RESERVE BANK OF ZIMBABWE

2012 FINANCIAL STATEMENTS

THE RESERVE BANK OF ZIMBABWE

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

RESERVE BANK OF ZIMBABWE
FINANCIAL STATEMENTS

For the year ended 31 December 2012

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RESERVE BANK OF ZIMBABWE
DIRECTORS' REPORT

For the year ended 31 December 2012

The Directors of the Reserve Bank of Zimbabwe ("the Bank") have pleasure in submitting their report for the financial year ended 31 December 2012.

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 organisations 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**
   - mobilises foreign currency from Zimbabweans in the Diaspora.

iii) **Finance Trust of Zimbabwe (Private) Limited**
   - investment company.

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) **Carslone (Private) Limited**.(Dormant)
- mining of gold.

The Bank does not consolidate the results of its subsidiary companies. Please refer to note 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 2012, 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 revised 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.

The accounting policies are prepared on the basis of International Financial Reporting Standards (IFRS), except as described in Note 2 to the financial statements.

The audited financial statements are presented in United States dollars. These were audited by our independent auditors, Ernst & Young, 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 (2010) 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
*** Non-Executive Director

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 posted a surplus for the year of US$ 74,339,489 (2011 deficit: US$35,229,592). As indicated below, the surplus was due to impairment reversal as Government repayments of some of the loans in the Bank's books were credited to amounts due from Government, which had been impaired in prior years.

	2012 US$	2011 US$
Deficit for the year before impairment of financial assets	(37,801,535)	(23,197,216)
Reversal/ (impairment) of financial assets	112,141,024	(12,032,376)
Surplus/ (deficit) after impairment of financial assets	74,339,489	(35,229,592)

The deficit before impairment reversal for 2012 was higher compared to 2011 due to the decrease in Government support in 2012 (from US$ 32 million in 2011 to US$ 14.95 million in 2012). However, due to loan repayments and debt take over by Government, the Bank recognised an impairment reversal of USD 112 million which resulted in a surplus for the year ending 31 December 2012.

6. LOANS AND ADVANCES TO GOVERNMENT AND TO STATUTORY BODIES

As at 31 December 2012, loans and advances to Government and to statutory bodies were US$1.35 billion (2011: US$1.47 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. Accordingly, the Directors decided to fully impair Government and Statutory Bodies debts due to uncertainty in recoverability.

During the year 2012, Government took over Statutory Reserves (US$ 83 million) which were in the Bank's books and issued Government bonds to various financial institutions. Accordingly this amount and other payments by Government were credited to amounts due from Government. As a result, the Bank recognized an impairment reversal of USD 112 million due to these credits.

7. BASIS OF FUNDING

The Bank posted a surplus of US$74 million (2011 deficit: US$35 million) for the year ended 31 December 2012 and as of that date, its total liabilities exceeded its total assets by US$1.24 billion (2011: US$1.32 billion), as reflected in these financial statements.

The Bank is wholly owned by the Government of Zimbabwe and remains core to Government functions, being the custodian of monetary policy in Zimbabwe.

The Bank is a non-profit making institution and is heavily dependent on Government. The Bank also generates minimal revenue from Real Time Gross Settlement System (RTGS) charges and sale of Customs Declaration (CD) forms.

The Government, through the Ministry of Finance, funds the Bank's operations, allocating USD 25 million in the 2013 national budget (US$ 14.95 million in 2012). Government is also working on modalities to take over the Bank's quasi fiscal liabilities to enable the Bank to concentrate on its core activities.

The Ministry of Finance, through a letter of support signed by the Honorable 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.

In the event that the interventions above are not successful, the Bank may not be able to continue as a going concern and therefore, may be unable to realize its assets and discharge its liabilities in the normal course of business.

8. APPROVAL OF FINANCIAL STATEMENTS

The financial statements which appear on pages 10 to 58 were approved by the Board of Directors on October 29, 2013. In line with the revised 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: October 29, 2013

Building a better working world

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 accompanying financial statements of the Reserve Bank of Zimbabwe set out on pages 10 to 58, which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements
The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Reserve Bank of Zimbabwe Act (Chapter 22:15), and for such internal control as 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 $25,949,063.26 that were not recognised and disclosed in the Bank's financial statements. Directors are disputing that these amounts are 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 for the previous year were qualified in this respect.

Qualified opinion
In our opinion, except for the possible effects of the matter referred to in the Basis for Qualified Opinion paragraph, the financial statements of the Reserve Bank of Zimbabwe for the year ended 31 December 2012 have been prepared, in all material respects, in accordance with the Reserve Bank of Zimbabwe Act (Chapter 22:15).

Emphasis of matter paragraph
Without further qualifying our opinion, we draw attention to note 38 to the financial statements which indicates that the Bank's total liabilities exceeded its total assets by US$ 1, 24 billion. The note also 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 is a material uncertainty that the Bank maybe able to meet its financial obligations in the normal course of its activities.

In addition, we draw attention to Notes 2 and 3 to the financial statements, which describe the basis of accounting. The financial statements are prepared to comply with the requirements of the Reserve Bank of Zimbabwe Act (Chapter 22:15) and as a result the financial statements may not be suitable for another purpose.

