



RESERVE BANK OF ZIMBABWE



2011 FINANCIAL STATEMENTS



THE RESERVE BANK OF ZIMBABWE

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

**RESERVE BANK OF ZIMBABWE
FINANCIAL STATEMENTS**

For the Year Ended December 31, 2011

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RESERVE BANK OF ZIMBABWE DIRECTORS' REPORT

For the Year Ended December 31, 2011

The Directors of the Reserve Bank of Zimbabwe ("the Bank") have pleasure in submitting their Report for the Financial Year Ended December 31, 2011.

1. NATURE OF BUSINESS

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

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 supervise Banking Institutions and to promote the smooth operation of the payment system;
- e) to formulate and execute the Monetary Policy;
- f) to act as Banker, Financial Advisor to, and Fiscal Agent of, the State;
- g) whenever appropriate and subject to any written directions given to it by the Finance Minister, to represent the interests of Zimbabwe in international or inter - Governmental meetings, multilateral agencies and other organizations in matters concerning Monetary Policy;
- h) to provide banking services for the benefit of:
 - (i) Foreign Governments;
 - (ii) Foreign central banks or other Monetary authorities; and
 - (iii) International Organisations of which Zimbabwe is a party;
- i) to participate in International Organisations whose objectives are to pursue Financial and economic stability through international Monetary co-operation;
- j) subject to any written directions given to it by the Finance Minister to undertake responsibilities and perform transactions concerning the State's participation in or membership of International Organisations;
- k) to exercise any functions conferred or imposed upon it by or in terms of any other enactment.

1.2 The main Subsidiaries and Joint Ventures of the Bank and their Activities are listed below:-

- i) **Fidelity Printers and Refiners (Private) Limited**
 - Printers of Currency and Securities.
 - Gold Refining.
- ii) **Homelink (Private) Limited**
 - Mobilizes Foreign Currency from Zimbabweans in the diaspora.
- iii) **Finance Trust of Zimbabwe (Private) Limited**
 - Investment Company.

RESERVE BANK OF ZIMBABWE DIRECTORS' REPORT

For the Year Ended December 31, 2011

1.2 The main Subsidiaries and Joint Ventures of the Bank and their Activities (continued)

- iv) **Aurex (Private) Limited**
 - Production of Gold Jewellery.
- v) **Export Credit Guarantee Corporation**
 - Insures Zimbabwe's Exports.
- vi) **Fiscorp (Private) Limited.(Dormant)**
 - Administration of Quasi Fiscal Activities.
- vii) **Tuli Coal (Private) Limited**
 - Mining, Processing and Exportation of Coal from Beitbridge.
- viii) **Sirtech Investments (Private) Limited**
 - Home-Grown Technologies.
- ix) **Transload (Private) Limited .(Dormant)**
 - Production of Bio-Diesel from Jatropha.
- x) **Venture Capital Company of Zimbabwe (Private) Limited**
 - Financing of Small to Medium Size Private Sector Enterprises.
- xi) **St Lucia Park (Private) Limited (Donated)**
 - Training and Conference Centre.
- xii) **Carstone (Private) Limited.(Dormant)**
 - Mining of Gold.

The Bank does not consolidate the results of its Subsidiary Companies. Please refer to note 2.1.2 to the Financial Statements on the Bank's Basis of preparation of 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 as at 31 December 2011, 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 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 except for the revaluation of freehold Land and Buildings, Investment Properties, Listed Shares and other Assets and Liabilities which are denominated in other Currencies other than the USD, which are converted at the spot (ruling Exchange) rate at the Reporting Date.

RESERVE BANK OF ZIMBABWE DIRECTORS' REPORT

For the Year Ended December 31, 2011

The Accounting Policies are prepared on the Basis of International Financial Reporting Standards, except as described in Note 2.1 to the Financial Statements.

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 following are the 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 Senior 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 following is the composition of the 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**
- Dr. K. Mlambo**
- Mr. C.T. Kuwaza***
- Prof. A. M. Hawkins***
- Dr. G. Kanyenze***
- Dr. P. Kurasha***
- Mr. M.P. Mahlangu***
- Mr. W.L. Manungo***
- Dr. D. Ndlela ***
- Justice (Rtd), L.G. Smith***
- Mr. N.P.S. Zhou ***

Note

- * Chairman and Governor
- ** Deputy Governor (appointed on 14 March 2012)
- *** Non-Executive Director

**RESERVE BANK OF ZIMBABWE
DIRECTORS' REPORT**

For the Year Ended December 31, 2011

4. ACCOUNTING POLICIES

The Accounting Policies adopted by the Bank are set out in note 3 to the Financial Statements.

5. RESULTS OF THE BANK'S OPERATIONS

The Bank incurred a deficit for the Year of US\$35,229,592 (2010: US\$166,674,412) as indicated below:

	2011 US\$	2010 US\$
Deficit for the Year before impairment of Financial Assets	23,197,216	103,667,209
Impairment of Financial Assets	12,032,376	63,007,203
Deficit after impairment of Financial Assets	<u>35,229,592</u>	<u>166,674,412</u>

6. LOANS AND ADVANCES TO GOVERNMENT AND TO STATUTORY BODIES

As at 31 December 2011, Loans and Advances to Government and to Statutory Bodies were US\$1.47 Billion (2010: US\$1.45 Billion) before impairment. 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 not satisfactory thus making recoverability of these Loans uncertain. Accordingly, the Directors decided to fully impair Government and Statutory Bodies debts.

RESERVE BANK OF ZIMBABWE DIRECTORS' REPORT

For the Year Ended December 31, 2011

7. BASIS OF FUNDING

The Bank incurred a deficit of US\$35 Million (2010: US\$167 Million) for the Year ended 31 December 2011 and as of that Date its total Liabilities exceeded its total Assets by US\$1.32 Billion (2010: US\$1.29 Billion), as reflected in these Financial Statements.

