CABS 2014 Annual Report

CABS

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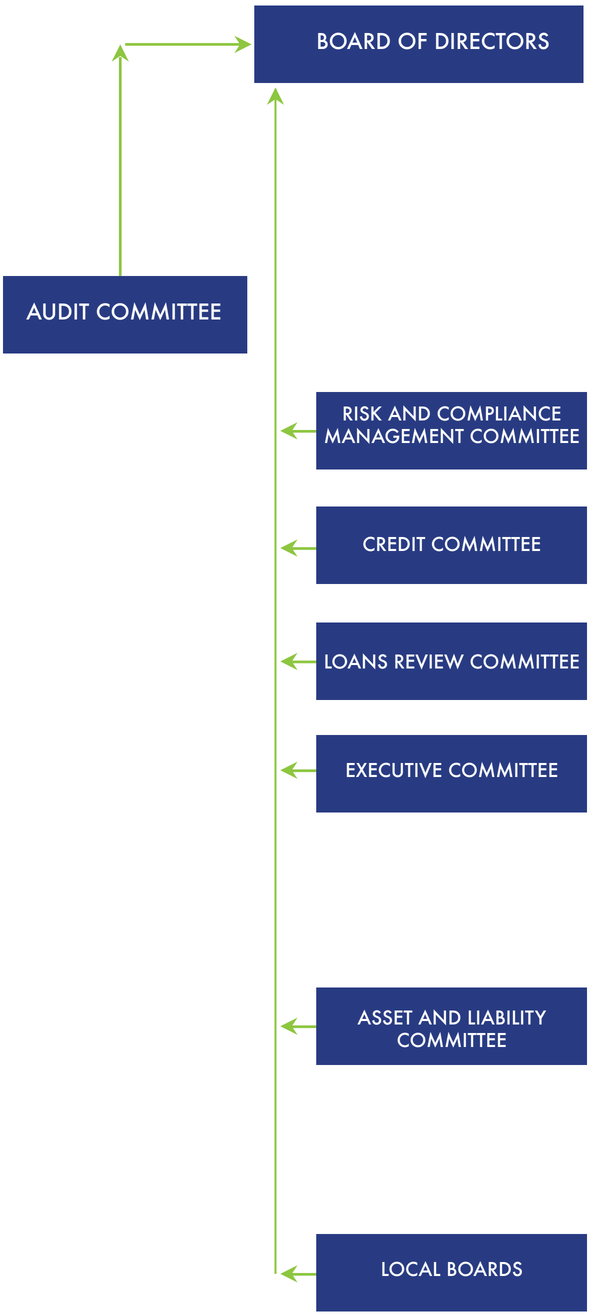
DIRECTORATE **AND ADMINISTRATION**



BOARD OF DIRECTORS

Dr LL Tsumba	BS BA Finance. MA Econs. PhD Econs.[CHAIRMAN]
J Mushosho	BAcc. (UZ), BCompt (SA), FCIS, CA(Z),MBA.[DEPUTY CHAIRMAN]
L E M Ngwerume	BA (UZ), MBA (UCT)
A E Siyavora	B Acc, CA(Z), MBL.
R D C Chitengu	BCom (Fin) FCMA
D L Stephenson	
D E B Long	BL, MBA
W Alberts	B Com, CA(SA)
B Zamchiya	LLB (Com Law)
B L Nkomo	B. Tech Acc
K Terry*	BL LLB [MANAGING DIRECTOR]

AUDIT COMMITTEE

B L Nkomo	B. Tech Acc [CHAIRMAN]
D L Stephenson	
R D C Chitengu	BCom (Fin) FCMA

RISK AND COMPLIANCE MANAGEMENT COMMITTEE

D E B Long	BL, MBA [CHAIRMAN]
L E M Ngwerume	BA (UZ), MBA (UCT)
B Zamchiya	LLB (Com Law)

CREDIT COMMITTEE

D L Stephenson	Non Executive Director[CHAIRMAN]
D E B Long	BL, MBA
A E Siyavora	B Acc, CA (Z), MBL

LOANS REVIEW COMMITTEE

B Zamchiya	LLB (Com Law) [CHAIRMAN]
L E M Ngwerume	BA (UZ), MBA (UCT)
W Alberts	B Com, CA(SA)

EXECUTIVE COMMITTEE

K Terry*	[MANAGING DIRECTOR]
K Chitando	[GENERAL MANAGER - RETAIL BANKING]
C T Ndoro	[HEAD OF CORPORATE BANKING]
A Chaavure	[CHIEF FINANCIAL OFFICER]
E Mujekenyeki	[HEAD OF RISK]
J Mapiye	[CORPORATE TREASURER]
F E Machawira	[HEAD OF COMPLIANCE]
M Nyathi	[MARKETING EXECUTIVE]
J T R Jabangwe	[GENERAL MANAGER - OPERATIONS]
P Kudakwashe	[HEAD OF CREDIT]

ASSET & LIABILITY COMMITTEE

K Terry*	[MANAGING DIRECTOR]
A Chaavure	[CHIEF FINANCIAL OFFICER]
K Chitando	[GENERAL MANAGER - RETAIL BANKING]
C T Ndoro	[HEAD OF CORPORATE BANKING]
M Nyathi	[MARKETING EXECUTIVE]
E Mujekenyeki	[HEAD OF RISK]
J Mapiye	[CORPORATE TREASURER]
J T R Jabangwe	[GENERAL MANAGER - OPERATIONS]
P Kudakwashe	[HEAD OF CREDIT]
F E Machawira	[HEAD OF COMPLIANCE]

LOCAL BOARDS

Manicaland

F J Meglic	B Com [CHAIRMAN]
C K Holland	FEVI
Dr J W Pfumojena	MB CHB (BIRMINGHAM) MRCP (UK)

Matabeleland / Midlands

T Moyo	BAcc CA(Z) R.P.A, MCSZ, [Chairman]
B L Nkomo	B. Tech Acc
B A Friend	
M T Jumo	BL (Hons) LLB(Z)
R L Kriel	
I P Z Ndlovu	B Acc, ACMA, MZIPFA

HEAD OFFICE & REGISTERED OFFICE

Northend Close, Northridge Park, Highlands. P O Box 2798, Harare
Telephone: 883823, Fax: 883804

AUDITORS

Deloitte & Touche
West Block, Borrowdale Office Park, Borrowdale Road, Borrowdale,
P O Box 267, Harare, Zimbabwe
Tel: +263 (0) 8677000261 | Fax: +263 (0) 852130

*Denotes Executive Director

NOTICE TO MEMBERS
FOR THE YEAR ENDED 31 DECEMBER 2014

AGENDA

Notice is hereby given that the 60th Annual General Meeting of members will be held in the Auditorium, CABS Administration Centre, Northend Close, Northridge Park, Highlands, Harare on, Tuesday, 17 March 2015 at 10:00am.

ORDINARY BUSINESS

1. Notice of Meeting and Quorum.
2. Minutes of the previous AGM held on 18 March, 2014.
3. To receive, consider and adopt the Financial Statements, Directors' and Auditors' Reports for the financial year ended 31 December 2014.
4. To approve the amount appropriated by the Board to meet the payment of dividends to members.
5. To approve the fees paid to Directors.
6. To approve the re-election of Messrs. W Alberts and D E B Long together with Mrs R D C Chitengu as Directors of the Society, who in terms of Article 71 of the Society's Rules, will retire from the Board and being eligible, offer themselves for re-election.
7. To fix the remuneration for the past year's audit and to elect Auditors for the ensuing year.
8. To transact all such other business as may be transacted at an Annual General Meeting.

By order of the Board

H MAVEDZENGE
ACTING GROUP COMPANY SECRETARY
Central Africa Building Society
HARARE

Friday, 27 February 2015.

ANNUAL FINANCIAL REVIEW
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

	31 December 2014 US$	31 December 2013 US$
ASSETS		
Cash and cash equivalents	85 452 467	62 127 214
Financial assets at fair value through profit or loss	169 672 956	128 861 076
Other assets	63 727 229	20 264 795
Intangible assets	12 724 880	13 522 506
Loans and advances	443 529 711	322 310 630
Property and equipment	51 428 035	49 832 773
Investment property	25 818 853	26 388 853
Total assets	852 354 131	623 307 847
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	651 465 582	461 575 164
Credit lines	49 925 214	24 444 142
Other liabilities	11 250 209	18 651 858
Provisions	2 899 644	3 115 854
Shareholders' equity	136 813 482	115 520 829
Total liabilities and shareholders` equity	852 354 131	623 307 847
INCOME AND EXPENSES		
Net interest income	43 223 173	32 666 440
Impairment	(6 067 743)	(2 741 572)
	37 155 430	29 924 868
Non interest income	38 946 661	25 757 315
	76 102 091	55 682 183
Operating expenses	(51 498 377)	(37 536 520)
- Administration	(27 696 958)	(19 637 730)
- Depreciation	(5 854 724)	(2 976 760)
- Staff costs	(17 946 695)	(14 922 030)
	24 603 714	18 145 663
Fair value adjustment on investment property	(572 772)	151 374
Net Surplus for the year	24 030 942	18 297 037
CAPITAL ADEQUACY		
Tier 1 Capital		
Ordinary class "A" share capital	35 000 000	35 000 000
Retained earnings	70 554 880	46 523 937
Exposures to insiders and connected counterparties	(13 825 531)	(16 668 403)
Less Tier 1 allocated to market risk	(140 161)	(44 133)
Less Tier 1 allocated to operational risk	(7 658 469)	(6 221 050)
Total Tier 1 capital	83 930 719	58 590 351
Tier 2 Capital		
Tier 2 capital	37 136 027	31 943 985
Total Tier 2 capital	37 136 027	31 943 985
Tier 3 Capital		
Allocation of capital to market risk	140 161	44 133
Allocation of capital to operational risk	7 658 469	6 221 050
Total Tier 3 capital	7 798 630	6 265 183
Total Regulatory capital	128 865 376	96 799 519
Total risk weighted assets	592 980 330	439 540 462
Capital adequacy ratio	22%	22%
Regulatory minimum capital adequacy ratio	12%	12%
Liquidity ratio	36%	39%
Total liquid assets	255 125 423	190 988 290
Total liabilities to the public	701 390 796	486 019 306
Return on average assets	3%	3%
Surplus for the year	24 030 942	18 297 037
Average assets	739 481 521	555 607 284
Return on equity	18%	16%
Surplus for the year	24 030 942	18 297 037
Shareholders' equity	136 813 482	115 520 829
Cost to income ratio	63%	64%