Report on other legal and regulatory requirements
In accordance with Section 36 (4) (c) of 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.

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

HARARE

Date....20/11/13........

RESERVE BANK OF ZIMBABWE
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 US$	2011 US$
Interest and commission income	5.1	9,849,311	4,346,668
Interest expense	5.2	(43 554 044)	(37,803,885)
Net interest and commission expense		(33,704,733)	(33,457,217)
Other income	5.3	32,084,007	42,044,575
Net interest and commission (expense) / income after other income		(1,620,726)	8,587,358
Operating costs	5.4	(36,180,809)	(31,784,574)
Deficit for the year before impairment of financial assets		(37,801,535)	(23,197,216)
Impairment reversal/ (impairment) of financial assets	6	112,141,024	(12,032,376)
Surplus/ (deficit) for the year		74,339,489	(35,229,592)
Other comprehensive income (OCI)			
Revaluation gain on properties		889,557	1,369,405
Fair value gain on available for sale equity investments		3,544,193	4,838,917
Fair value gain on available for sale investments		5,754,255	1,770,540
Fair value gain on other foreign investments		6,200,000	3,068,377
Recycling of equity reserve on disposal of shares		(8,410,062)	-
Total other comprehensive income for the year		4,433,750	6,208,322
Total surplus/ (deficit) for the year		78,773,239	(29,021,270)

RESERVE BANK OF ZIMBABWE
STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 US$	2011 US$
Assets			
Property and equipment	7	67,217,960	60,867,936
Investment property	8	13,510,000	11,500,000
Investments in subsidiaries at cost	9	17,068,352	17,719,387
Other investments	10	9,753,897	14,852,741
Loans and advances to Government and statutory bodies	11	-	-
Non-current assets held for sale	12	8,780,265	7,808,117
Other loans and advances	13	2,025	77,761
Other receivables	14	310,978,765	165,547,476
Gold and foreign assets	15	50,292,214	44,360,513
Cash and bank balances	16	395,138,899	364,118,583
Total Assets		**872,742,377**	**686,852,514**
Equity and Liabilities			
Capital and reserves			
Share capital	17	-	-
Revaluation reserve	18	3,825,198	2,935,641
Equity fair value adjustment reserve	19	29,977,174	26,432,981
Non distributable reserve	20	(903,715,388)	(903,715,388)
General reserve fund	21	-	-
Accumulated deficit		(375,083,329)	(449,422,818)
Total capital and reserves		(1,244,996,345)	(1,323,769,584)
Liabilities			
Bills payable	22	6,851,928	6,119,852
Currency in circulation	23	-	-
International Monetary Fund facilities	24	546,803,238	551,932,018
Foreign liabilities	25	516,307,989	546,888,608
Domestic loans	26	162,516,296	158,292,477
Deposit accounts	27	736,649,607	602,414,038
Payables	28	148,609,664	144,975,105
Total liabilities		2,117,738,722	2,010,622,098
Total equity and Liabilities		**872,742,377**	**686,852,514**

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: October 29, 2013

RESERVE BANK OF ZIMBABWE
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital US$	Revaluation reserve US$	Fair Value Equity adjustment reserve US$	Non-distributable reserve US$	General reserve fund US$	Accumulated deficit US$	Total US$
Balance at 1 January 2011	-	**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
Transfer on disposal of PPE	-	(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)**
Surplus for the year	-	-	-	-	-	74,339,489	74,339,489
Mark to market reserve	-	-	3,544,193	-	-	-	3,544,193
Revaluation surplus on immovable property	-	889,557	-	-	-	-	889,557
Balance at 31 December 2012	-	**3,825,198**	**29,977,174**	**(903,715,388)**	-	**(375,083,329)**	**(1,244,996,345)**

RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 US$	2011 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating cash flows		
Surplus/(deficit) for year	74,339,489	(35,229,592)
Adjustment for items not affecting cash flows		
-Depreciation	2,700,357	7,169,528
-Impairment reversal - Property, plant and equipment	(7,259,559)	(10,585,130)
-Fair value gain on investment property	(2,010,000)	(3,900,000)
-Recycling of equity reserve on disposal of shares	(8,410,062)	-
-Impairment of quoted shares	1,115,131	2,484,193
-Impairment of unquoted shares	898,630	950,054
-Insurance claims (non-cash)	(66,308)	(131,200)
-Government Grant received in 2010	-	(7,500,000)
-Profit on disposal of property & equipment	(32,465)	(185,656)
-Change in provision for doubtful debts	(112,141,024)	12,032,376
-Bad debts	1,000	-
-Other accrued interest receivable	(5,496,468)	(104,742)
-Interest expense	43,554,044	37,803,885
-Interest on external treasury bills	(564,658)	(772,129)
-Derecognition of liabilities	(688,188)	(6,020,926)
-Dividend received	(1,065,243)	(729,870)
-Brokerage fees	(336,469)	-
Operating cash flows before movements in working capital	**(15,461,793)**	**(4,719,209)**
Decrease/ (increase) in other receivables	322,277	(338,404)
Decrease in SDR holdings.	(108,748,818)	(2,166,725)
Increase/ (decrease) in deposit accounts.	179,523,434	(75,790,956)
Increase/ (decrease) in payables	4,597,361	(8,499,365)
Decrease in foreign deposits	-	600,000
Increase in amounts due from Government	(39,917,484)	(183,251)
Net working capital movements	**35,776,770**	**(86,378,701)**
-Fees paid foreign banks	(12,461)	(27,280)
Net cash inflow from operating activities	**20,302,516**	**(91,125,190)**