The Government of Zimbabwe is the Bank's sole Shareholder and the Bank remains core to Government functions, being the custodian of monetary policy in Zimbabwe. As disclosed in note 17, section 31 of the Reserve Bank Act, requires the Bank's Capital stock to be an Amount of US\$2 Million or its equivalent in other currencies. The Share Capital of the Bank is denominated in Zimbabwe Dollars and presently disclosed as nil as the Bank has not redenominated its Share Capital in United States Dollars nor has it complied with the requirements of the Reserve Bank Act.

In these circumstances the Bank is dependent on the Government of Zimbabwe for the provision of Capital and other financial support, as and when required. The Ministry of Finance, through a letter of support signed by the Honorable Minister, has confirmed the Bank's strategic significance to the Government's operations and pledged to continue supporting the Bank as necessary. The Government through the Ministry of Finance has funded the Bank to the extent of US\$32 Million in 2011 for its operational activities and the Bank expects to receive further funding to the extent of US\$25 Million in 2013, which has been included in the Bank's budget. The Directors have no reason to believe that the Government will not continue to provide the required funding.

Aside expected Government funding, the Board and management have taken steps, since Year end to ensure that the Bank is able to meet its financial Obligations in the normal course of its activities through implementation of the following;

- 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.

Accordingly, the Financial Statements are prepared on the basis of Accounting Policies which assume that the Bank will be able to meet its Obligations in the normal course of its activities. Should the Government of Zimbabwe not continue to provide required Funding, there exists a material uncertainty that may cast significant doubt as to the Bank's ability to meet its Financial Obligations in the normal course of its activities.

**RESERVE BANK OF ZIMBABWE
DIRECTORS' REPORT**

For the Year Ended December 31, 2011

8. APPROVAL OF FINANCIAL STATEMENTS

The Financial Statements which appear on pages 10 to 48 were approved by the Board of Directors on April 02, 2013. 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	Chairman and Governor
Mr. C.T. Kuwaza	Deputy Chairman of the Board, Chairman Audit & Oversight Committee
Dr. C.L. Dhliwayo	Deputy Governor
Dr. K. Mlambo	Deputy Governor
Mr. A.J. Manase	Bank Secretary



Dr. G. Gono
Chairman and Governor



Mr. C.T. Kuwaza
Deputy Chairman of the Board,
Chairman, Audit and Oversight
Committee



Dr. K. Mlambo
Deputy Governor



Dr. C.L. Dhliwayo
Deputy Governor



Mr. A.J. Manase
Bank Secretary

Date: April 02, 2013



Independent Auditor's Report

To the Board of the Reserve Bank of Zimbabwe and the Minister of Finance

Report on Financial Statements

We have audited the financial statements of the Reserve Bank of Zimbabwe as set out on pages 10 to 48, which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statement, which include the 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).

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 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 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 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\$26,593,809 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. The financial statements were previously qualified in this respect.

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 2011, 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.

Emphasis of Matter

We draw attention to note 37 to the financial statements which indicates that the Bank incurred a deficit of US\$35 million for the year ended 31 December 2011 and as of that date its total liabilities exceeded its total assets by US\$1.32 billion and describes the basis of funding to enable the Bank to meet its financial obligations in these circumstances. The note additionally indicates that should the Government of Zimbabwe not continue to provide required funding, there exists a material uncertainty that may cast significant doubt as to the Bank's ability to meet its financial obligations in the normal course of its activities. Our opinion is not qualified in this respect.

Report on Other Legal and Regulatory Requirements

In accordance with Section 36 (4) (c) of the Reserve Bank of Zimbabwe Act (Chapter 22:15), we report the following area of non compliance with that Act:

Section 31 of the Act requires the Bank's capital stock shall be in the amount of US\$2 million or its equivalent in other currencies, all of which shall be issued to the State. The financial statements indicate that this requirement has not been met.



BDO Zimbabwe
Chartered Accountants

02 April 2013



KPMG
Chartered Accountants (Zimbabwe)

02 April 2013

RESERVE BANK OF ZIMBABWE
STATEMENT OF COMPREHENSIVE INCOME

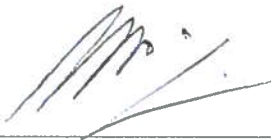
For the Year Ended December 31, 2011

	Notes	2011 US\$	2010 US\$
Interest and commission Income	5.1	4,346,668	4,639,710
Interest Expense	5.2	(37,803,885)	(42,660,575)
Net Interest and Commission Expense		(33,457,217)	(38,020,865)
Other Income	5.3	42,044,575	19,348,331
Net Interest and Commission Expense after other Income		8,587,358	(18,672,534)
Operating Costs	5.4	(31,784,574)	(84,994,675)
Deficit for the Year before impairment of Financial Assets		(23,197,216)	(103,667,209)
Impairment of Financial Assets	6	(12,032,376)	(63,007,203)
Deficit for the Year		(35,229,592)	(166,674,412)
Other Comprehensive Income			
Revaluation Gain on properties		1,369,405	1,442,863
Fair Value Gain on available for Sale equity Investments		4,838,917	2,988,870
Net Fair Value Gain on available for Sale		2,354,724	29,785
Transfer to Profit or Loss		2,484,193	2,959,085
Total deficit for the Year		(29,021,270)	(162,242,679)

