Short term deposits	56 629 396
		448 793 256
	Foreign	
	Non Governmental Organisation (FCAs)	17 235 322
	PTA accounts	2 958 766
		20 194 088
		468 987 344
26.	**PAYABLES**	
	Payables	88 085 740
	Other	478 219
		88 563 959
27.	**GOLD, FOREIGN ASSETS AND FOREIGN LIABILITIES**	
	Gold and foreign assets	40 723 928
	Foreign liabilities	
	Foreign liabilities	544 012 432
	Non Government Organisations	17 235 322
	PTA Deposits	2 958 766
	FCA Diplomatic Missions	311 449
	IMF PRGF and IMF No. 1 and 2 accounts	141 144 061
	Total foreign liabilities	**705 662 030**
	Percentage of gold and foreign asset to foreign liabilities	6%

Section 33(2) of the Reserve Bank Of Zimbabwe Act [Chapter 22:15] requires that the value of the Bank's reserve of gold and foreign assets convertible into gold be at least 40% of the Bank's foreign liabilities at any point in time at historical cost.

The percentage of gold and foreign assets to foreign liabilities at 31 December 2009 was below the minimum required by Section 33(2) of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. This is due to the country's low foreign exchange generation capacity. The Bank was not able to meet the threshold because of the financial challenges experienced during the year which resulted in the Bank being technically insolvent. Please refer to the Note 35 for more information on the Bank's ability to continue as a going concern.

28. CONTINGENT LIABILITIES, COMMITMENTS AND OTHER CONTINGENCIES

The Bank is being sued by various creditors for loans and services rendered and goods received during quasi fiscal operations. Of the amounts the Bank is being sued for, accruals have been made for a total amount of US$58 million while an amount of US$19 million has not been accrued for.

A contingent asset of US$2 863 724 is expected. There are cases in courts for assets which were bought during the Zimbabwe dollar era and not yet delivered. These cases are for motor vehicles, computers and equipment, which were not delivered to the Bank by various suppliers.

29. CAPITAL COMMITMENTS

	2009 US$
Expenditure authorised and contracted for:	-
Expenditure authorised but not yet contracted for:	-
	-

30. RETIREMENT BENEFIT SCHEMES

30.1 Private scheme

The Bank and its employees contribute to the Finance Trust of Zimbabwe Pension Fund. This is a defined contribution fund, the assets of which are held in a separate trustee administered fund. The Bank contributes 15% and the employees 6% of pensionable earnings. During the year under review the Bank did not contribute to this fund due to under capitalisation.

30.2 National Social Security Authority (NSSA) scheme

The employees are also members of a state-managed retirement benefit plan, NSSA and the contributions to the scheme are made in terms of the National Social Security Authority Act [Chapter 17:04]. During the year the Bank contributed $451 938 towards this plan and the cost is included in the staff costs.

30.3 Recognition of contributions

The Bank's obligation with respect to the retirement benefit plan is to make the specific contributions.

30.4 Contributions recognised as an expense during the year

	2009 US$
Finance Trust of Zimbabwe Pension Fund	-
National Social Security Authority Scheme	451 938
	451 938

31. FINANCIAL RISK MANAGEMENT

The Bank has various policies and procedures to manage its risk. Certain aspects of its risk management specific to financial instruments are described in more detail below:

31.1 Interest rate risk

The majority of the Bank's loan and advances facilities are at concessionary rates which are not market linked.

31. FINANCIAL RISK MANAGEMENT (continued)

31.2 Market price risk

Market price risk is the risk of loss resulting from changes in market conditions and prices. In its monetary policy operations, the Bank is obliged to accept certain market-related risks which would not be fully compatible with pure commercial practice. The Bank utilises modern technology and appropriate organisational structures and procedures to manage market risk. Exposures and limits are measured continuously and strategies are routinely reviewed by management on a daily basis and, when circumstances require, throughout the day.

31.3 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Credit risk arises from such activities of the Reserve Bank of Zimbabwe as advances to and deposits made with other institutions and the settlement of financial market transactions. The Bank manages its credit risk by specifically securing advances to financial institutions with negotiable securities.

31.4 Liquidity risk

Liquidity risk is the risk that an entity may not be able to accommodate decreases in liabilities or to fund increases in assets in full at the time that a commitment or transaction is due for settlement. The Bank faces liquidity risk in respect of foreign assets and liabilities and this risk is further compounded by the fact that the Bank is undercapitalised. Due to these challenges it has been difficult for the Bank to manage the liquidity risk.