RESERVE BANK OF ZIMBABWE
STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 US$	2011 US$
CASH FLOWS FROM INVESTING ACTIVITIES		
Investing Activities		
Proceeds from disposal of investments	9,737,968	-
Dividend received	1,065,243	729,870
Proceeds from disposal of property and equipment (refer to note 35)	189,136	775,607
Purchase of Property and equipment (refer to note 35)	(1,154,475)	(317,751)
Receipts / (payments) from subsidiaries	(779,643)	-
Interest on South African treasury bills	561,214	598,742
Interest on advances	1,889,227	-
Interest on foreign balances	284,355	84,420
Net cash from investing Activities	**11,793,025**	**1,870,888**
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlement of short term foreign loans	-	(1,000,000)
Transfers to reduce overdraft facility, South African Reserve Bank	(735,923)	(1,153,221)
Interest and commission paid	-	(479,997)
Settlement of bank liabilities	(257,324)	(170,000)
Net cash from financing Activities	**(993,247)**	**(2,803,218)**
Decrease in cash and cash equivalents due to revaluation	(79,777)	(377,721)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**31,022,517**	**(92,435,241)**
Cash balances at beginning 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
Cash balances at end of the year	**395,138,899**	**364,116,382**
-Balances with foreign banks	196,901,711	102,035,210
-Foreign currency	55,195,117	9,434,629
-Committed funds	42,316	897,970
-SDR holdings	142,999,755	251,748,573

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 organisations 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.

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 US$, which are converted at the spot (ruling exchange) rate at the reporting date.

2.1 Financial Reporting Framework

The Bank presents its statement of financial position in order of liquidity.The accounting policies are prepared on the basis of International Financial Reporting Standards (IFRS), 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. IFRS 7 requires the disclosure of risks associated with the Bank's involvement in financial instruments. No such disclosures have been provided. 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 revised Reserve Bank of Zimbabwe Act (Chapter 22:15). The 2012 net unrealised exchange losses have been debited to the statement of financial position as other receivables.

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 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 2012 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1.4 Other income

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

3.1.5 Rental income

Rental income arising from operating leases on investment property is accounted for on a straight line basis over the lease term.

3.1.6 Government grant

The Bank recognizes income related to 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 a monthly 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.

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).

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 and impairment losses.

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	50 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.

3.5.1 Property and equipment: Buildings change in accounting estimates

During the reporting period, the Bank reassessed its accounting for buildings with respect to the estimated useful lives. Effective 01 January 2012 the Bank has estimated the useful lives for the buildings at 50 years on acquisition. Previously the Bank had estimated the buildings useful lives at 25 years on acquisition, this represents a change in accounting estimate.

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 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.

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 revised 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.

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 measured at amortised cost using the effective interest rate method.

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

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 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.

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 discharged, 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 or 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 a straight line basis, over the period of the lease.

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.

3.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

3.12.1 IFRS 1 Government Loans - Amendments to IFRS 1

The amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to Government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (IAS 39, as applicable and IAS 20) to Government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give the first time adopters relief from retrospective measurement of Government loans with a below market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Bank as it has already adopted IFRS.

3.12.2 IFRS 7 Disclosures - Offsetting Financial Assets and Financial liabilities - Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set –off and related arrangements (e.g. collateral agreements).The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments will not impact the Bank's financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

3.12.3 IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the International Accounting Standards Board's (IASB) work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39.The Standard was initially effective for annual periods beginning on or after January 2013, but Amendments to IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The Bank will quantify the effect of the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

3.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

3.12.4 IFRS 10-Consolidated Financial Statements, IAS 27 Separate Financial Statements

The standard becomes effective for annual periods beginning on or after 1 January 2013. It replaces the requirements of IAS 27 Consolidated and Separate Financial Statements that address the accounting for consolidated financial statements and SIC 12 Consolidation- Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, joint controlled entities, and associates in separate financial statements. However, the standard will not have any impact on the financial position or performance of the Bank as it does not present consolidated financial statements.

3.12.5 IFRS 11-Joint Arrangements

The standard becomes effective for annual periods beginning on or after 1 January 2013. It replaces IAS 31 interest in Joint Ventures and SIC 13 Jointly Controlled Entities-Non-monetary Contributions by Ventures. Because IFRS 11 uses the principle of control in IFRS 10 to define control, the determination of whether joint control exists may change .The adoption of IFRS 11 is not expected to have a significant impact on the accounting treatment of investments currently held by the Bank.

3.12.6 IFRS 12-Disclosure of involvement with other entities.

The standard becomes effective for annual periods beginning on or after 1 January 2013.It includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. Many of these changes were introduced by the International Accounting Standards Board (IASB) in response to the financial crisis. Now, even if the Bank concludes that it does control an entity, the information used to make that judgment will be transparent to users of the financial statements to make their own assessment of the financial impact, were the Bank to reach a different conclusion regarding consolidation.