RESERVE BANK OF ZIMBABWE
STATEMENT OF FINANCIAL POSITION

As at December 31, 2011

	Notes	2011 US\$	2010 US\$
Assets			
Property and equipment	7	60,867,936	56,782,229
Investment Property	8	11,500,000	7,600,000
Investments in Subsidiaries at Cost	9	17,719,387	26,477,559
Other Investments	10	14,852,741	15,566,394
Loans and Advances to Government and Statutory bodies	11	-	-
Non-Current Assets held for Sale	12	7,808,117	450,000
Other Loans and Advances	13	77,761	156,089
Other receivables	14	165,547,476	168,113,820
Gold and Foreign Assets	15	45,258,483	44,671,861
Cash and bank balances	16	363,220,613	455,428,443
Total Assets		686,852,514	775,246,395
Equity and Liabilities			
Capital and reserves			
Share Capital	17	-	-
Revaluation reserve	18	2,935,641	1,656,863
Equity Fair Value adjustment reserve	19	26,432,981	21,594,064
Non distributable reserve	20	(903,715,388)	(903,715,388)
General reserve fund	21	-	-
Accumulated deficit		(449,422,818)	(414,283,853)
Total Capital and reserves		(1,323,769,584)	(1,294,748,314)
Liabilities			
Bills payable	22	6,119,852	4,130,405
Currency in circulation	23	-	-
International Monetary Fund facilities	24	551,932,018	554,710,444
Foreign Liabilities	25	546,888,608	560,071,439
Domestic Loans	26	158,292,477	152,630,318
Deposit Accounts	27	602,414,038	642,516,934
Payables	28	144,975,105	155,935,169
Total Liabilities		2,010,622,098	2,069,994,709
Total equity and Liabilities		686,852,514	775,246,395



Dr. G. Gono
Chairman and Governor



Mr. C.T. Kuwaza
Deputy Chairman of the Board,
Chairman, Audit and Oversight Committee



Dr. K. Mlambo
Deputy Governor



Dr. C.L. Dhliwayo
Deputy Governor



Mr. A.J. Manase
Bank Secretary

Date: April 2, 2013

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2011

	Share Capital US\$	Revaluation reserve US\$	Fair Value adjustment reserve US\$	Non- distributable reserve US\$	General reserve fund US\$	Accumulated deficit US\$	Total US\$
Balance at 1 January 2010							
Deficit for the Year	-	214,000	18,605,194	(903,842,225)	-	(247,609,441)	(1,132,632,472)
Adjustment -take on balance	-	-	-	-	-	(166,674,412)	(166,674,412)
Mark to market reserve	-	-	-	126,837	-	-	126,837
Revaluation surplus on immovable Property	-	1,442,863	2,988,870	-	-	-	2,988,870
	-	-	-	-	-	-	1,442,863
Balance at 31 December 2010	-	1,656,863	21,594,064	(903,715,388)	-	(414,283,853)	(1,294,748,314)
Deficit for the Year	-	-	-	-	-	(35,229,592)	(35,229,592)
Mark to market reserve	-	-	4,838,917	-	-	-	4,838,917
Revaluation surplus on immovable Property	-	1,369,405	-	-	-	-	1,369,405
Revaluation – disposed Property	-	(90,627)	-	-	-	90,627	-
Balance at 31 December 2011	-	2,935,641	26,432,981	(903,715,388)	-	(449,422,818)	(1,323,769,584)

**RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2011

	2011 US\$	2010 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Cash Flows		
Operating Loss before Government grants	(67,229,592)	(180,674,412)
Adjustment for items not affecting Cash Flows		
-Depreciation	8,119,582	8,468,898
-Impairment (reversal)/Loss	(10,585,131)	(9,765,193)
-Fair Value Loss or (Gain) on Investment Property	(3,900,000)	1,500,000
-Impairment of local Shares	2,484,193	2,959,085
-Insurance claims	(131,200)	(38,500)
-Profit on disposal of Property & equipment	(185,656)	219,563
-Provision for doubtful debts	12,032,376	63,007,203
-Other accrued interest receivable	(104,742)	(2,840,163)
-Interest Expense	37,803,885	42,660,575
-Provision for payments due-accrued Expenses	(8,405,695)	61,143,538
-Accrued rent receivable	(879,880)	28,132
-Interest on external treasury bills	(772,129)	-
-Other Income	(6,020,926)	-
-Dividend received	(729,870)	(593,380)
Operating Cash Flows before movements in working Capital	(38,504,785)	(13,924,654)
(Increase)/decrease in prepayments	(149,185)	(6,945)
Increase/(decrease) in SDR holdings	(2,227,301)	(105,989,397)
Increase/(decrease)in Statutory Reserves	-	11,900,487
Increase/(decrease) in RTGS Settlement Account	(73,147,437)	120,322,526
Increase/(decrease) in deposits -Government	(2,643,518)	2,413,853
Increase/(decrease) in deposits -FCA	-	(494,759)
Increase/(decrease) in FCA Deposits - other	-	(352,758)
Increase/(decrease) in FCA diplomatic missions	-	(278,418)
Increase/(decrease) in currency in transit	-	102,818
(Increase)/decrease in Export support funds	60,576	-
Increase/(decrease) in other internal Accounts	(93,670)	-
Increase/(decrease) in Foreign deposits	600,000	-
(Increase)/decrease in advance payments	(45,525)	-
Increase/(decrease) in Amounts due from Government	(183,251)	(12,724,625)
Fees paid Foreign banks	(27,280)	(1,346,054)
Increase/(decrease) in cash and cash equivalents due to revaluation	(377,721)	114,604
Net cash inflow / (out flow)from operations	(78,234,312)	13,661,332
Net cash inflow from Operating Activities	(116,739,097)	(263,322)

**RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2011

	2011 US\$	2010 US\$
CASH FLOWS FROM INVESTING ACTIVITIES		
Investing Activities		
Proceeds from disposal of quoted Shares	-	3,490,950
Receipts from debtors	736,186	471,381
Dividend received	729,870	593,380
Proceeds from disposal of Property and equipment	775,607	1,239,105
Purchase of Property and equipment	(317,751)	(102,300)
Decrease in debtors – Federal Reserve Bank	-	1,500,000
Transfers to reduce overdraft facility, South African Reserve Bank	(1,153,221)	(406,140)
Interest on South African treasury bills	598,742	-
Interest on Foreign balances	84,420	-
Net cash from investing Activities	1,453,853	6,786,376
NET CASH FLOWS FROM FINANCING ACTIVITIES		
Government grant received	24,500,000	14,000,000
Government grant (2011) received in advance	-	7,500,000
Lender of last resort	-	7,000,000
Settlement of short term Foreign Loans	(1,000,000)	(7,841,018)
Interest and commission paid	(479,997)	-
Settlement of accrued bank Liabilities	(170,000)	(4,684,564)
Net cash from financing Activities	22,850,003	(15,974,418)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(92,435,241)	22,497,472
Cash balances at beginning of the Year	456,551,623	434,054,151
-Balances with Foreign banks	184,078,932	54,610,618
-Foreign Currency	17,371,121	18,359,604
-Committed funds	1,125,695	1,118,658
-SDR holdings	253,975,875	359,965,271
Cash balances at End of the Year	364,116,382	456,551,623
-Balances with Foreign banks	102,035,210	184,078,932
-Foreign Currency	9,434,629	17,371,121
-Committed Funds	897,970	1,125,695
-SDR holdings	251,748,573	253,975,875

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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 Bank's Registered Office is 80 Samora Machel Avenue Harare.