32. ASSETS, LIABILITIES MATURITY ANALYSIS

	Overdue	On demand	within 12 months	Other	Total
Assets	US$	US$	US$	US$	US$
Loans and advances to Government and to:					
Statutory Bodies	-	-	-	-	-
Other loans and advances	60 762	98 600	-	-	159 362
Investments	-	50 226 617	-	-	50 226 617
Gold and foreign assets	-	40 723 928	-	-	40 723 928
Other:	-	-	-	-	-
- Financial	-	503 283 652	-	-	503 283 652
Non-financial	-	6 019 933	-	-	6 019 933
Total assets	60 762	600 352 730	-	-	600 413 492
Liabilities					
Currency in circulation	-	-	-	-	-
Bills payable	3 945 851	-	-	-	3 945 851
International Monetary Fund facility	141 144 061	425 316 271	-	-	566 460 332
Foreign loans	544 012 432	-	-	-	544 012 432
Local loans	125 078 117	-	-	-	125 078 117
Deposit accounts	413 770 519	55 216 826	-	-	468 987 345
Other:	-	-	-	-	-
- Payables	88 563 959	-	-	-	88 563 959
	1 316 514 939	480 533 097	-	-	1 797 048 036
Sensitivity gap	(1 316 454 177)	119 819 633	-	-	(1 196 634 544)
Cumulative gap	(1 316 454 177)	(1 196 634 544)	(1 196 634 544)	-	-

33. RELATED PARTY INFORMATION

33.1 Related party transactions

The Bank is wholly owned by the Government of Zimbabwe. The Bank holds equity interests in the companies listed below as indicated:

Ownership interest and voting power	
Fidelity Printers & Refiners (Private) Limited	100%
Aurex (Private) Limited	100%
Export Credit Guarantee Company (Private) Limited	100%
Finance Trust of Zimbabwe (Private) Limited	100%
Homelink (Private) Limited	100%
Fiscorp (Private) Limited	100%
Tuli Coal (Private) Limited	70%
Sirtech (Private) Limited	50%
Transload (Private) Limited	50%
St Lucia Park (Private) Limited	50%
Venture Capital Company of Zimbabwe	50%

The related party transactions and balances that occurred/arose during the year are not disclosed due to nature of the Bank's operations.

34. EVENTS AFTER THE REPORTING DATE

A significant period has elapsed between the reporting date and the time of finalisation of these financial statements. The following events occurred after the reporting date and did not result in any adjustment to these financial statements:-

a) Revision of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. (Effective 31 March 2010)

b) The Ministry of Finance appointed a new Board in May 2010.

c) In line with the requirements of the revised Reserve Bank Act, the Bank ceased the quasi fiscal activities and this resulted in a restructuring exercise where contracts for 1 455 employees were terminated.

d) Due to the various litigation cases against the Bank, there were numerous incidences in which the Bank's assets were forcibly sold. Creditors owing $6 188 136 attached assets of the Bank and forcibly sold these assets realising $1 323 294.

e) Insertion of section 63B into the Reserve Bank of Zimbabwe Act, which section borrows provisions from the State Liabilities Act to apply to proceedings against the Reserve Bank of Zimbabwe that were pending on 18 June 2010, in order to protect the Bank's assets against attachment and sale in execution of judgements dates by the Bank's creditors.

f) The Ministry of Finance provided US$7 million to enable the Bank to resume the lender of the last resort function.

35. GOING CONCERN

The Bank incurred a deficit for the year ended 31 December 2009 of US$229 million and as of that date its total liabilities exceeded its total assets by $1.1 billion, as reflected in these financial statements.

The Bank is wholly owned by the Government of Zimbabwe through the Ministry of Finance and remains core to the Government functions, being the custodian of monetary policy. Subsequent to the 2009 financial year end, the board and management have worked to ensure that the Bank remains a going concern through decisive implementation of the following interventions:

- Reducing operating costs through a 75% retrenchment exercise that resulted in 1 445 employees leaving the Bank. This left the Bank with a headcount of only 530;
- Ceasing all non-core and quasi-fiscal activities;
- Disposing its major subsidiaries and non-core investments to raise supplementary resources to meet the Bank's financial obligations;
- Charging service fees for its major services to the market in the areas of Exchange Control and National Payments System Management;

The Ministry of Finance, through a letter of support dated 8 November 2011 signed by the Honourable Minister, confirmed the Bank's strategic significance to the Government's operations and pledged to continue supporting the Bank as necessary to ensure that it remains a going concern. Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.