The Bank will need to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or has sponsored. However, the standard will not have any impact on the financial position or performance of the Bank as it does not present consolidated financial statements.

3.12.7 IFRS 13-Fair Value measurement

The standard becomes effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non – financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements

Adoption of the standard is not expected to have material impact on the financial position or performance of the Bank.

3.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

3.12.8 IAS 1 Presentation of items of Other Comprehensive Income-Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available for sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans).The amendment becomes effective for annual periods beginning on or after 01 July 2012.

3.12.9 IAS 19 Employee Benefits-Amendments

The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognized in profit or loss and other comprehensive income. The effective date of the standard is 1 January 2013.

The adoption of these amendments will require the Bank to recognise:

- A service cost and a net interest income or expense in profit or loss.
- The re-measurements of the pension assets and liabilities, i.e. actuarial gains and losses in the other comprehensive income.

The effect of the first item above will be to replace the expected return on plan assets in the statement of comprehensive income with a return determined using the discount rate used to discount the defined benefit obligation.

3.12.10 IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

3.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

3.12.11 IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 joint arrangements, and IFRS 12 disclosure of interest in other entities, IAS 28 Investments in associates, has been renamed IAS 28 Investments in Associates and Joint ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

3.12.12 IAS 32 Offsetting Financial Assets and Financial Liabilities-Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally right to set off". It will be necessary to assess the impact to the Bank by reviewing settlement procedures and legal documentation to ensure that off setting is still possible in cases where it has been achieved in the past. In certain cases, off setting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right to set off be available for all counter parties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

The amendments also clarify the application of the IAS 32 offsetting systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. Offsetting on the grounds of simultaneous settlement is particularly relevant for the Bank as to where it engages in large numbers of sale and repurchase transactions. Currently, transactions settled through clearing systems, are, in most cases, deemed to achieve simultaneous settlement. While many settlement systems are expected to meet the new criteria, some may not. As the impact of the adoption depends on the Bank's examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.

These amendments become effective for annual periods beginning on or after 1 January 2014.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

3.12.13 IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

3.12.14 IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory.

3.12.15 IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

3.12.16 IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

3.12.17 Impairment of Assets (Amendment) - Disclosure requirements for the recoverable amount of impaired assets.

The amendments clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the International Accounting Standards Board`s (IASB) original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. These improvements are effective for annual periods beginning on or after 1 January 2014.

3.12.18 IFRIC 21 Levies

International Financial Reporting Interpretations Committee (IFRIC) 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain.

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached.

4 CRITICAL JUDGMENTS 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 land and buildings have been independently revalued based on open market values at 31 December 2012, 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. In performing the valuation, the valuers considered the following key inputs:

- 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, 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.

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, Edinview Property Real Estate (EPG Global). This resulted in a fair value increase of US$ 2 million. The Directors have reviewed the results of the independent valuation for reasonableness and they believe the investment properties have been fairly valued. The key assumptions used in the fair value of investment property are further explained in note 8.

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.

CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION IN APPLYING THE BANK'S ACCOUNTING POLICIES (continued)

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 carrying amount of the investment in Fidelity Printers and Refineries by using the net asset value per 31 December 2008 audited financial statements.

4.5 Provision for legal disputes

The Bank is in the process of defending a number of legal cases. Management do not believe that there will be an outflow of resources from the Bank arising from these cases, except from the cost of defending the cases. Consequently, no provision has been made for these cases.

		2012 US$	2011 US$
5	**INCOME AND EXPENDITURE**		
5.1	**Interest and commission income comprise:**		
	Interest income		
	- treasury bills (South Africa Treasury Bills)	564,658	772,129
	- foreign bank balances	5,496,468	104,742
	-bank charges (RTGS)	3,788,185	3,469,797
		9,849,311	**4,346,668**

Interest income is interest earned on investment in South African Treasury Bills, overnight interest on nostro accounts.

Interest earning assets as at 31 December 2012 were US$9.7 million (2011: US$10.1 million). The weighted average interest rate on assets was 5.8 % per annum (2011: 7.6%).

		2012 US$	2011 US$
5.2	**Interest expense comprises:**		
	- interest expense on loans and advances	39,957,657	36,307,105
	- other	3,596,387	1,496,780
		43,554,044	**37,803,885**

Interest expense consists mainly of interest on Gold and foreign currency bonds, loans and advances. Interest bearing liabilities as at 31 December 2012 were US$858 million (2011: US$847 million). The weighted average interest rate charged on liabilities was 4.6% per annum (2011: 4.1%).