1.1. Nature of business

The Reserve Bank of Zimbabwe ("the Bank") is 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 supervise Banking Institutions and to promote the smooth operations of the Payment System;
- e) to formulate and execute the Monetary Policy;
- f) to act as Banker, Financial Advisor to, and Fiscal Agent of, the State;
- g) whenever appropriate and subject to any written directions given to it by the Finance Minister, to represent the interests of Zimbabwe in International or Inter - Governmental meetings, Multilateral Agencies and other Organizations in matters concerning Monetary Policy;
- h) to provide banking services for the benefit of:
 - (i) Foreign Governments;
 - (ii) Foreign Central Banks or other Monetary authorities; and
 - (iii) International Organisations of which Zimbabwe is a party;
- i) to participate in International Organisations whose objectives is to pursue Financial and Economic stability through International Monetary Co-operation;
- j) subject to any written directions given to it by the Finance Minister to undertake responsibilities and perform transactions concerning the State's participation in or Membership of International Organisations; and
- k) to exercise any functions conferred or imposed upon it by or in terms of any other Enactment.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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 except for the revaluation of freehold land and Buildings, Investment properties, listed Shares and other Assets and Liabilities which are denominated in other Currencies other than the USD, which are converted at the spot (ruling Exchange) rate at the Reporting Date.

2.1 Financial Reporting Framework

The Accounting Policies are also prepared on the Basis of International Financial Reporting Standards, except as described below.

2.1.1 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. 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. This is however, not in Accordance with International Accounting Standard 27 (IAS 27) Consolidation and Separate Financial Statements and IFRS 3 Business Combinations.

2.1.2 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 require the disclosure of Risk s associated with the Bank'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.

2.1.3 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 2011 Net Unrealised Exchange Losses have been credited to the Statement of Financial Position as other payables.

**RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2011

2. BASIS OF PREPARATION (continued)

2.2 Use of estimates and judgments

The preparation of the Financial Statements requires Management to make Judgments, 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 judgments 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 judgment 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 of adjustments in the subsequent Year.

Information about significant areas of estimation, uncertainty and critical judgments 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.

2.3 Changes in Accounting Policies

There was no change in Accounting Policies in the 2011 Financial Statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue Recognition

3.1.1 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.

3.1.2 Fee 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.

3.1.3 Dividend Income

Dividend Income from Investments is recognised when the Bank's Rights to receive the Dividend have been established.

**RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1.4 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 and Government Grant Received.

3.1.1. Rental

Rental Income from Investment Property is recognised on the Accrual Basis on a monthly Basis.

3.1.6 Government grant

The Bank recognizes Income related Government grants as deferred Income in the statement of Financial Position, and is matched on a systematic Basis with Costs to which they relate on an Annual Basis.

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 Monetary Foreign Assets and Liabilities are transferred to the Unrealised Exchange Gain or Losses Accounts which are disclosed under either other Receivables 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 realized Exchange Gains and Losses arising on the retranslation of Monetary Foreign Assets and Liabilities and or the settlement of 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 either under "Loans and Advances to Government and to Statutory Bodies" or other payables on the Statement of Financial Position.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Employee benefits

3.3.1 Retirement benefit Costs

The Bank contributes towards Defined Contribution Plans. Contributions to these Plans are recognised as an Expense in the 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.

3.3.3 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 and Capital Gains Tax in terms of the Income Tax Act (Chapter 23:06) and the Capital Gains Act (Chapter 23:01).

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Reporting Date, 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.

Depreciation is charged so as to write-off the deemed 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.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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 Labor, 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 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.

3.7.3 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 repayments 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.

**RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the Statement of Comprehensive Income.

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.

3.7.6 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") facilities, domestic Loans, payables, Foreign Loans, bills payable and deposit Accounts.

IMF Facility, Foreign Loans, Domestic Loans, Bills Payable and Interest Bearing Deposit Accounts are subsequently measured at Cost plus any Accrued Interest.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Currency in circulation and Payables

Currency in circulation and payables are subsequently measured at Cost.

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 realize 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.
- (iv) 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.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an 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 other parties.

Investments in Subsidiaries and Joint Ventures are stated at deemed Cost. Subsequent to initial recognition, the Investments in Subsidiaries of 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.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Non-Current Assets Held for Sale

Non-Current Assets are classified as held for Sale when:

- a) they are available for immediate Sale;
- b) Management is committed to plan to sell;
- c) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- d) an active programme to locate a buyer has been initiated;
- e) the Asset is being marketed at a reasonable price in relation to its Fair Value; and
- f) the Sale is expected to complete within 12 months from the Date of Classification.

Non-Current Assets classified as held for Sale are measured at the lower of:

- a) their carrying Amount immediately prior to being classified as held for Sale in Accordance with the Bank's Accounting Policy, or
- b) Fair Value less Costs to Sale.

Following their classification as held for Sale, Non-Current Assets are not depreciated.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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 Judgments and estimations that have a significant effect on the Amounts recognised in the Financial Statements.

4.1 Property and equipment values, 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 2011, by External Property Valuers. 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 and GMP Real Estate. This resulted in a Fair Value increase of US\$ 3.9 Million. The Directors have reviewed the Results of the Independent valuation for reasonableness and they believe the Investment Properties have been Fairly Valued.

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 to the Directors' Report.