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

Dear Shareholder

Environment
The economy registered an estimated growth of 3.1%, against a regional average of 4.8% and is projected to grow by 3.2% in 2015. Inflation closed the year at -0.8%, reflecting the dampening of inflationary pressures, on the back of cheaper imports; mainly from South Africa; and limited access to credit lines by key productive sectors of the economy due to liquidity constraints. Banking sector deposits closed the year at $5.1 billion, and the liquidity challenges persisted through 2014.

Financial Results
The Society delivered strong growth, with net surplus increasing by 31% to $24,03 million, up from $18,30 million realised in 2013. Net interest income increased by 32%, compared to the same period in 2013. Non interest income increased by 51%, due to the increase in the number of transactions passing through the Society's various delivery channels. Comparatively, operating expenses increased by 37%, mainly due to the impact of business growth and transformation. Consequently, the Society's cost to income ratio decreased from 64% in 2013, to 63% in 2014. Total assets increased by 37%, from $623,3 million to $852,35 million in 2014. This was driven by deposit growth of 41% during the same period. The Society's total loans and advances increased by 38% from $322,31 million, as at 31 December 2013, to $443,53 million, as at 31 December 2014.

Liquidity Management
The Society's prudential liquidity ratio was at 36.4%, against the mimimum regulatory ratio of 30%.

Human Resources
Industrial relations remained cordial. The Society was able to retain key staff during the year under review.

Operations
Your Society achieved the following milestones during the period under review:
* Rebranded and refreshed its logo;
* Started branch refurbishment to improve ambience and customer experience;
* Voted the best performing bank in 2014 by The Zimbabwe Independent in their Banks and Banking Survey;
* The new banking system (T24) was stable and sustainable;
* The Society deployed of more ATMs, to make banking more accessible;
* The Society mobilised $10 million from Proparco and $25 million from PTA Bank;
* More point of sale terminals were deployed in order to promote the use of plastic money;
* The Budiriro housing scheme was launched;
* 20 year housing mortgage loans were introduced; and
* Additional services on the mobile banking platform were made available.

Corporate Social Responsibility
The Society recognises the need to continuously plough back, to benefit the communities in which it operates. In the period under review, the Society was involved in a number of initiatives in support of education, sports and culture throughout the country.

Corporate Governance
The Board of Directors and Management remain committed to the best practices in corporate governance. The Audit, Risk and Compliance, Management and other Board Committees met regularly throughout the period under review, to assess operations, evaluate risk, and to continuously develop systems and procedures that will further safeguard the Society's assets.

Compliance Issues
Besides the US$5 000 penalty charged to the Society by Insurance and Pensions Commission (IPEC), the Society was compliant with all laws and regulations governing its activities.

New Additional Disclosure Requirements.
In line with international standards, the Reserve Bank of Zimbabwe issued additional reporting requirements for all financial institutions with effect from 31 December, 2007. The requirements are that a financial institution must publish its CAMELS rating; (Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk), Risk Assessment System, and Risk Matrix ratings, as rated by the Reserve Bank of Zimbabwe, in their latest onsite visit. A financial institution must also publish its credit ratings by a reputable credit rating agency, accredited with the Reserve Bank of Zimbabwe.

Ratings for the onsite examination in April 2014 by the Reserve Bank of Zimbabwe were as follows:

CAMELS Component	April 2014 Ratings
Capital	1 - Strong
Asset Quality	3 - Fair
Management	2 - Satisfactory
Earnings	2 - Satisfactory
Liquidity	2 - Satisfactory
Sensitivity to market risk	2 - Satisfactory
Composite rating	2 - Satisfactory

The Society, however, continues to be rated highly by an international accredited rating agency, the Global Credit Rating Company (GCR). The latest ratings were as follows: 2014 A+; 2013 A+; 2012 A+.

Directorate

Messrs. W Alberts, D E B Long and Mrs R D C Chitengu will retire from the Board, in terms of Article 71 of the Society's Rules, and being eligible, offer themselves for re-election. Subsequent to year end, Mr S J Hammond was appointed as the Acting Managing Director of the Society, replacing Mr K Terry who moved to Old Mutual Kenya. I would like to thank Mr Terry for his invaluable contribution to the Society over the years. I would also like to welcome Mr Hammond to the Society and wish him a fruitful tenure.

Future Prospects

The Society is pursuing several growth initiatives, to enhance its role in both housing finance and banking. As these initiatives are progressively realised, the Society will certainly continue to remain a positive as well as a progressive force in the country's financial services sector.

DR L L TSUMBA
CHAIRMAN

17 March 2015

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REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

Your Directors have pleasure in presenting the financial statements and their report for the year ended 31 December 2014.

	31 December 2014 US$	31 December 2013 US$
Results of operations		
The operating results for the year ended 31 December 2014 are as follows:-		
Net interest income	43 223 173	32 666 440
Impairment	(6 067 743)	(2 741 572)
	37 155 430	29 924 868
Non-interest income	38 946 661	25 757 315
	76 102 091	55 682 183
Operating expenses	(51 498 377)	(37 536 520)
	24 603 714	18 145 663
Fair value adjustment on investment property and property in possession	(572 772)	151 374
Net surplus for the year before appropriations	24 030 942	18 297 037

	31 December 2014 US$	31 December 2013 US$
The appropriations for the year are as follows:-		
Regulatory impairment allowance	(1 750 974)	(2 333 956)
Transfer to general reserve	24 030 942	18 297 037
Total appropriations for the year	22 279 968	15 963 081

LOANS AND ADVANCES
The prevailing liquidity challenges constrained the Society's ability to lend. The demand for mortgage financing is high and the Society issued $61,87 million mortgage facilities during the current financial year. The Society's loan book stood at $443,53 million as at 31 December 2014 compared to $322,31 million as at 31 December 2013. Efforts to mobilise more deposits and long term funding for long term mortgage lending are ongoing. The Society is actively involved in housing initiatives to help improve housing delivery in the local economy.

TOTAL ASSETS
The total assets of the Society were $852,35 million as at 31 December 2014. Properties were revalued at 31 December 2014 on a fair value basis as detailed in notes 12 and 13 to the financial statements.

LIQUIDITY
Cash and cash equivalents totalled $85,45 million. The Society has adopted a prudent approach to liquidity and was in full compliance with liquidity requirements of the Building Societies Act (Chapter 24:02).

DIRECTORS' RESPONSIBILITY STATEMENT
The Society's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Building Societies Act (Chapter 24:02). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors confirm that the financial statements present a fair reflection of the financial position and performance of the Society and therefore the statement of financial position is a fair reflection of the shareholder's equity in accordance with International Financial Reporting Standards.

GOING CONCERN
The Board has satisfied itself that the Society has adequate resources to continue in operation for the foreseeable future. The Society's financial statements have accordingly been prepared on a going concern basis.

These financial statements were approved by the Board of Directors on 17 March 2015 and were signed on its behalf by:

DR L L TSUMBA
CHAIRMAN
Harare
17 March 2015

B L NKOMO
NON EXECUTIVE DIRECTOR

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CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

The Society is committed to achieving high standards of corporate governance. The Society continues to work towards compliance with the provisions of the Combined Code on Corporate Governance and best practice pronouncements.

BOARD OF DIRECTORS

The Board met six times during the year ended 31 December 2014 (including special meetings, sessions devoted to strategy and business planning). Attendance was as tabled below.

	Main Board	Audit Committee	Risk and Compliance Committee	Credit Committee	Laons Review Commitee
Number of meetings held	**6**	**4**	**4**	**4**	**4**
L L Tsumba (Dr)	6				
B L Nkomo	5	4			
L E M Ngwerume	5		3		4
D L Stephenson	6	4		4	
K Terry	6				
J Mushosho	6				
B Zamchiya	6		4		4
D E B Long	6		3	4	
W Alberts	5				3
R D C Chitengu (Mrs)	6	4			
A E Siyavora	5			4	

A Corporate Governance Code of Best Practice and Board Charter are available to Directors for reference regarding their duties and obligations. A Code of Ethics is also available and was distributed to Directors of the Board and all employees of the Society. Directors are aware that they may take independent professional advice at the Society's expense, if necessary, for the furtherance of their duties. The Board carries out a board and peer Director evaluation every year.