		2012 US$	2011 US$
5	**INCOME AND EXPENDITURE (continued)**		
5.3	**Other income comprises:**		
	Dividend from local shares	313,168	70,653
	Dividend from foreign investment	752,075	659,217
	Profit on disposal of property and equipment	32,465	185,657
	Government grant	14,950,000	32,000,000
	Rent received	919,952	879,880
	Licensing fees, CD forms and other	6,706,285	8,249,168
	Recycling of equity reserve on disposal of shares	8,410,062	-
		32,084,007	**42,044,575**
5.4	**Operating expenses**	**36,180,809**	**31,784,574**
	Operating expenses include:		
	Auditors' remuneration (prior years)	706,514	165,338
	Depreciation of property and equipment	2,700,357	7,169,528
	Impairment reversal on property and equipment	(7,259,559)	(10,585,130)
	Impairment of quoted investments	1,115,131	(3,900,000)
	Retrenchment costs	-	168,180
	Impairment of unquoted investments	898,630	950,054
	Directors' fees	688,238	127,243
	Employee benefits	24,338,072	25,318,321
	-salaries	17,015,836	17,854,276
	-staff bonuses	879,117	859,961
	-medical expenses	1,333,002	1,546,928
	-Pension & National Social Security Authority contributions	1,750,524	135,031
	-other expenses	3,359,593	4,922,125
6	**REVERSAL / (IMPAIREMENT) OF FINANCIAL ASSETS**		
	Movements in provision for doubtful debts comprise:		
	Opening Balance	-	-
	Change in provision for doubtful debts (Gvt) (see note 11.2)	112,102,586	(11,793,913)
	Change in provision for doubtful debts (other see note 13)	38,438	(238,463)
		112,141,024	**(12,032,376)**

7 PROPERTY AND EQUIPMENT (2012)

	Land US$	Buildings US$	Furniture, equipment and machinery US$	Motor vehicles US$	Total US$
Deemed cost at 1 January 2012	**180,503**	**59,143,444**	**226,220**	**1,317,769**	**60,867,936**
Gross carrying amount	180,503	59,226,500	2,579,024	14,352,312	76,338,339
Accumulated depreciation	-	(83,056)	(2,352,804)	(13,034,543)	(15,470,403)
Additions	-	-	1,311,811	186,125	1,497,936
Depreciation charge	-	(1,443,746)	(121,051)	(1,135,560)	(2,700,357)
Disposal cost	-	(155,000)	(103,164)	(340,500)	(598,664)
Disposal –accumulated depreciation	-	2,180	103,164	336,649	441,993
Reclassified to non-current assets held for sale	-	(440,000)	-	-	(440,000)
Revaluation	126,347	763,210	-	-	889,557
Reversal of impairment	-	7,259,559	-	-	7,259,559
Carrying amount at 31 December 2012	**306,850**	**65,129,647**	**1,416,980**	**364,483**	**67,217,960**
Deemed cost	306,850	65,255,497	3,787,671	14,197,937	83,547,955
Accumulated depreciation	-	(125,850)	(2,370,691)	(13,833,454)	(16,329,995)

7 PROPERTY AND EQUIPMENT (2011)

	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)

7 PROPERTY AND EQUIPMENT (continued)

Land and buildings were revalued at 31 December 2012 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, 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.

Had the land and buildings been carried at the historical cost, the carrying amount would have been 2012 $ 32,784,425 (2011: $36,554,466).

Included in the depreciation figure for 2012 is a change in estimate (decrease in depreciation) of $4,623,067 arising from the decision to change the useful lives of the Bank's buildings. This change will result in a decrease of depreciation in future periods, however the amount of the decrease cannot be estimated as the buildings are subject to revaluation on a yearly basis.

Impairment reversal
During the year, the Bank recognised a reversal of impairment in profit or loss of US$ 7,259,559 (2011-U$10 585 131) relating to its properties. The properties are carried at fair value. An impairment loss was recognised on the properties in prior periods and recorded in profit or loss as there was no revaluation surplus against which the impairment loss could be recognised. The reversal of impairment was mainly a result of the increase in the value of the properties as a result of improved market conditions and stability in the economy. The fair value of the properties was determined by a qualified professional valuer using the gross replacement cost method of valuation.

8 INVESTMENT PROPERTY

	2012 US$	2011 US$
Opening balance	11,500,000	7,600,000
Fair value adjustment	2,010,000	3,900,000
Closing balance	**13,510,000**	**11,500,000**

The Bank's investment property was valued at 31 December 2012 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:

	2012	2011
Rental income	919,952	879,880
Direct operating expenses from property that generated rental Income	(4,472)	(120,361)
	915,480	759,519

The Bank leases (operating lease) its investment properties to various tenants. The lease agreements are renewable on an annual basis.

Future minimum lease payments as at 31 December 2012.

Up to 1 Year	1 to 5 Years	More than 5 Years
US$ 915,480	-	-

9 INVESTMENT IN SUBSIDIARIES

9.1 Investment in subsidiaries at deemed cost

	Shareholding	2012 US$	2011 US$
Fidelity Printers & Refiners (Private) Limited	100%	16,647,587	16,647,587
Aurex (Private) Limited	100%	420,765	1,071,800
Homelink (Private) Limited	100%	-	-
Tuli Coal (Private) Limited	70%	-	-
Export Credit Guarantee Company	100%	-	-
Finance Trust of Zimbabwe	100%	-	-
Sirtech (Private) Limited	50%	-	-
Fiscorp (Private) Limited (Dormant)	100%	-	-
Transload (Private) Limited (Dormant)	50%	-	-
Carslone (Private) Limited (Dormant)	100%		
Venture Capital Company of Zimbabwe (Private) Limited (Dormant)	50%	-	-
		17,068,352	**17,719,387**

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;

i) Fidelity Printers & Refiners (Private) Limited refines gold and prints currency notes and securities.
ii) Aurex (Private) Limited manufactures gold jewellery.