4.4. Investment in unquoted Shares

These are stated at Deemed Cost which was determined through the use of Independent Valuers' Reports in the preparation of 2009 Financial Statements, except for the Investment in Fidelity Printers and Refineries (FPR) 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 Printers and Refineries by using the Net Asset Value per 31 December 2008 Audited Financial Statements.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

	2011	2010
	US\$	US\$
5 INCOME AND EXPENDITURE		
5.1 Interest and commission Income comprise:		
Interest Income		
- bills (South Africa Treasury Bills)	772,129	766,124
- bank charges (RTGS)	3,469,797	2,715,756
- Foreign bank balances	104,742	1,157,830
	<u>4,346,668</u>	<u>4,639,710</u>

Interest Income is interest earned on Investment in South African Treasury Bills, overnight interest on Nostro Accounts and RTGS charges.

Interest earning Assets as at 31 December 2011 were US\$10.1 Million (2010: US\$13.4 Million). The weighted average interest rate on Assets was 7.6% per annum (2010: 5.8%).

5.2 Interest Expense comprise:

- interest Expense on Loans and Advances	36,307,105	41,565,516
- other	1,496,780	1,095,059
	<u>37,803,885</u>	<u>42,660,575</u>

Interest Expense consists mainly of interest on bills, bonds, Loans and Advances. Interest bearing Liabilities as at 31 December 2011 were US\$847 Million (2010: US\$759 Million). The weighted average interest rate charged on Liabilities was 4.1% per annum (2010: 6.5%).

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

	2011 US\$	2010 US\$
5 INCOME AND EXPENDITURE (continued)		
5.3 Other Income comprise:		
Dividend from local Shares	70,653	-
Dividend from Foreign Shares	659,217	593,380
Profit on disposal of Property and equipment	185,657	38,500
Government grant	32,000,000	14,000,000
Sundry	9,129,048	4,716,451
	<u>42,044,575</u>	<u>19,348,331</u>
5.4 Operating Expenses	31,784,574	84,994,675
Operating Expenses include:		
Auditors' remuneration	165,338	467,505
Depreciation of Property and equipment	7,169,528	8,468,898
Impairment (reversal) on Property and equipment	(10,585,131)	(9,765,193)
Fair Value (Gain)Loss on Investment Property	(3,900,000)	1,500,000
Impairment of local Shares	2,484,193	2,959,085
Impairment of local Investments	950,055	-
Directors' fees	127,243	87,702
Retrenchment Costs (Provisions)	168,180	26,139,895
Staff Costs	25,318,321	41,407,087
- salaries	17,854,276	35,673,843
-staff bonuses	859,961	-
- medical Expenses	1,546,928	1,264,886
- National Social Security Authority contributions	135,031	328,751
- other	4,922,125	4,139,607
6 PROVISION FOR DOUBTFUL DEBTS		
Movements in provision for doubtful debts comprise:		
Provision for doubtful debts (Government) (see note 11.2)	(11,793,913)	(59,734,682)
Provision for doubtful debts (other)	(238,463)	(3,272,521)
	<u>(12,032,376)</u>	<u>(63,007,203)</u>

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2011

7	PROPERTY AND EQUIPMENT	Land US\$	Buildings US\$	Furniture, equipment and machinery US\$	Motor vehicles US\$	Total US\$
	Deemed Cost at 1 January 2011	180,503	52,847,000	55,423	3,699,303	56,782,229
	Gross carrying Amount	180,503	52,887,000	2,476,049	19,721,879	75,265,431
	Accumulated depreciation	-	(40,000)	(2,420,626)	(16,022,576)	(18,483,202)
	Additions	-	-	195,726	197,135	392,861
	Depreciation charge	-	(5,500,980)	(24,929)	(1,643,619)	(7,169,528)
	Disposal Cost	-	(180,000)	(92,751)	(5,349,156)	(5,621,907)
	Disposal —Accumulated depreciation	-	22,889	92,751	4,414,106	4,529,746
	Revaluation	-	1,369,405	-	-	1,369,405
	Reversal of impairment	-	10,585,130	-	-	10,585,130
	Carrying Amount at 31 December 2011	180,503	59,143,444	226,220	1,317,769	60,867,936
	Deemed Cost	180,503	59,226,500	2,579,024	14,352,310	76,338,337
	Accumulated depreciation	-	(83,056)	(2,352,804)	(13,034,541)	(15,470,401)

**RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2011

7 PROPERTY AND EQUIPMENT (continued)

Buildings were Revalued at 31 December 2011 by Independent Professional Valuers on the Basis of 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 they were 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, nor 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 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. Had the Buildings been carried at the Historical Cost the carrying Amount would have been \$36,373,963 (2010: \$41,874,943).

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

8	INVESTMENT PROPERTY	2011 US\$	2010 US\$
	Opening balance	7,600,000	9,100,000
	Fair Value adjustment	3,900,000	(1,500,000)
	Closing balance	<u>11,500,000</u>	<u>7,600,000</u>

The Bank's Investment Property was Valued at 31 December 2011 by Independent professional Valuers, who have 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:

Rental Income	879,880	462,034
Direct Operating Expenses from Property that generated rental Income	(120,361)	(74,115)
	<u>759,519</u>	<u>387,919</u>

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

		2011	2010
9	INVESTMENT IN SUBSIDIARIES	US\$	US\$
9.1	Investment in Subsidiaries at deemed Cost		
	Shareholding		
	Fidelity Printers & Refiners (Private) Limited	100% 16,647,587	16,647,587
	Aurex (Private) Limited	100% 1,071,800	2,021,855
	Homelink (Private) Limited	100% -	6,720,522
	Tuli Coal (Private) Limited	70% -	840,000
	Export Credit Guarantee Company	100% -	-
	Finance Trust of Zimbabwe	100% -	-
	Sirtech (Private) Limited	50% -	-
	Fiscorp (Private) Limited(Dormant)	100% -	-
	Transload (Private) Limited (Dormant)	50% -	247,595
	St Lucia Park (Private) Limited (Donated to DFI)	50% -	-
	Carlsone (Private) Limited (Dormant)	100% -	-
	Venture Capital Company of Zimbabwe		
	(Private) Limited(Dormant)	50% -	-
		17,719,387	26,477,559