The Board currently comprises ten non-executive Directors, as identified on page 3 of this document. Messrs. J Mushosho and K Terry are also Directors of the Society's parent company, Old Mutual Zimbabwe Limited. With the exception of Messrs J Mushosho, L E M Ngwerume and W Alberts, the other non-executive Directors are considered independent and free from business or other relationship which could materially interfere with the exercise of their independent judgment.

The Rules of the Society require that one third of the Directors (in addition to those appointed by the Board during the year), shall retire each year by rotation. Proposals for re-election are considered by the Shareholders and are not automatic.

AUDIT COMMITTEE

The Audit Committee met four times during the year ended 31 December 2014. Its terms of reference enable it to take an independent view of the appropriateness of the Society's accounting policies and practices as a basis for the preparation of the annual financial statements, the effectiveness of the Society's internal control systems, including financial, operational, compliance and risk management controls, and the conduct of internal audit functions. The members of this committee currently comprise three independent non-executive Directors. The Audit Committee reviews annually the authority, resources and scope of work of internal audit and approves the internal audit plan. It considers the appointment and fees of both audit and non-audit services for the external auditors, who have unrestricted access to it. It also monitors internal and external auditors' performance against expectations. The committee is also responsible for the review of the annual financial statements. It is chaired by an independent non-executive Director.

CREDIT COMMITTEE

The Credit Committee met four times during the year ended 31 December 2014. The powers and duties of the Committee include reviewing and recommending reasonable and prudent lending policies, credit risk management policies, strategies, standards and procedures in respect of loans in order to avoid undue credit risks and potential losses and to obtain a reasonable return. The Committee further reviews loans granted to ensure that the Society's lending policies are adhered to and that loans are granted within normal risk parameters. It is chaired by an independent non-executive Director.

LOANS REVIEW COMMITTEE

The loans review committee met four times during the year ended 31 December 2014. The committee has the responsibility of providing a framework to review all loans granted. They review a reasonable sample of all loans granted to ensure that they fall within the set parameters for granting loans. The Committee will ensure that reasonable and justifiable reasons exist for all loans granted that fall outside the set parameters as well as loans declined. They also review loans granted to ensure that the Society's lending policies are adhered to and that loans are granted within normal risk parameters. The Committee further reviews the lending policy, and credit risk policy and strategy to ensure that it is operating effectively to achieve the Society's business objectives.

EXECUTIVE COMMITTEE

The Executive Committee comprises the Managing Director and senior executives. The committee meets monthly and provides a link between the Board and management and undertakes, among other duties, risk policy proposal(s) reviews as well as identification and management of key risks and opportunities. They also give recommendations to the Board on appropriate properties for purchase and / or development, capital expenditure and control of the Regional Boards. The Committee is also responsible for strategy implementation.

MANAGEMENT CREDIT COMMITTEE

The Management Credit Committee (MCC) comprises the Managing Director, Head of Credit, General Manager Operations, General Manager Corporate Banking, General Manager Retail Banking, Corporate Treasurer and the Chief Financial Officer. The committee is responsible for sanctioning credit within its delegated lending discretion and recommending credit above its limit to the Board Credit Committee and to the main Board. The MCC is also responsible for the approval of mortgages and recommendations to the Credit Committee as well as the operational implementation of the Credit Risk Management Policy.

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

ASSET AND LIABILITIES COMMITTEE (ALCO)
The Committee comprises the Managing Director, the Chief Financial Officer, General Manager Retail Banking, General Manager Corporate Banking, Marketing executive, Head of Risk, Corporate Treasurer, General Manager-Operations, Head of Credit and Head of Compliance. The Committee meets monthly to discuss money market activities and counterparty exposures. The Committee drives the most appropriate strategy for the Society in terms of the mix of assets and liabilities, determines the appropriate level of liquidity, ensures that agreed wholesale funding limits are not exceeded, and ensures the appropriate structure of the statement of financial position in terms of funding mix, capital adequacy and risk management policy.

RISK AND COMPLIANCE MANAGEMENT COMMITTEE
The Risk and Compliance Management Committee comprises three non-executive Directors.The committee met four times during the year ended 31 December 2014. The Committee has responsibility for overseeing and reporting to the Board on the Society`s overall risk profile and compliance environment. Its terms of reference include the responsibility for evaluating the key risks to the achievement of the Society's objectives as business activities change in response to market and technology developments and the review and evaluation of business operations reporting, as well as reviewing reports on the Society`s compliance environment. Senior executives are responsible for the identification and evaluation of key risks applicable to their areas of operations, internal business and financial control and to report regularly to the Risk Management Committee on their effectiveness.

Risk Management Framework
The Board of Directors has overall responsibility for the establishment and oversight of the Society's risk management framework. The Board has established the following committees: the Board Risk & Compliance Committee, Board Loans Review Committee and the Board Credit Committee; which are responsible for developing and monitoring the Society's risk management policies in their specified areas. All committees have both executive and non executive members and report regularly to the Board of Directors on their activities. The following management committees: the Executive Committee (EXCO); Asset and Liability Committee (ALCO), and the Management Credit Committee (MCC), are responsible for implementing the board approved risk strategies and policies, under the oversight of the respective committees.

The MCC's risk management policies are established to identify and analyse risks faced by the Society, to set up appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Society, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Society's Audit Committee is responsible for monitoring compliance with the Society's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Society. The Society's Audit Committee is assisted in these functions by the Old Mutual Group Internal Audit (GIA) and the Society's Internal Audit. Group Internal Audit and the Society`s Internal Audit undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

1. Credit Risk

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Society's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Society considers and consolidates all elements of risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk
The Board of Directors has delegated the responsibility for the management of credit risk to the Society's Board Credit Committee which is responsible for oversight of the Society's credit risk, including:

* Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

* Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to Senior Managers and members of Management Credit Committee (MCC). Large facilities require approval by Society's Board Credit Committee or the Board of Directors.

* Reviewing and assessing credit risk. The Society's Board Credit Committee assesses all credit exposures in excess of designated limits prior to facilities being committed to customers by the business unit concerned. Renewal and review of facilities are subject to the same review process.

* Limiting concentration of exposure to counter parties, geographies and industries (for loans and advances) and by issuer, credit rating band, market, liquidity and country (for investment securities).

* Reviewing compliance of business units with agreed exposure limits including those for selected industries and product type. Regular reports are provided to the Society's Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken.

* Providing advice, guidance and specialist skills to business units to promote best practice throughout the Society in the management of credit risk.

Regular audits of the Society's credit processes are undertaken by Group Internal Audit and the Society's Internal Audit.

2. Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulties in meeting obligations for its financial liabilities.

Management of liquidity risk
The Society's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Society's reputation. The daily liquidity position of the Society is managed by the treasury department in liaison with the relevant general managers. All liquidity policies and procedures are subject to review and approval by ALCO, Risk & Compliance Committee and the Board.

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

Exposure to liquidity risk
The key measure used by the Society for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and short term dealing and investment securities for which there is an active and liquid market less any deposits from banks, other borrowing and liabilities maturing within the same short term period. Details of this ratio as at 31 December 2014 are given below.

	31 December 2014 US$	31 December 2013 US$
Total Liquid assets	255,125,423	190,988,290
Total Liabilities	701,390,796	486,019,306
Liquidity ratio	36%	39%
Maximum for the period	41%	45%
Minimum for the period	35%	30%
Average for the period	38%	40%

The Society monitors liquidity risk by compliance with liquidity regulations of the Building Societies Act (Chapter 24:02) as well as submission of monthly liquidity returns to the Reserve Bank of Zimbabwe (RBZ). In addition the Society matches long term liabilities to long term investments and this is monitored through the Risk Management Committee.

A summary of the liquidity gap report is given in note 27.4.1.

3. Compliance Risk
Compliance risk is the risk that the Society fails to comply with the letter and spirit of all statutes, supervisory requirements and industry codes of conduct which apply to our business. The Society seeks to bring the highest standards of compliance best practice in all areas of its operations.

The Society has an independent compliance function that admisters the Society's compliance programme and ensures that the Society complies with all requirements and produces reports that are tabled at the Risk and Compliance, Audit Committees and Board meetings.

4. Market risk (foreign exchange and interest rate)
Market risk is the risk that the Society's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market prices such as interest rates, credit spreads, equity prices and foreign exchange rates. Most market risks arise from trading activities. The Society is primarily exposed to interest rate risk and foreign exchange risk arising from financial assets and financial liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Management of market risk
The Society separates its exposure to market risk between trading and non trading portfolios. Trading portfolios are mainly held by the treasury department and include positions arising from market marking and proprietary position taking (on the money market), together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in ALCO. The Society's risk department is responsible for detailed risk management policies and for the day to day review of their implementation.

A summary of the Society's interest rate repricing and gap analysis is given in note 27.4.2.

5. Operational risks
Operational risk is the direct and indirect loss arising from a variety of causes associated with the Society's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks. Operational risks arise from all of the Society's operations and are faced by all sections of the Society.

The Society's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Management of operational risks
The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

* Reconciliation and monitoring of transactions
* Appropriate segregation of duties including the independent authorisation of transactions
* Compliance with regulatory and other legal requirements
* Documentation of controls and procedures
* Training and professional development
* Ethical and business standards
* Risk mitigation including insurance where it is effective
* Development of contingency plans
* Reporting of risks and operational losses to the risk department

Compliance with the Society standards is supported by periodic reviews undertaken by Group Internal Audit. The results of these audits are discussed with the management of the business unit to which they relate and summaries are submitted to the Audit Committee and Executive management of the Society.