Some of the subsidiaries have been reclassified as assets held for sale. (refer to note 12)

		2012	2011
10.	**OTHER INVESTMENTS**	**US$**	**US$**
	Unquoted shares	6,212,818	6,212,818
	Market value of quoted shares	3,541,079	8,639,923
	Total	**9,753,897**	**14,852,741**
10.1	**Available for sale investments reconciliation**		
	Opening balance	8,639,923	9,353,576
	Total gains recognized in OCI	5,754,255	1,770,540
	Impairment of quoted shares	(1,115,131)	(2,484,193)
	Disposal	(9,737,968)	-
	Balance at year end	**3,541,079**	**8,639,923**

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 2012. The Bank disposed its entire shareholding in Tractive Power Holdings during the year.

Unquoted shares represent the Bank's investment in Infrastructure Development Bank of Zimbabwe which is not listed on the Zimbabwe Stock Exchange.

		2012 US$	2011 US$
11	**LOANS AND ADVANCES TO GOVERNMENT AND STATUTORY BODIES**		
11.1	**Loans and advances**		
	Loans and advances	1,353,529,906	1,465,632,492
	Impairment loss	(1,353,529,906)	(1,465,632,492)
		-	-

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.

		2012 US$	2011 US$
11.2	**Movement of impairment of loans and advances**		
	Balance at the beginning of the year	(1,465,632,492)	(1,453,838,579)
	Movement	112,102,586	(11,793,913)
	Balance at the end of the year	**(1,353,529,906)**	**(1,465,632,492)**

12 NON-CURRENT ASSETS HELD FOR SALE

	2012 US$	2011 US$
Property plant and equipment	440,000	-
Homelink (Private) Limited	6,720,522	6,720,522
Tuli Coal (Private) Limited	1,619,743	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	**8,780,265**	**7,808,117**

The investment in Tuli Coal is carried at the lower of carrying amount and fair value. The Bank capitalized special grant (SG) renewal and legal fees paid by the Bank on behalf of Tuli Coal to the cost of the investment as the transaction was treated as a capital contribution, since it is not recoverable from the subsidiary.

13 OTHER LOANS AND ADVANCES

	2012 US$	2011 US$
Private sector loans		
-Swift charges paid on behalf of banks	2,025	4,541
-MBCA Bank Limited recoverable	-	73,219
-Zimbabwe Industry Tobacco Auction Centre (ZITAC)	689,879	689,879
-Fertilizer debtors	2,804,755	2,840,163
-Export Support Fund	7,559,085	7,562,116
	11,055,744	11,169,918
Impairment of other loans and advances	(11,053,719)	(11,092,157)
	2,025	**77,761**

Movement in impairment of other loans and advances		
Balance at the beginning of the year	(11,092,157)	(10,853,694)
Movement	38,438	(238,463)
Balance at the end of the year	**(11,053,719)**	**(11,092,157)**

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

	2012 US$	2011 US$
Unrealised exchange gains	64,288	-
Receivables	4,534,902	1,675,832
Prepayments	181,533	558,647
	4,780,723	2,234,479
Government IMF drawdowns	264,382,400	161,882,398
IMF interest and charges	1,501,522	1,229,560
Financial institutions and other	40,684,120	571,039
Impairment loss	(370,000)	(370,000)
Balance at year end	**310,978,765**	**165,547,476**

Other receivables are made up of mostly SDR 168 million withdrawn by the Government from their IMF SDR allocation (2011:SDR107 million). The Bank holds SDRs on behalf of the Government of Zimbabwe. On receipt of the funds, the Bank recognizes an asset (cash) and a liability, while utilization results in reclassification of cash to the Government recoverable. This amount is classified as other receivables because the Bank has no claim over this from the Government. It is a book entry to reflect the movement of the SDR allocation utilized by the Government.

If the Government repays, suppose, then a reversal of this amount against IMF loan will be made in the Bank's books.

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.

15 GOLD AND FOREIGN ASSETS

	2012 US$	2011 US$
Gold	1,140,635	1,053,582
Foreign investments	39,466,843	33,265,632
	40,607,478	34,319,214
Committed Funds	**9,684,736**	**10,041,299**
South African Treasury Bills (Held to Maturity)	9,684,736	10,041,299
	50,292,214	**44,360,513**

Foreign investments are comprised of African Export-Import Bank and SWIFT shares.

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.

16 CASH AND BANK BALANCES

	2012 US$	2011 US$
Nostro accounts balances	339,901,466	353,785,984
Cash balances/ cash at hand	55,195,117	9,434,629
First Rand & Afreximbank	42,316	897,970
	395,138,899	**364,118,583**

17 SHARE CAPITAL

	2012 US$	2011 US$
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 States dollars.

In terms of Section 31 of the revised 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.