Investment in Subsidiaries and Joint Ventures are carried at Deemed Cost. All the above Subsidiaries and Joint Ventures are incorporated in Zimbabwe. The functions of the core subsidiaries of the bank are stated below;

- Fidelity Printers & Refiners (Private) Limited refines gold and prints currency notes and securities.
- Aurex (Private) Limited manufactures Gold Jewellery.
- Some of the Subsidiaries have been reclassified as Assets held for Sale. (refer to note 12)

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

10. OTHER INVESTMENTS	2011 US\$	2010 US\$
Unquoted Shares	6,212,818	6,212,818
Market value of quoted Shares	8,639,923	9,353,576
Total	<u>14,852,741</u>	<u>15,566,394</u>

Quoted Shares consist of Local Shares Listed on the Zimbabwe Stock Exchange. The Fair Value of Quoted Shares was determined using the Zimbabwe Stock Exchange Market Values as at 31 December 2011.

Unquoted Shares Represent the Bank's Investment in Infrastructure Development Bank of Zimbabwe which are not Listed on the Zimbabwe Stock Exchange.

11 LOANS AND ADVANCES TO GOVERNMENT AND STATUTORY BODIES

11.1 Loans and Advances

Loans and Advances	1,465,632,492	1,453,838,579
Impairment Loss	(1,465,632,492)	(1,453,838,579)
	<u>-</u>	<u>-</u>

The Bank has Adopted the Provisions of the Banking Regulations Statutory Instrument, (SI 205 of 2000). All Loans and Advances to the Government and Statutory Bodies have been fully provided for.

11.2 Movement of impairment of Loans and Advances

Balance at the beginning of the Year	(1,453,838,579)	(1,394,103,897)
Additional charge	(11,793,913)	(59,734,682)
Balance at the End of the Year	<u>(1,465,632,492)</u>	<u>(1,453,838,579)</u>

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

12	NON-CURRENT ASSETS HELD FOR SALE	2011 US\$	2010 US\$
	Property Plant and equipment	-	450,000
	Homelink (Private) Limited	6,720,522	-
	Tuli Coal (Private) Limited	840,000	-
	Export Credit Guarantee Company	-	-
	Sirtech (Private) Limited	-	-
	Fiscorp (Private) Limited	-	-
	Transload (Private) Limited	247,595	-
	Carslone (Private) Limited	-	-
	Balance at the End of the Year	<u>7,808,117</u>	<u>450,000</u>
13	OTHER LOANS AND ADVANCES		
	Private sector Loans		
	-Swift charges paid on behalf of Banks	4,541	15,011
	-MBCA Bank Limited recoverable	73,219	80,502
	-Zimbabwe Industry Tobacco Auction Centre (ZITAC)	689,878	679,222
	-Fertilizer Debtors	2,840,163	2,840,163
	-Export Support Fund	7,562,116	7,394,885
		<u>11,169,917</u>	<u>11,009,783</u>
	Impairment of other Loans and Advances	<u>(11,092,156)</u>	<u>(10,853,694)</u>
		<u>77,761</u>	<u>156,089</u>
	Movement in impairment of other Loans and Advances		
	Balance at the beginning of the Year	(10,853,694)	(7,951,173)
	Charge for the Year	(238,462)	(2,902,521)
	Amounts provided for that have been recovered	-	-
	Balance at the End of the Year	<u>(11,092,156)</u>	<u>(10,853,694)</u>

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

13.1 Advances to Private Sector

Advances to the Private Sector Represent Amounts due from Fertilizer Companies, (Zimbabwe Fertilizer Company (Private) Limited and Windmill (Private) Limited) which relate to Stock Balances on Toll Manufacturing deals during the Zimbabwe Dollar Era, and support granted to Tobacco Farmers and ZITAC.

14 OTHER RECEIVABLES	2011 US\$	2010 US\$
Unrealised Exchange Gains & Losses	-	4,311,548
Receivables	1,675,832	1,420,499
Prepayments	558,647	409,463
	<u>2,234,479</u>	<u>6,141,510</u>
Government IMF drawdowns	161,882,400	161,882,400
IMF interest and charges	1,229,560	-
Other	571,037	459,910
Impairment Loss	(370,000)	(370,000)
	<u>165,547,476</u>	<u>168,113,820</u>
Balance at Year End		

Other Receivables are made up mostly of SDR 107 Million withdrawn by the Government of Zimbabwe from their IMF Allocation (2010:SDR107 Million).The Bank holds SDRs on behalf of Government Of Zimbabwe. On receipt of the Funds the Bank recognizes Cash and a Liability, while utilization will result in Reclassification of Cash to Government Recoverable.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

	2011	2010
	US\$	US\$
15 GOLD AND FOREIGN ASSETS		
Gold	1,053,582	970,486
Foreign Investments	33,265,632	30,313,295
	<u>34,319,214</u>	<u>31,283,781</u>
Committed Funds	10,939,269	13,388,080
African Export-Import Bank	897,970	1,125,695
South African treasury bills (Held to Maturity)	10,041,299	12,262,385
	<u>45,258,483</u>	<u>44,671,861</u>
<p>South African Treasury Bills of ZAR 82.5 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 ZAR 75 Million.</p>		
16 CASH AND BANK BALANCES		
Nostro Account balances	353,785,984	438,057,322
Cash balances	9,434,629	17,371,121
	<u>363,220,613</u>	<u>455,428,443</u>
17 SHARE CAPITAL		
Authorised, issued and fully paid		
2,000,000 Ordinary Shares of ZW\$0.000 each.	-	-

The entire issued Share Capital of the Bank is held by the Government of Zimbabwe.

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 to United State Dollars.