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

6. Strategic risk

Strategic risk is the impact on earnings and capital of adverse business decisions and implementation of strategies which are inconsistent with internal factors and the external environment.

Management of strategic risk

The Board of Directors has the ultimate responsibility for setting the strategy of the Society, which has been delegated to the Executive Committee (EXCO). A Board approved strategic risk policy is in place. The Society uses a top-down approach in its strategic planning process. The Board and senior management determine and allocate financial/operating targets to departments. Strategic risk mitigation is done through formulation and implementation of operational (action) plans. Monitoring of progress against the action plans is done on a monthly basis. Other mitigation measures include capacity building (recruitment of staff with relevant knowledge and experience and relevant staff training) and access to information on competition, the environment and customer needs.

7. Reputational risk

Reputation risk is when a situation, occurrence, business practice or event has the potential to materially influence the public and stakeholders' perceived trust and confidence in the Society.

Management of reputational risk

The Board has delegated responsibility for effective management of reputation risk to the Risk & Compliance Committee and to the Executive Committee (EXCO). Board approved reputation risk management policies are in place. Line management has the primary responsibility for reputation risk identification and mitigation. Reputation risk management and monitoring is done in the following ways:

* Communication of information about the Society to the public or press releases is done in line with the provisions of the internal and external communications policies and with approval from senior management. This facilitates building the Society's reputation capital (through positive information) and minimising the impact of adverse reputational risk events.

* All material events that have a potential to impact the Society's reputation are immediately escalated to the Marketing Executive, Managing Director, Head of Compliance and Head of Risk.

* Any losses and non-financial impact arising from exposure to reputation risk are captured in the internal risk events log, with controls to mitigate the risk.

Risks and ratings

The Reserve Bank of Zimbabwe conducts regular examinations of Banks and Financial institutions it regulates. The latest onsite examination of the Society was in April 2014 and the overall assessment resulted in a rating of 2 (Satisfactory) on the CAMELS scale. The CAMELS rating evaluates Financial institutions on Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk.

The CAMELS and Risk Assessment ratings are summarised below;

CAMELS Component	April 2014 Ratings
Capital	1 - Strong
Asset Quality	3 - Fair
Management	2 - Satisfactory
Earnings	2 - Satisfactory
Liquidity	2 - Satisfactory
Sensitivity to market risk	2 - Satisfactory
Composite rating	2 - Satisfactory

Key
1. Strong
2. Satisfactory
3. Fair
4. Weak
5. Critical

Summary of risk matrix - April 2014 onsite examination

Type of Risk	Level of Inherent Risk	Adequancy of Risk Management Systems	Overall Composite Risk	Direction of Overall Composite Risk
Credit	High	Acceptable	Moderate	Stable
Liquidity	Moderate	Acceptable	Moderate	Stable
Foreign Exchange	Low	Strong	Low	Stable
Interest Rate	Moderate	Acceptable	Moderate	Stable
Strategic Risk	Moderate	Acceptable	Moderate	Stable
Operational Risk	Moderate	Acceptable	Moderate	Stable
Legal & Compliance	Moderate	Acceptable	Moderate	Stable
Reputation	Low	Strong	Low	Stable
Overall	Moderate	Acceptable	Moderate	Stable

Interpretation of the risk matrix

Levels of inherent risk

Low - reflects lower than average probability of an adverse impact on a banking institution's capital and earnings. Losses in a functional area with low inherent risk would have little negative impact on the institution's overall functional condition.

CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

Moderate - could reasonably be expected to result in a loss which could be absorbed by a banking institution in the normal course of business.

High - reflects a higher than average probability of potential loss. High inherent risk could reasonably be expected to result in a significant and harmful loss to the banking institution.

Adequacy of risk management systems
Weak - risk management systems are inadequate or inappropriate given the size, complexity and risk profile of the banking institution. Institution's risk management systems are lacking in important way and therefore a cause of more than normal supervisory attention. The internal control systems will be lacking in important aspects, particularly as indicated by continued exceptions or by the failure to adhere to written policies and procedures.

Acceptable - management of risk is largely effective but lacking to some modest degree. While the institution might be having some minor risk management weaknesses, those have to be recognised and are being addressed. Management information systems are generally adequate.

Strong - management effectively identifies and controls all types of risk areas posed by the relevant functional areas or per inherent risk. The Board and senior management are active participants in managing risk and ensure appropriate policies and limits are in place. The policies comprehensively define the banking institution's risk tolerance. Responsibilities and accountabilities are effectively communicated.

Overall composite risk
Low - this would be assigned to low risk areas. Moderate risk areas may be assigned to a low composite risk where internal controls and risk management systems are strong and effectively mitigate much risk.

Moderate - risk management systems appropriately mitigates inherent risk. For a given low risk area, significant weaknesses in the risk management systems may result in a moderate composite risk assessment. On the other hand, a strong risk management system may reduce the risk so that any potential financial loss from the activity would have only a moderate negative impact on the financial condition of the organisation.

High - risk management systems do not significantly mitigate the high level of risk, thus, the activity could potentially result in a financial loss that would have a significant impact on the banking insitution's overall condition.

Direction of overall composite risk
Increasing - based on the current information, risk is expected to increase in the next twelve months.

Decreasing - based on the current information, risk is expected to decrease in the next twelve months.
Stable - based on the current information, risk is expected to be stable in the next twelve months.

INTERNAL CONTROL ENVIRONMENT
The Board is ultimately responsible for the Society's system of internal control and for reviewing its effectiveness. The internal control systems are designed to meet the particular needs of the Society and its business operations and the risks to which they are exposed. However, these systems can only provide reasonable but not absolute assurance against material misstatement or loss, since they are designed to manage rather than eliminate the risks of pursuing chosen business objectives.

The Combined Code requires that Directors review the effectiveness of the Society's systems of internal control, which include financial, operational, compliance and risk management.

MONITORING OF CONTROLS
The Society's internal audit function, performed by Group Internal Audit, carries out regular reviews of operational and control procedures. The internal audit function operates independently of executive management, reporting to the Audit Committee, with unrestricted access to the Audit Committee Chairman, and reporting on operational lines to the Managing Director. The Internal Audit Charter is reviewed by the Audit Committee and the Board of Directors regularly and governs audit activities within the Society. The audit work programme is integrated with the work of the external auditors to enhance the combined effectiveness of their respective functions. A formal report is prepared for each audit assignment and corrective actions agreed with management in response to its recommendations. Key findings are provided to the Audit Committee.

MANAGEMENT STRUCTURES
The Society has an appropriate organisational structure for planning, controlling and monitoring its business operations in order to achieve its objectives. Within the overall strategic and financial objectives of the Society, agreed by the Board, the management of the Society is delegated to the executive Director who also governs the conduct, control and performance of the executive managers of the Society's business operations within the agreed business strategy.

The Society's strategic direction is regularly reviewed by the Board, and the executive Director considers the strategy for the individual business operations with executive management on a disciplined basis. Annual budgets are prepared with performance targets for each business operation set by the executive Director in conjunction with the executive managers. The Society's plan is then reviewed by the Board in light of the Society's objectives. Performance against the plan is monitored actively at Board level.

The Managing Director receives monthly summaries of financial results of the Society's business operations and supplies to all members of the Board. Additionally, the Managing Director, in conjunction with executive management, formally reviews the progress of the business operations on a monthly basis including a review of key risk factors. The Society and its business operations have implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud.

CLIENT RELATIONS
The Society is committed to a process of continuing dialogue with its clients to enhance existing services and introduce new products as required.

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TO THE MEMBERS OF CENTRAL AFRICA BUILDING SOCIETY
FOR THE YEAR ENDED 31 DECEMBER 2014

We have audited the accompanying financial statements of Central Africa Building Society which comprise the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and explanatory notes set out on pages 19 to 42.

Directors' responsibility for the financial statements
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Building Societies Act (Chapter 24:02) of Zimbabwe. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Society'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 Society's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Central Africa Building Society as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on legal and regulatory requirements
these financial statements have been properly prepared in accordance with the disclosure requirements of the Building Societies Act (Chapter 24:02) of Zimbabwe.