		2012 US$	2011 US$
18	**REVALUATION RESERVE**		
	Opening balance	2,935,641	1,656,863
	Movement for the year	889,557	1,369,405
	Transfer to retained earnings	-	(90,627)
	Closing balance	**3,825,198**	**2,935,641**
19	**EQUITY FAIR VALUE ADJUSTMENT RESERVE**		
	Opening balance	26,432,981	21,594,064
	Fair value gain on available for sale	5,754,255	1,770,540
	Fair value gain on other foreign investments	6,200,000	3,068,377
	Recycling of equity reserve on disposal of shares	(8,410,062)	-
	Closing balance	**29,977,174**	**26,432,981**
20	**NON DISTRIBUTABLE RESERVE**		
	Arising from restatement process	(903,715,388)	(903,715,388)

This amount is 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.

21	**GENERAL RESERVE FUND**		
	Balance at the end of the year	-	-

In terms of Section 31 of the revised 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 2012.

	2012 US$	2011 US$
22 BILLS PAYABLE		
Foreign currency bonds	**6,851,928**	**6,119,852**

The Foreign currency bonds were issued by the Bank in United States 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 (LIBOR). These have since matured and the Bank is treating them as creditors.

23 CURRENCY IN CIRCULATION

	2012 US$	2011 US$
Notes	-	-
Coins	-	-
	-	-

24 INTERNATIONAL MONETARY FUND FACILITIES

	2012 US$	2011 US$
Net cumulative SDR allocations	418,364,829	416,669,583
Poverty Reduction Growth Trust (PRGT)	127,076,487	133,906,291
IMF no.1 and 2	1,361,922	1,356,144
	546,803,238	**551,932,018**

Net cumulative SDR allocations to the Government of Zimbabwe by IMF, were deposited into the Bank's offshore account.

24 INTERNATIONAL MONETARY FUND FACILITIES (CONTINUED)

The Special Drawing Rights (SDR) amounts equivalent owed to IMF SDR allocations and PRGT were as follows.

	2012 SDR	2011 SDR
Net Cumulative SDR allocations	272,178,883	272,178,883
Accrued charges	31,010	82,998
	272,209,893	**272,261,881**
Poverty Reduction Growth Trust (PRGT)	66,240,564	71,144,594
Accrued charges	16,442,000	16,352,982
	82,682,564	**87,497,576**

The exchange rate, USD /SDR 1.54148 (2011, USD /SDR 1.5304)

25 FOREIGN LIABILITIES

	2012 US$	2011 US$
Aggregated foreign loans	**516,307,989**	**546,888,608**

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 66.3 million, USD equivalent of US$ 7.82 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, equivalent of US$ 9.68 million.

		2012 US$	2011 US$
26	**DOMESTIC LOANS**	**162,516,296**	**158,292,477**

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

	2012 US$	2011 US$
Local		
Financial institutions		
-Statutory reserves	-	83,410,857
-Bankers RTGS	270,013,678	101,054,745
-Parastatals (FCAs)	237,655,549	218,879,385
-Corporates (FCAs)	123,924,137	110,162,357
Other	2,909,313	2,246,222
	634,502,677	515,753,566
Government Accounts	11,097,759	1,534,847
Short term deposits	63,691,499	60,687,695
	709,291,935	**577,976,108**

Government took over statutory reserves (US$ 83 million) which were in the Bank's books and issued Government bonds to various financial institutions. This amount reduced amounts due from Government together with other payments which were done by Government in 2012 (cumulatively US$ 39.7 million).

	2012 US$	2011 US$
Foreign		
Non Governmental Organisations (FCAs)	24,132,394	21,361,078
PTA accounts	3,225,278	3,076,852
	27,357,672	**24,437,930**
Grand total	**736,649,607**	**602,414,038**

28 PAYABLES

	2012 US$	2011 US$
Payables	148,466,772	144,354,581
Unrealised exchange gains and losses	-	598,640
Other	142,892	21,884
Balance for the year	**148,609,664**	**144,975,105**

Included under payables is a liability of US$ 20.2 million overdue to Zimbabwe Revenue Authority (ZIMRA), US$33.6 million backpay and retrenchment package 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. The interest and penalties have not been provided for, however they have been disclosed as a contingent liability in note 29. Refer to note 37c for update on tax payments.

29 CONTINGENT LIABILITIES, COMMITMENTS AND OTHER CONTINGENCIES

The Bank has a contingent liability of US$ 2,417,560 relating 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.

The Bank is defending a number of legal claims/ cases. Management does not anticipate that there will be an outflow of resources from the Bank as a result of these cases, except for the cost of defending the cases. As the timing of the conclusion of the cases is unknown and any resultant outflow of resources is also unknown, a liability for these cases has not been raised.

	2012 US$	2011 US$
30 CAPITAL COMMITMENTS		
Expenditure authorised and contracted for:	-	-
Expenditure authorised but not yet contracted for:	-	-

31 RETIREMENT BENEFIT SCHEMES

31.1 Private 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. During the year under review the Bank contributed US$1,565,321 towards this plan and the cost is included in the staff costs.

31.2 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 US$ 185,203 (2011: US$135,031) towards this plan and the cost is included in the staff costs.

31.3 Recognition of contributions
The Bank's obligation with respect to the retirement benefit plan is to make the specific contributions. The contributions to the pension funds are recognized as an expense when they fall due.