In terms of Section 31 of the Reserve Bank of Zimbabwe Act (Chapter 22:15), the Bank's Capital Stock shall be in the Amount of two Million United States Dollars or its Equivalent in other Currencies all of which shall be issued to the State.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

	2011 US\$	2010 US\$
18 REVALUATION RESERVE		
Opening balance	1,656,863	214,000
Movement for the Year	1,369,405	1,442,863
Transfer to retained earnings	(90,627)	-
Closing balance	<u>2,935,641</u>	<u>1,656,863</u>
19 EQUITY FAIR VALUE ADJUSTMENT RESERVE		
Opening balance	21,594,064	18,605,194
Net Fair Value Gain	2,354,724	29,785
Transfer to Profit or Loss	2,484,193	2,959,085
Closing balance	<u>26,432,981</u>	<u>21,594,064</u>
20 NON DISTRIBUTABLE RESERVE		
Arising from restatement process	<u>(903,715,388)</u>	<u>(903,715,388)</u>
<p>The Amount comprises the Overall Net Effect of the restatement process on the Translation from Zimbabwe Dollar Statement of Financial Position that gave rise to United States Dollar Denominated Statement of Financial Position.</p>		
21 GENERAL RESERVE FUND		
Balance at the End of the Year	<u>-</u>	<u>-</u>

In terms of Section 31 of the Reserve Bank of Zimbabwe Act (Chapter 22:15), the Bank is required to maintain a General Reserve Fund. Once the Balance of the Fund 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 as at 31 December 2011 as the Bank has not made any Profit since the change in functional currency.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

		2011	2010
		US\$	US\$
22	BILLS PAYABLE		
	Local bonds	<u>6,119,852</u>	<u>4,130,405</u>
	<p>The Local Bonds were Issued by the Bank in United States of America Dollars prior to the Multicurrency System to raise funds to finance the nation's critical Foreign Currency 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.</p>		
23	CURRENCY IN CIRCULATION		
	Notes	-	-
	Coins	-	-
		<u>-</u>	<u>-</u>
24	INTERNATIONAL MONETARY FUND FACILITIES		
	SDR allocation (2009)	416,669,583	419,163,339
	Poverty Reduction Growth Trust (PRGT)	133,906,291	134,220,381
	IMF NO.1 and 2	1,356,144	1,326,724
		<u>551,932,018</u>	<u>554,710,444</u>

The SDR Allocation (2009) to the Government of Zimbabwe by IMF, was Deposited into the Bank's Offshore Account.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

24 INTERNATIONAL MONETARY FUND FACILITIES (CONTINUED)

The Special Drawing Rights (SDR) Amounts equivalent owed to IMF were as follows.

	2011 SDR	2010 SDR
2009 IMF Allocation	272,178,883	272,178,883
Accrued charges	82 998	-
	<u>272,261,881</u>	<u>272,178,883</u>
Poverty Reduction Growth Trust (PRGT)	71,144,594	71,144,594
Accrued charges	16,352,982	16,009,753
	<u>87,497,576</u>	<u>87,154,347</u>

The Exchange rate, USD /SDR 1.5304 (2010,USD /SDR 1.54)

25 FOREIGN LIABILITIES

	2011 US\$	2010 US\$
Aggregated Foreign Loans	<u>546,888,608</u>	<u>560,071,439</u>

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 and are all overdue.

Included in Foreign Loans is the South African Reserve Bank Overdraft of ZAR 68.8 Million, USD Equivalent of US\$ 8.5 Million which is secured by encumbered Assets in the form of South African Treasury Bills held at the South African Reserve Bank Amounting to ZAR 82.5 Million, US\$ equivalent of US\$12.5 Million.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

	2011 US\$	2010 US\$
26 DOMESTIC LOANS	158,292,477	152,630,318
These are Loans Owed to Resident Companies which were drawn mostly during the Zimbabwe Dollar Era .The Interest Rates Applicable are +/- 12 % and are all overdue		
27 DEPOSIT ACCOUNTS		
Local		
Financial institutions		
-statutory reserves	83,410,857	83,891,999
-Bankers RTGS	101,054,745	175,422,077
-Parastatals	218,879,385	205,348,887
-Corporates	110,162,357	89,339,444
Other	2,246,222	1,864,146
	<u>515,753,566</u>	<u>555,866,553</u>
Government of Zimbabwe	1,534,847	4,178,365
Short term deposits	60,687,695	59,167,544
	<u>577,976,108</u>	<u>619,212,462</u>
Foreign		
Non Governmental Organisations (FCAs)	21,361,078	20,336,019
PTA Accounts	3,076,852	2,968,453
	<u>24,437,930</u>	<u>23,304,472</u>
Grand total	602,414,038	642,516,934

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

28	PAYABLES	2011 US\$	2010 US\$
	Payables	144,354,581	147,976,665
	Government Grant (2011) paid in advance	-	7,500,000
	Unrealised Exchange Gains and Losses	598,640	-
	Other	21,884	458,504
	Balance for the Year	<u>144,975,105</u>	<u>155,935,169</u>

Included under Payables is a provision of US\$19 Million overdue to Zimbabwe Revenue Authority (ZIMRA), US\$38 Million backpay for both Retained and Retrenched Staff and Other Amounts Owing to Various Bank Creditors. Under Zimbabwean Tax Legislation, Amounts overdue to ZIMRA attract Interest and Penalties.

Unrealised Exchange Gains and Losses

The balance on the Gold & Foreign Currency Adjustment (GFCA) Account is either recoverable from or payable to the Government in Accordance with the Provisions of Section 34 of the Reserve Bank of Zimbabwe Act (Chapter 22:15). 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. Net Unrealized Foreign Exchange Losses incurred by the Bank are transferred to the realized GFCA Account, once they are realized. The Balances of GFCA Accounts do not Accrue any Interest.

29 CONTINGENT LIABILITIES, COMMITMENTS AND OTHER CONTINGENCIES

The Bank has a Contingent Liability of US\$27,335,832. Included in the figure is an Amount of US\$24,918,272 relating to potential Interest and Penalties on Tax exposures. The balance of US\$2,417,560 relates to court cases involving Creditors and other Labour Issues. The Bank is being sued by various creditors and has accrued for litigation it believes there is a high likelihood that Judgment would be passed against it.