Deloitte & Touche

DELOITTE & TOUCHE
Harare, Zimbabwe
17 March 2015

A full list of partners and directors is available on request

Member of Deloitte Touche Tohmatsu Limited

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 US$	31 December 2013 US$
Interest income	3	80 499 785	65 843 732
Interest expense	3	(37 276 612)	(33 177 292)
Net interest income		43 223 173	32 666 440
Impairment	4	(6 067 743)	(2 741 572)
		37 155 430	29 924 868
Fee and commission income	5.1	35 258 808	24 932 004
Other income	5.2	3 687 853	825 311
Operating income for the year		76 102 091	55 682 183
Operating expenses	6	(51 498 377)	(37 536 520)
Fair value adjustment on investment property and property in possession	13 & 9.2.1	(572 772)	151 374
Net surplus for the year		24 030 942	18 297 037
Other comprehensive income		(1 413 341)	(1 158 602)
Items that will never be reclassified to profit or loss			
Gains on revaluation of owner occupied property	12	337 633	1 175 354
Regulatory impairment allowance	4	(1 750 974)	(2 333 956)
Total comprehensive income for the year		22 617 601	17 138 435

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	31 December 2014 US$	31 December 2013 US$
ASSETS			
Cash and cash equivalents	7	85 452 467	62 127 214
Financial assets at fair value through profit or loss	8	169 672 956	128 861 076
Other assets	9	63 727 229	20 264 795
Intangible assets	10	12 724 880	13 522 506
Loans and advances	11	443 529 711	322 310 630
Property and equipment	12	51 428 035	49 832 773
Investment property	13	25 818 853	26 388 853
Total assets		852 354 131	623 307 847
LIABILITIES			
Deposits	15	651 465 582	461 575 164
Credit lines	16	49 925 214	24 444 142
Other liabilities	17	11 250 209	18 651 858
Provisions	18	2 899 644	3 115 854
Total liabilities		715 540 649	507 787 018
SHAREHOLDERS' EQUITY			
Ordinary class "A" share capital	19.1	35 000 000	35 000 000
Retained earnings	19.2	68 803 906	46 523 938
Regulatory provision reserves	19.3	2 437 734	4 948 017
Non distributable reserves	19.4	1 445 851	1 445 851
Revaluation reserves	19.5	25 085 055	24 747 422
Share based payment reserves	19.6	4 040 936	2 855 601
Total shareholders' equity		136 813 482	115 520 829
Total liabilities and equity		852 354 131	623 307 847

DR L L TSUMBA
CHAIRMAN

B L NKOMO
NON EXECUTIVE DIRECTOR

HARARE
17 March 2015

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital US$	Non distributable reserves US$	Share based payment reserves US$	Revaluation reserves US$	Retained earnings US$	Regulatory provision reserves US$	Total equity US$
Balance as at 1 January 2014	35 000 000	1 445 851	2 855 601	24 747 422	46 523 938	4 948 017	115 520 829
Net surplus for the year	-	-	-	-	24 030 942	-	24 030 942
Other comprehensive gain/(loss) for the year	-	-	-	337 633	(1 750 974)	-	(1 413 341)
Regulatory impairment allowance	-	-	-	-	-	1 750 974	1 750 974
Write off	-	-	-	-	-	(4 261 257)	(4 261 257)
Share based payment reserves	-	-	1 185 335	-	-	-	1 185 335
Balance as at 31 December 2014	35 000 000	1 445 851	4 040 936	25 085 055	68 803 906	2 437 734	136 813 482

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital US$	Non distributable reserves US$	Share based payment reserves US$	Revaluation reserves US$	Retained earnings US$	Regulatory provision reserves US$	Total equity US$
Balance as at 1 January 2013	15 000 000	21 445 851	1 112 332	23 572 068	30 560 857	2 614 061	94 305 169
Net surplus for the year	-	-	-	-	18 297 037	-	18 297 037
Capitalisation of non distributable reserves	20 000 000	(20 000 000)	-	-	-	-	-
Other comprehensive loss for the year	-	-	-	1 175 354	(2 333 956)	-	(1 158 602)
Regulatory impairment allowance	-	-	-	-	-	2 333 956	2 333 956
Share based payment reserves	-	-	1 743 269	-	-	-	1 743 269
Balance as at 31 December 2013	35 000 000	1 445 851	2 855 601	24 747 422	46 523 938	4 948 017	115 520 829

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 US$	31 December 2013 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year		24 030 942	18 297 037
Non-cash items:			
Share based payments provisions	19.6	1 185 335	1 743 269
Fair value adjustment on financial instruments	5.2	(2 391 477)	(638 182)
Loss/(profit) on sale of property and equipment	5.2	431	(61 987)
Depreciation and amortisation	6	5 854 724	2 976 760
Fair value adjustment on investment property and property in possession	13	572 772	(151 374)
Provisions and accruals		5 851 533	(6 849 555)
Accrued interest on credit lines	16	816 123	410 828
Operating cash inflows before working capital changes		35 920 383	15 726 796
Increase in other assets		(43 465 206)	(11 459 170)
Increase in loans and advances		(131 548 080)	(46 892 883)
Increase in financial assets at fair value through profit and loss		(38 420 403)	(71 390 030)
Increase in deposits		189 890 418	105 633 263
(Decrease)/increase in other liabilities		(7 401 649)	12 870 725
Net cash generated from operating activities		4 975 463	4 488 701
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets	10	(2 150 419)	(3 845 093)
Additions to property and equipment	12	(4 208 334)	(3 749 289)
Purchases and additions to investment property	13	-	(105 126)
Proceeds from sale of property and equipment		43 594	61 987
Net cash used before financing activities		(1 339 696)	(3 148 820)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net credit lines received	16	24 664 949	4 861 778
Net cash received from financing activities		24 664 949	4 861 778
NET INCREASE IN CASH AND CASH EQUIVALENTS		23 325 253	1 712 958
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		62 127 214	60 414 256
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	85 452 467	62 127 214

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

SIGNIFICANT ACCOUNTING POLICIES

1.1 Reporting entity

Central Africa Building Society is a registered Building Society in terms of the Building Societies Act (Chapter 24:02) in Zimbabwe.

The parent company is Old Mutual Zimbabwe Limited, which is a company registered and incorporated in Zimbabwe. The ultimate holding company is Old Mutual Public Limited Company (PLC), which is a Company incorporated and registered in the United Kingdom.

Nature of business

Central Africa Building Society conducts the principal businesses of mortgage lending, deposit acceptance and investing.

1.2 Accounting policies

The principal accounting policies adopted in the preparation of the annual financial statements are set out below and have been consistently followed in all material respects.

1.3 Basis of preparation

Statement of compliance

The Society`s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements are prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of investment properties and owner occupied properties and fair value adjustment of financial instruments. These financial statements have been prepared in accordance with the requirements of the Building Societies Act (Chapter 24:02).

1.4 Approval of financial statements

The financial statements were approved by the board on 17 March 2015.

1.5 Functional and presentation currency

The financial statements are presented in United States dollars which is the Society`s functional and presentation currency. Except as otherwise indicated, financial information presented in United States dollars has been rounded to the nearest dollar.

1.6 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Information about significant areas of estimation, uncertainty and judgment in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is presented in note 29.

1.7 Other accounting developments

Disclosures pertaining to fair values and liquidity risk for financial instruments

The Society has applied improved disclosures about financial instruments (Amendments to IFRS 7, Financial Instruments: Disclosures) issued in March 2009 that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three level hierarchy that reflects the significance of the inputs used in measuring the fair values of financial instruments. Specific disclosures are required when the fair value measurements are categorised as level 3 (significant unobserved inputs) in the fair value hierarchy. The amendments require that any significant transfers between level 1 and level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Further changes in valuation techniques from one period to another including the reasons therefore are required to be disclosed for each class of financial instruments. The financial instruments of the Society are categorised as instruments where the valuation techniques are based on observable inputs either directly or indirectly. As per the new amendment to IFRS 7 all fair value through profit or loss of financial instruments are under the level 2 hierarchy, see note 8.2.

Furthermore the definition of liquidity risk has been amended and its now defined as the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis of non derivative and derivative financial liabilities but contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantees, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called. Disclosures in respect of liquidity risk are included in note 27.4.

1.8 Cash and cash equivalents

Cash and cash equivalents comprises bank notes, balances at banks, money at call, unrestricted balances held with central bank and highly liquid financial assets with original maturities of less than three months. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment or other purposes.

1.9 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the ruling exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign exchange gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate ruling at the end of the period. Exchange gain or loss is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

1.10 Computer software development costs
Costs associated with developing computer software programs are capitalised. Furthermore, in the event that material expenditure is incurred that enhances and extends the benefits of existing computer software programs beyond their original specification and useful life, such expenditure would be recognised as a capital improvement. Any computer software development cost capitalised is amortised over its useful life but not exceeding a period of five years.

1.11 Taxation
In terms of the third schedule paragraph 2(c) of the Income Tax Act (Chapter 23:06), the Society is exempt from income tax.
However, the Society is subject to capital gains tax on the sale of specified assets per the Capital Gains Tax Act (Chapter 23:01). International Accounting Standard 12 (IAS 12) requires the provision of deferred tax on all temporary differences. Since the Society is exempt from income tax, only deferred capital gains tax is provided on certain qualifying temporary differences. Deferred capital gains tax is provided on those temporary differences which are expected to reverse as a result of the Society's intention to sell the specified assets. A deferred capital gains tax contingent liability is calculated and disclosed for those temporary differences where the Society is uncertain on the manner of the reversal of the difference.

1.12 Interest income and expense
Interest income and expenses are recognised in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the asset or liability (or where appropriate a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities and all fees received and paid measured at amortised cost calculated on an effective interest rate basis.

1.13 Other income
Non-interest income comprising rent less expenses, fees and commissions and sundry revenue is brought to account on an accrual basis.

1.14 Employee benefits
Employee benefits are all forms of consideration given by the Society in exchange for services rendered by employees.

Short term benefits
Short term benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the period in which the employees render the related services. Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plan if the Society 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.

Termination benefits
Termination benefits are employee benefits payable as a result of the Society's decision to terminate employment before normal retirement date or contractual date or an employee's decision to accept voluntary redundancy in exchange for those benefits. Termination benefits are recognised as an expense when the Society is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Society 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.