	2012 US$	2011 US$
31.4 Contributions recognized as an expense during the year		
Finance Trust of Zimbabwe Pension Fund	1,565,321	-
National Social Security Authority Scheme	185,203	135,031
	1,750,524	**135,031**

The Bank did not contribute to the Finance Trust of Zimbabwe Pension Fund in 2011 as it received a waiver for that year.

32 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.

32.1 Interest rate risk

The majority of the Bank's loans and advances facilities are at concessionary rates and some are at nil interest which is not market linked.

32.2 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 nevertheless manages its market risks responsibly, utilising modern technology and appropriate organisational structures and procedures. Exposures and limits are measured continuously and strategies are routinely reviewed by management on a daily basis and, when circumstances require, throughout the day.

32.3 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.

32.4 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 its risk is further compounded by the fact that the Bank is under capitalised. Due to these challenges, it has been difficult for the Bank to settle its liabilities as they fall due. However, the Government through the Ministry of Finance has pledged continued support to the Bank. The Government is also working on modalities to take over the Bank's liabilities.

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

33. ASSETS AND LIABILITIES MATURITY ANALYSIS (2012)

	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	-	2,025	-	-	2025
Investments	-	9,753,897	-	-	9,753,897
Gold and foreign assets	-	50,292,214	-	-	50,292,214
Other:					
- financial	-	666,011,063	-	-	666,011,063
- non-financial	-	-	-	-	-
Total Assets	-	726,059,199	-	-	726,059,199
Liabilities					
Currency in circulation	-	-	-	-	-
Bills payable	6,851,928	-	-	-	6,851,928
International monetary fund facility	128,438,409	418,364,829	-	-	546,803,238
Foreign loans	516,307,989	-	-	-	516,307,989
Local loans	162,516,296	-	-	-	162,516,296
Deposit accounts	466,635,928	270,013,678	-	-	736,649,606
Other					
- financial	148,609,667		-	-	148,609,667
Total Liabilities	1,429,360,217	688,378,507	-	-	2,117,738,724
Sensitivity gap	(1,429,360,217)	37,680,692	-	-	(1,391,679,525)
Cumulative gap	(1,429,360,217)	(1,391,679,525)	(1,391,679,525)	(1,391,679,525)	

RESERVE BANK OF ZIMBABWE
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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)	

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%
Venture Capital Company of Zimbabwe (Private) (Dormant)	50%
Carslone (Private) limited (Dormant)	100%
Fiscorp (Private) limited (Dormant)	100%

35. NOTES TO THE STATEMENT OF CASH FLOWS

Property, plant and equipment

35.1 Additions

Property, plant and equipment	2012 US$	2011 US$
Additions as per PPE note (to maintain operations)(note 7)	1,497,936	392,861
Add assets purchased not yet delivered	199,749	56,090
Total asset purchases	**1,697,685**	**448,951**
Assets purchased on credit	(476,902)	-
Assets replaced by insurance	(66,308)	(131,200)
Balance as per Statement of Cash flow	**1,154,475**	**317,751**

35.2 Disposals

Property, plant and equipment	2012 US$	2011 US$
Disposals as per PPE note (note 7)	598,664	5,621,907
Assets classified as held for sale	-	450,000
Less accumulated depreciation	(441,993)	(4,529,746)
	156,671	**1,542,161**
Profit on disposal	32,465	185,656
Carrying amount accident damaged vehicles (disposed)	-	(26,400)
Forced sales	-	(68,245)
Retrenchee's deductions	-	(857,565)
Balance as per Statement of Cash flow	**189,136**	**775,607**

36. COMPARATIVE FIGURES

Comparative figures are based on the 2011 audited financial statements.

37. EVENTS AFTER REPORTING PERIOD

(a) The Bank disposed of its entire shareholding in Astra Holdings on the 18th of July 2013 for a consideration of USD5.5 million.

(b) Government cleared the remaining USD14.9 million Afreximbank debt in 2013.

(c) On the 10th of September 2013, the Government of Zimbabwe through the Ministry of Finance paid off USD 21. 2 million RBZ debts to ZIMRA in respect of outstanding PAYE obligations.

(d) Post the 2013 election, the Government of Zimbabwe appointed a new Minister of Finance Honorable P. Chinamasa, effective September 10, 2013.

38. BASIS OF FUNDING

The Bank posted a surplus of US$75 million (2011 deficit: US$35 million) for the year ended 31 December 2012 and as of that date its total liabilities exceeded its total assets by US$1.24 billion (2011: US$1.32 billion), as reflected in these financial statements.

The Bank is wholly owned by the Government of Zimbabwe and remains core to Government functions, being the custodian of monetary policy in Zimbabwe.

The Bank is a non-profit making institution and is heavily dependent on Government. The Bank also generates minimal revenue from Real Time Gross Settlement System (RTGS) charges and sale of Customs Declaration forms.

The Government through the Ministry of Finance funds the Bank for its operational activities, allocating USD 25 million in the 2013 national budget (US$ 14.95 million in 2012). Government is also working on modalities to take over the Bank's quasi fiscal liabilities to enable the Bank to concentrate on its core activities.

The Ministry of Finance, through a letter of support signed by the Honorable 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.

In the event that the interventions above are not successful, the Bank may not be able to continue as a going concern and, therefore, may be unable to realize its assets and discharge its liabilities in the normal course of business.