A contingent Asset of US\$2,398,533 is expected in respect of 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.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2011

33. ASSETS AND LIABILITIES MATURITY ANALYSIS (2011)

	Overdue US\$	On demand US\$	Within 12 months US\$	Other US\$	Total US\$
Assets					
Loans and Advances to Government and Statutory Bodies	-	-	-	-	-
Loans and Advances	10,926,914	4,541	-	-	10,931,455
Investments	-	14,852,741	-	-	14,852,741
Gold and Foreign Assets	-	45,258,483	-	-	45,258,483
Other:					
- Financial	-	528,715,814	-	-	528,715,814
- Non-Financial	-	-	-	-	-
Total Assets	10,926,914	588,831,579	-	-	599,758,493
Liabilities					
Currency in circulation	-	-	-	-	-
Bills payable	6,119,852	-	-	-	6,119,852
International Monetary Fund facility	135,262,435	416,669,583	-	-	551,932,018
Foreign Loans	546,888,608	-	-	-	546,888,608
Local Loans	158,292,477	-	-	-	158,292,477
Deposit Accounts	501,359,293	101,054,745	-	-	602,414,038
Other					
- Financial	144,975,105	-	-	-	144,975,105
Total Liabilities	1,492,897,770	517,724,328	-	-	2,010,622,098
Sensitivity gap	(1,481,970,856)	71,107,251	-	-	(1,410,863,605)
Cumulative gap	(1,481,970,856)	(1,410,863,605)	(1,410,863,605)	(1,410,863,605)	(1,410,863,605)

**RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31,2011

33.ASSETS AND LIABILITIES MATURITY ANALYSIS (2010)

	Overdue US\$	On demand US\$	Within 12 months US\$	Other US\$	Total US\$
Assets					
Loans and Advances to Government and Statutory Bodies	-	-	-	-	-
Loans and Advances	60,576	95,513	-	-	156,089
Investments	-	15,566,394	-	-	15,566,394
Gold and Foreign Assets	-	44,671,861	-	-	44,671,861
Other:					
- Financial	-	619,230,714	-	-	619,230,714
- Non-Financial	-	4,311,548	-	-	4,311,548
Total Assets	60,576	683,876,030	-	-	683,936,606
Liabilities					
Currency in circulation	-	-	-	-	-
Bills payable	4,130,405	-	-	-	4,130,405
International Monetary Fund facility	135,547,104	419,163,339	-	-	554,710,443
Foreign Loans	560,071,439	-	-	-	560,071,439
Local Loans	152,630,318	-	-	-	152,630,318
Deposit Accounts	467,094,857	175,422,077	-	-	642,516,934
Other					
- Financial	155,935,170	-	-	-	155,935,170
Total Liabilities	1,475,409,293	594,585,416	-	-	2,069,994,709
Sensitivity gap	(1,475,348,717)	89,290,614	-	-	(1,386,058,103)
Cumulative gap	(1,475,348,717)	(1,386,058,103)	(1,386,058,103)	(1,386,058,103)	(1,386,058,103)

**RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2011

34. RELATED PARTY INFORMATION

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	100%
Finance Trust of Zimbabwe	100%
Homelink (Private) Limited	100%
Tuli Coal (Private) limited	70%
Sirtech (Private) limited	50%
Transload (Private) limited (Dormant)	50%
St Lucia Park (Private) limited (Donated)	50%
Venture Capital Company of Zimbabwe (Private) (Dormant)	50%
Carstone (Private) Limited (Dormant)	100%
Fiscorp (Private) Limited (Dormant)	100%

There were no related party transactions and Balances that occurred /arose during the Year.

35. COMPARATIVE FIGURES

Comparative figures are based on the 2010 Audited Financial Statements.

36. EVENTS AFTER THE BALANCE SHEET DATE

A significant period has elapsed between the Reporting Date and the Date of Approval of these Financial Statements by the Directors. There were no events of which the Directors are aware that results in any Adjustments to these Financial Statements.

**RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended December 31, 2011

37. BASIS OF FUNDING

The Bank incurred a deficit of US\$35 Million (2010: US\$167 Million) for the Year ended 31 December 2011 and as of that date its total Liabilities exceeded its total Assets by US\$1.32 billion (2010: US\$1.29 billion), as reflected in these Financial Statements.

The Government of Zimbabwe is the Bank's sole Shareholder and the Bank remains core to Government functions, being the Custodian of Monetary Policy in Zimbabwe. As disclosed in note 17, section 31 of the Reserve Bank Act, requires the Bank's Capital Stock to be an Amount of US\$2 Million or its equivalent in other currencies. The Share Capital of the Bank is denominated in Zimbabwe Dollars and presently disclosed as nil as the Bank has not redenominated its Share Capital in United States Dollars nor has it complied with the requirements of the Reserve Bank Act

In these circumstances the Bank is dependent on the Government of Zimbabwe for the provision of Capital and other Financial support, as and when required. The Ministry of Finance, through a letter of support signed by the Honorable Minister, has confirmed the Bank's strategic significance to the Government's operations and pledged to continue supporting the Bank as necessary. The Government through the Ministry of Finance has funded the Bank to the extent of US\$32 Million in 2011 for its Operational Activities and the Bank expects to receive further funding to the extent of US\$25 Million in 2013, which has been included in the Bank's Budget. The Directors have no reason to believe that the Government will not continue to provide the required funding.

Aside expected Government funding, the Board and Management have taken steps, since Year end to ensure that the Bank is able to meet its Financial Obligations in the normal course of its activities through implementation of the following;

- 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.

Accordingly, the Financial Statements are prepared on the basis of Accounting Policies which assume that the Bank will be able to meet its obligations in the normal course of its activities. Should the Government of Zimbabwe not continue to provide required funding, there exists a material uncertainty that may cast significant doubt as to the Bank's ability to meet its Financial Obligations in the normal course of its activities.