Post employment benefits
Post employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Defined contribution funds are post employment benefit plans under which the Society pays fixed contributions into a separate fund and will have no obligation to pay further contributions if the fund does not have sufficient assets to pay all employee benefits relating to employees' services in current and prior periods.

The Society provides for retirement benefit obligations in respect of its employees as follows:
- Old Mutual Group Pension Fund - Defined Contribution Fund (note 24.1).
- National Social Security Authority Fund (NSSA).

The Defined Contribution Fund is funded at agreed fixed rates of contribution of 12.0% and 7.5% of pensionable salary by the Society and eligible employees respectively. The Society's contribution is charged to the statement of comprehensive income in the year to which it relates.

The National Social Security Authority Fund has legislated contribution rates currently pegged at a maximum of $24.50 per employee. Contributions by the Society are charged to the statement of comprehensive income in the year to which they relate.

1.15 Share based payments
The parent company, Old Mutual Zimbabwe Limited (OMZIL), issues equity share based payments to certain employees of the Society. A liability equal to the portion for the services received is recognised at the current fair value determined at each financial period end date for the cash settled share based payments. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in the statement of comprehensive income. Where appropriate, fair value is measured using the Black-Scholes pricing model. The liability is transferred to equity on the exercise date.

1.16 Properties in possession
Properties in possession are stated at the lower of cost of repossession and net realisable value.

1.17 Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of the self constructed asset includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. The cost also includes dismantling, removal of the items and restoration of the site on which they are located. Purchased software that is an integral part to the functionality of the related equipment is capitalised as part of the equipment.

Where items of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount. The gain or loss is recognised on a net basis in profit or loss.

Revaluation of freehold land and buildings
Revaluations of land and buildings are conducted on the basis of estimated open market values by the Society's and Group's (Old Mutual Zimbabwe Limited) own professionally qualified valuers at the end of each financial year. A selected number of valuations are verified with independent qualified valuers with knowledge and experience in the locations of the relevant properties. The effects of revaluation of freehold land and buildings are either credited or debited to the revaluation reserve in shareholder's equity to reflect change of value.

Depreciation
Depreciation is recognised in the statement of comprehensive income on a straight line method over the estimated useful lives of each part of an item of property and equipment at such rates as are considered appropriate to write off the cost or valuation of such assets over the expected useful lives. Leased assets are depreciated over the shorter of the lease term or their useful life. Land and capital work in progress are stated at cost and are not depreciated.

The rates of depreciation are applied as follows

Buildings	2% per annum
Motor Vehicles	25% per annum
Furniture and Fittings	20% per annum
Computer Equipment	20% per annum

Depreciation method, useful lives and residual values are reassessed and adjusted at each financial year end and adjusted if appropriate.

Reclassification of owner occupied property to investment property
When an item of property and equipment is transferred to investment property following a change in use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of an item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the statement of comprehensive income.

Subsequent expenditure
Subsequent expenditure is capitalised when it will result in probable future economic benefits and has a cost which can be measured reliably. Expenditure incurred to replace a separate component of an item of property or equipment is capitalised to the cost of the item and the component replaced is derecognised. All other expenditure is recognized in the statement of comprehensive income when incurred.

Derecognition
On derecognition of property or equipment, any gain or loss on disposal, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of comprehensive income in the period of derecognition. In the case of owner occupied property, any surplus in the revaluation reserve in respect of the individual property is treated as other comprehensive income.

1.18 Investment property
Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both. Investment properties are measured initially at cost, including transaction costs. After initial recognition investment properties are measured at fair value by professionally qualified internal valuers. The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the specific risks inherent in the cash flows is then applied to the net annual rentals to arrive at the property valuation. Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income.

Reclassification of investment property to owner occupied property
If an investment property becomes owner occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. When the Society begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified as property and equipment during redevelopment.

1.19 Impairment of assets
The carrying amounts for the Society's tangible, intangible and deferred capital gains tax assets if any, are reviewed at each statement of financial position date to determine whether there is indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment is recognised whenever the carrying amount of an asset or its cash-generating ability exceeds the recoverable amount.

The recoverable amount of tangible assets is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For an asset that does not independently generate cash inflows, the recoverable amount is determined from the cash-generating unit to which the asset belongs.

An impairment is reversed if there has been a change in the estimates used to determine recoverable amounts and only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

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

1.21 Related party disclosures
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making operating decisions. The Society has related party relationships with fellow subsidiaries of Old Mutual Zimbabwe Limited, the parent company, MBCA Bank Limited and key management employees and their close family members. Transactions and balances with related parties are shown in note 23.

1.22 Leases
Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) Society is the lessee
The leases entered into by the Society are primarily operating leases. The total payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease. Benefits received or receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Operating lease expenses are disclosed as rent expenses.

(b) Society is the lessor
Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line method over the lease term. Operating lease income is disclosed as rent income.

1.23 Financial instruments

Classification
Financial instruments are classified into "at fair value through profit or loss", "held to maturity", "loans and receivables" and "available for sale".

(a) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Society does not intend to sell immediately or in the near term.

(b) Available for sale
Available for sale instruments are non derivative instruments that are designated as available for sale or are not classified as any other categories of financial instruments.

(c) At fair value through profit or loss
At fair value through profit or loss instruments include held for trading and those designated by management on initial recognition as at fair value through profit or loss. Trading financial instruments are those that the Society principally holds for the purpose of selling or repurchasing in the near term, or holds as part of the portfolio that is managed together for short term profit or position taking. The Society designates financial assets and liabilities at fair value through profit or loss when either

* the assets and liabilities are managed, evaluated and reported internally on a fair value basis, or
* the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, or
* the asset or liability contains an embedded derivative that significantly modifies the cash flows that could otherwise be required under the contract.

Note 2 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. All changes in fair value are recognised as part of the trading income in the statement of comprehensive income. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

(d) Held to maturity
Held to maturity financial instruments are non derivative instruments with fixed or determinable payments and fixed maturity that the Society has the positive intention and ability to hold to maturity other than those designated into the other classes.

Recognition
The Society initially recognises loans and receivables, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Society becomes a party to the contractual provisions of the instrument.

Subsequent to initial recognition, all held to maturity and loans and receivable instruments are measured at amortised cost.
Subsequent to initial recognition, all at fair value through profit or loss and all available for sale financial instruments are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, excluding transaction costs, less impairment.

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any deduction for impairment or collectability. Subsequent to initial recognition, all held to maturity financial instruments, loans and receivables are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

Fair value measurement
The determination of fair values of financial assets and financial liabilities is based on the quoted market prices or dealer price quotations for financial instruments traded in active markets. Subsequent to initial recognition, all at fair value through profit and loss and all available for sale financial instruments are measured at fair value except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost excluding transaction costs less impairment. The fair value gain or loss excludes accrued interest.

Derecognition
The Society derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Society is recognised as a separate asset or liability.

The Society derecognises a financial liability when its contractual obligations are discharged or expire.

Offsetting
Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Society has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from similar transactions such as in the Society's trading activities.

Identification and measurement of impairment
At the end of each financial year, the Society assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Society considers evidence of impairment at both a specific asset and collective levels. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Society on terms that the Society would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment to decrease, the impairment is reversed through the statement of comprehensive income, provided that the resultant carrying amount of the instrument does not exceed the amount it would have been had there been no impairment.

Loans and advances to Directors are made on the same terms and conditions as in the normal course of business with the exception of executive Directors which are in accordance with the normal staff mortgage scheme. A special condition allowance has been specifically granted to Stiefel Private Limited Company and the facility was executed in pursuance of OMZIL's Indigenization Plan as agreed with the Minister to acquire 3.5% of OMZIL's fully paid up and issued ordinary share capital.

Loans and advances
Balances outstanding in respect of advances are considered to be of a financing nature. Accordingly, these amounts, less interest in suspense and specific and general risk provisions, are treated as receivables.

Specific impairment is made when the repayment of identified advances is in doubt and reflects estimated losses. In determining specific impairment, the value of collateral held on mortgage advances is deducted from arrear balances. A prudent valuation of collateral is made by the Society's valuators. Portfolio impairment is made in respect of an estimate to cover the inherent risk in lending and advancing, which cannot be stated in specific terms.

The Reserve Bank of Zimbabwe (RBZ) also requires the Society to make provisions for loan losses rather than impairment as determined in accordance with International Accounting Standard (IAS) 39. Where the provision as per RBZ guidelines is higher than the IAS 39 impairment, the excess is treated as an appropriation to equity.

Deposits and debt securities
Deposits and debt securities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method, except where the Society chooses to carry the liabilities at fair value through profit or loss.

The Society carries some deposits and debt securities at fair value, with fair value changes recognised immediately in profit or loss.

1.24 Sale and repurchase agreements
The Society enters into purchases (sales) of the investments under agreements to resell (repurchase) identical investments at a certain date in the future at a fixed price. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the applicable accounting policy as appropriate. The proceeds from the sale of the investments are reported under deposits. The difference between the sale and repurchase agreement is treated as interest and accrued over the life of the agreement using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in net interest income. The obligation to return them is recorded at fair value as a trading liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)
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1.25 Inventories
Inventories comprise largely costs for the construction of houses for sale under housing projects. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The cost of inventories is based on the first in first out principle (except for houses for sale) and includes borrowing costs capitalised in accordance with the Society's accounting policies and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Additional disclosure in respect of inventory are included in note 9.3.

1.26 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which thay are incurred.

1.27 Paid up permanent shares
Paid up permanent share capital is classified as equity if it is non-redeemable and any dividends are discretionary at the option of the Directors. Paid up permanent share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the statement of comprehensive income as interest expense.

Dividends
Dividends on paid up permanent shares are recognised as a liability on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

1.28 Intangible assets
Intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment.

Intangible assets are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least each financial year-end. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. The carrying value of capitalized development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

1.29 Application of new and revised international financial reporting standards (IFRSs)

1.29.1 New and revised IFRSs mandatorily effecting amounts reported and/or disclosures in the financial statements
In the current year, the Society has applied a number of amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily affective for an accounting period that begins on or after 1 January 2014.

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2014) - The Society has applied amendments to IAS 32 offsetting financial assets and financial liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the ammendments clarify the meaning of 'currently has a legally enforceable right of set-off' and ' simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Society does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Society's financial assets. The Society has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Society's financial statements.

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets - The Society has applied amendments to IAS 36 Recoverable Amounts Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of cash-generating unit (CGU) to which goodwill or other intangible with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions, and valuation thechniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Society's consolidated financial statements.

New and revised IFRS's issued but not yet effective

The Society has not adopted the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Financial Instruments
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition, and in November 2013 to include the new requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for simple debt instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors of the Society anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Society's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Society undertakes a detailed review. IFRS 9 is effective for annual periods beginning or after 1 January 2018, with earlier application permitted.

IFRS 15 Revenue from Contracts with Customers - effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted. In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS11 Construction Contracts and the related interpretations when it becomes effective.

Under IFRS 15, an entity recognises revenue when (or as) a perfomance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular perfomance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors of the Society anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Society's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of the IFRS 15 until the Society performs a detailed review.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments to IAS 16 prohibit entities from using a revenue- based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Society uses the straight line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors of the Society believe that the straight line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors of the Society do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Society's financial statements.

Annual improvements to IFRSs 2010-2012 Cycle
The Annual improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation / amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors of the Society do not anticipate that the application of these amendments will have a significant impact on the Society's consolidated financial statements.

Annual Improvements to IFRSs 2011- 2013 Cycle
The annual improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amemdments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 3 clarify that the scope of the portfolio exception for measuring the fair value of a group financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definiation of finacial sassets or finacial liabilities within IAS 32.

The Directors of the Society do not anticipate that the application of these amendments will have a significant impact on the Society's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2 Financial assets and liabilities

As at 31 December 2014	Notes	Cash and cash equivalents US$	Fair value through profit or loss US$	Loans and receivables US$	Other amortised cost US$	Total carrying amount US$	Fair value US$
Assets							
Cash and cash equivalents	7	85 452 467	-	-	-	85 452 467	85 452 467
Financial assets at fair value through profit or loss	8	-	169 672 956	-	-	169 672 956	169 672 956
Other financial assets carried at amortised cost	9.1	-	-	-	17 156 509	17 156 509	17 156 509
Loans and advances	11	-	-	443 529 711	-	443 529 711	443 529 711
		85 452 467	169 672 956	443 529 711	17 156 509	715 811 643	715 811 643
Liabilities							
Savings deposits	15	-	459 221 723	-	186 689 528	645 911 251	645 911 251
Term deposits	15	-	-	-	5 554 331	5 554 331	5 554 331
Credit lines	16	-	-	-	49 925 214	49 925 214	49 925 214
Other liabilities	17	-	-	-	4 207 410	4 207 410	4 207 410
		-	459 221 723	-	246 376 483	705 598 206	705 598 206

As at 31 December 2013	Notes	Cash and cash equivalents US$	Fair value through profit or loss US$	Loans and receivables US$	Other amortised cost US$	Total carrying amount US$	Fair value US$
Assets							
Cash and cash equivalents	7	62 127 214	-	-	-	62 127 214	62 127 214
Financial assets at fair value through profit or loss	8	-	128 861 076	-	-	128 861 076	128 861 076
Other financial assets carried at amortised cost	9.1	-	-	-	12 807 782	12 807 782	12 807 782
Loans and advances	11	-	-	322 310 630	-	322 310 630	322 310 630
		62 127 214	128 861 076	322 310 630	12 807 782	526 106 702	526 106 702
Liabilities							
Savings deposits	15	-	299 697 412	-	157 269 482	456 966 894	456 966 894
Term deposits	15	-	-	-	4 608 270	4 608 270	4 608 270
Credit lines	16	-	-	-	24 444 142	24 444 142	24 444 142
Other liabilities	17	-	-	-	13 626 794	13 626 794	13 626 794
		-	299 697 412	-	199 948 688	499 646 100	499 646 100

3 Net interest income

	Notes	31 December 2014 US$	31 December 2013 US$
Interest income		80 499 785	65 843 732
Fixed deposits		12 749 691	11 645 050
Loans and advances		67 750 094	54 198 682
Interest expense		(37 276 612)	(33 177 292)
Credit lines		(3 141 561)	(1 913 327)
Savings certificate deposits		(31 614 882)	(29 098 927)
Term deposits		(294 229)	(376 497)
Savings deposits		(2 225 940)	(1 788 541)
Net interest income		43 223 173	32 666 440

4 Impairment

	Notes	31 December 2014 US$	31 December 2013 US$
Opening balance		11 913 644	6 838 116
Movement through other comprehensive income		1 750 974	2 333 956
Amounts written off during the year		(4 261 256)	-
Movement through comprehensive income - current year		6 067 743	2 741 572
Closing balance		15 471 105	11 913 644
Analysis of closing balance:			
Bad debts on accrued rental income and accounts in overdraft		4 590 805	1 013 931
Regulatory provision reserves	19.3	2 437 734	4 948 017
Loans and advances		8 442 566	5 951 696
		15 471 105	11 913 644

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

5 Non interest income

	31 December 2014 US$	31 December 2013 US$
5.1 Fee and commission income		
Commissions	2 968 321	1 543 922
Service fees	23 839 296	15 536 264
Administration fees	8 451 191	7 851 818
	35 258 808	24 932 004
5.2 Other income		
Investment property		
Rental income	3 464 681	2 069 657
Less expenses	(2 167 874)	(1 944 515)
Net rental income	1 296 807	125 142
(Loss)/profit on sale of property and equipment	(431)	61 987
Fair value adjustment on financial instruments	2 391 477	638 182
	3 687 853	825 311

6 Operating expenses

	31 December 2014 US$	31 December 2013 US$
Administration		
External auditors' remuneration	200 052	227 190
Current year fees	184 000	184 000
Prior year under provision	16 052	43 190
Directors' remuneration	217 200	237 275
Advertising and marketing	1 151 340	848 531
Mobile banking expenses	3 022 988	2 004 439
Consultancy fees	1 947 287	1 747 709
Outsourced services - Old Mutual Shared Services (Pvt) Ltd	5 254 739	3 963 089
Deposit protection premiums	1 301 212	1 050 000
Information systems maintenance	3 527 116	2 002 078
Other administration expenses	11 075 024	7 557 419
- Bank charges and cost of cash	1 283 474	1 056 658
- General expenses	148 561	96 135
- Maintenance of vehicles	486 945	535 355
- Office rental	2 197 416	285 558
- Stationery and printing	892 576	702 160
- Travelling and subsistence	978 400	751 966
- Cash in transit cost	648 050	657 652
- Buildings security cost	1 299 207	1 344 240
- Insurance premiums	1 448 564	955 738
- Other expenses	1 134 799	695 886
- Telephones and postage	557 032	476 071
	27 696 958	19 637 730
Depreciation and amortisation		
Property, equipment and intangible assets	5 854 724	2 976 760
Staff costs		
Salaries, wages and bonuses	12 503 821	10 450 285
Pension contributions	1 300 259	946 307
Medical aid	1 358 628	1 113 187
Share based payment expenses	1 185 335	1 743 269
Other staff costs	1 598 652	668 982
	17 946 695	14 922 030
	51 498 377	37 536 520

The average number of persons employed by the Society during the year ended 31 December 2014 was 617 (2013: 474)

7 Cash and cash equivalents

	31 December 2014 US$	31 December 2013 US$
Cash balances	41 319 810	28 845 375
Bank balances	44 132 657	33 281 839
	85 452 467	62 127 214

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

8 Financial assets at fair value through profit or loss

8.1 Financial assets at fair value through profit or loss	31 December 2014 US$	31 December 2013 US$
Fixed deposits	110 447 838	88 081 944
Bankers' acceptances	5 909 546	-
Treasury bills	53 145 669	40 612 877
Stocks and bonds	169 903	166 255
	169 672 956	128 861 076
Maturity analysis - gross		
On demand to 3 months	132 637 734	108 479 191
3 months to 12 months	23 452 931	20 288 426
1 year to five years	13 582 291	93 459
	169 672 956	128 861 076

8.2 Fair value hierarchy
The table below analyses financial assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss	31 December 2014 US$	31 December 2013 US$
Fixed deposits	110 447 838	88 081 944
Bankers' acceptances	5 909 546	-
Treasury bills	53 145 669	40 612 877
Stocks and bonds	169 903	166 255
	169 672 956	128 861 076

9 Other assets

	31 December 2014 US$	31 December 2013 US$
9.1 Other financial assets carried at amortised cost		
Sundry debtors	14 558 546	12 807 782
VAT claim receivable	2 597 963	-
	17 156 509	12 807 782
9.2 Other non financial assets		
Properties in possession	120 000	122 772
Other assets	1 155 878	211 414
Stock on hand	60 160	79 419
	1 336 038	413 605
9.2.1 Property in possession		
Opening fair value	122 772	122 772
Fair value adjustment	(2 772)	-
Closing fair value at 31 December 2014	120 000	122 772
9.3 Inventory work in progress		
- ZRP housing project	8 321 473	6 304 208
- Budiriro housing project	36 913 209	739 200
	45 234 682	7 043 408
	63 727 229	20 264 795

10 Intangible assets

Opening balance	13 522 506	9 906 608
Additions	2 150 419	3 845 093
Amortisation	(2 948 045)	(229 195)
Closing Balance	12 724 880	13 522 506

Description of intangible assets is on Note 1.10.

11 Loans and advances

	31 December 2014 US$	31 December 2013 US$
Gross amount owing	451 972 277	328 262 326
Less impairment on loans and advances	(8 442 566)	(5 951 696)
Loans and advances	443 529 711	322 310 630
Concentration - gross		
Low density housing	81 562 240	95 031 466
High density housing	46 186 614	13 388 350
Individuals	271 598 504	107 770 261
Commercial and industrial	52 624 919	112 072 249
	451 972 277	328 262 326
Maturity analysis - gross		
On demand to 3 months	58 409 243	39 342 718
3 months to 12 months	119 214 439	44 216 382
1 year to five years	213 860 571	92 451 945
Over 5 years	60 488 024	152 251 281
	451 972 277	328 262 326
Non - performing loans	35 009 530	33 377 301
Past due but not impaired	24 018 066	13 724 324

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

12 Property and equipment

	Land US$	Buildings US$	Office Equipment, Fixtures & Fittings and Vehicles US$	Total US$
Year ended 31 December 2014				
Opening net book value	4 610 746	37 615 540	7 606 487	49 832 773
Additions	16 719	621 524	3 570 091	4 208 334
Revaluation	41 285	296 348	-	337 633
Disposals	-	-	(44 026)	(44 026)
Depreciation charge	-	(758 909)	(2 147 770)	(2 906 679)
Closing net book value	4 668 750	37 774 503	8 984 783	51 428 035
As at 31 December 2014				
Cost or valuation	4 668 750	41 358 313	15 670 738	61 697 801
Accumulated depreciation	-	(3 583 810)	(6 685 956)	(10 269 766)
Net book value	4 668 750	37 774 503	8 984 782	51 428 035
Year ended 31 December 2013				
Opening net book value	4 588 696	37 146 483	5 920 516	47 655 695
Additions	-	-	3 749 289	3 749 289
Revaluation	22 050	1 153 304	-	1 175 354
Depreciation charge	-	(684 247)	(2 063 318)	(2 747 565)
Closing net book value	4 610 746	37 615 540	7 606 487	49 832 773
As at 31 December 2013				
Cost or valuation	4 610 746	40 440 441	12 144 673	57 195 860
Accumulated depreciation	-	(2 824 901)	(4 538 186)	(7 363 087)
Net book value	4 610 746	37 615 540	7 606 487	49 832 773

Assets pledged as security are disclosed in note 13.

13 Investment property

	Land & Buildings US$
As at 1 January 2014	
Opening fair value	26 388 853
Fair value adjustment	(570 000)
Closing fair value at 31 December 2014	25 818 853

	Land & Buildings US$
As at 1 January 2013	
Opening fair value	26 132 353
Additions	105 126
Fair value adjustment	151 374
Closing fair value at 31 December 2013	26 388 853

Assumptions applied in determining revaluation amounts are detailed in note 29.

A full list of locations where land and buildings are situated can be viewed at the Society's head office at Northridge Park, Harare.

The properties are leased out under operating leases to various tenants. The initial contracts are for a minimum period of twelve months, after which they may be extended as negotiated.

The properties were valued by Old Mutual Property Zimbabwe (Private) Limited's qualified valuers. A selected number of properties constituting at least 65% of the portfolio were independently valued by Southbay Real Estate (Private) Limited, Knight Frank Real Estate and Dawn Property Consultancy (Private) Limited and compared with values obtained by Old Mutual Property Zimbabwe (Private) Limited.

The Society pledged US$1 million worth of assets and powers of attorney to register bonds over three properties with a total value of US$36,27 million as at 31 December 2014 (both investment properties and owner occupied properties) as security for a credit line from PTA Bank (note 16). Old Mutual Zimbabwe Limited has guaranteed the Shelter Afrique loan for a full amount of US$14,4 million. Shelter Afrique also took a cession of the performing loan book covering two times the exposure at any point in time. The Society secured the Proparco Loan through a negative pledge of assets plus cash security amounting to US$ 555, 555.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

14 Operating leases

14.1 Society as a lessee

Non -cancellable operating lease rentals are payable as follows:-	31 December 2014 US$	31 December 2013 US$
Less than one-year	433 710	311 946
Between one and five years	2 108 710	1 516 690
	2 542 420	1 828 636

The Society leases a number of banking hall facilities under operating leases. The leases typically run for an initial period of between one and three years, with an option to renew the lease after that date. Lease payments are increased regularly to reflect market rentals. None of these rentals include contingent liabilities. Operating lease expenses are disclosed as rental expenses.

14.2 Society as a lessor

The Society leases out its investment property under operating leases.

Operating lease rentals are receivable as follows:	31 December 2014 US$	31 December 2013 US$
Less than one year	1 272 255	1 987 386
Between one and five years	6 185 736	9 662 721
	7 457 991	11 650 107

During the year ended 31 December 2014 rental income and repairs and maintenance were recognised as income and expense respectively in the statement of comprehensive income relating to the investment property as in note 5.2. Operating lease income is disclosed as rental income.

15 **Deposits**	31 December 2014 US$	31 December 2013 US$
Savings certificates	459 221 723	299 697 412
Term deposits	5 554 331	4 608 270
Savings deposits	186 689 528	157 269 482
	651 465 582	461 575 164
Maturity analysis		
On demand to 3 months	460 646 302	415 762 643
3 months to 6 months	107 617 190	35 012 103
6 months to 1 year	47 714 710	9 695 392
1 year to five years	13 489 748	1 105 026
Over 5 years	21 997 632	-
	651 465 582	461 575 164

Concentration	31 December 2014 US$	Percentage %	31 December 2013 US$	Percentage %
Financial institutions	269 273 895	41.0%	194 319 490	42.0%
Companies	283 492 073	44.0%	93 248 631	20.0%
Individuals	98 699 614	15.0%	174 007 043	38.0%
	651 465 582	100%	461 575 164	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

		31 December 2014 US$	31 December 2013 US$
16	**Credit lines**		
	PTA Bank loan	25 000 000	9 333 334
	Shelter Afrique	14 109 091	14 400 000
	Agritrade funds	-	299 980
	Proparco loan	10 000 000	-
	Accrued interest on credit lines	816 123	410 828
		49 925 214	24 444 142
	Maturity analysis		
	On demand to 3 months	1 754 468	5 119 852
	3 months to 6 months	5 509 098	-
	6 months to 1 year	7 393 786	5 035 020
	1 year to five years	26 487 210	1 745 455
	Over 5 years	8 780 652	12 543 815
		49 925 214	24 444 142

The PTA bank loan is repayable over 3 years while the Shelter Afrique and Proparco loans are repayable over 10 years. The PTA loan was secured in September 2014, the Proparco loan in June 2014 and the Shelter Afrique loans were secured in 2012 and 2013. The PTA loan is secured by a mortgage bond and powers of attorney over immovable property (note 13.1) while the Shelter Afrique loan is secured by a guarantee from Old Mutual Zimbabwe Limited as well as cession of the performing loan book. The Proparco loan is secured by a negative pledge of assets plus cash security deposit.

		31 December 2014 US$	31 December 2013 US$
17	**Other liabilities**		
	Trade creditors	3 670 616	13 640 520
	VAT liability	38 884	17 955
	Deferred revenue	7 229 147	4 982 820
	Unclaimed monies	11 562	10 563
	Liabilities on letters of credits	300 000	-
		11 250 209	18 651 858

		31 December 2014 US$	31 December 2013 US$
18	**Provisions**		
	Opening balance	3 115 854	12 706 981
	- leave pay and bonus provisions	1 480 283	1 532 204
	- impairment loss on staff loans	-	64 016
	- share based payment	-	256 510
	- Old Mutual Zimbabwe Limited dividend	-	10 000 000
	- other	1 635 571	854 251
	Net movements	(216 210)	(9 591 127)
	Closing balance	2 899 644	3 115 854
	- leave pay and bonus provisions	1 983 530	1 480 283
	- other	916 114	1 635 571

19 **Share capital and reserves**

		31 December 2014 US$	31 December 2013 US$
19.1	**Ordinary class "A" share capital**		
	Opening balance	35 000 000	15 000 000
	Capitalisation issue during the year	-	20 000 000
	Closing balance	35 000 000	35 000 000

The Board, may at its discretion, issue from time to time Ordinary Class " A" Paid up permanent shares in denominations of $1 each or multiples thereof and all such shares shall carry dividends payable out of the available surplus of the Society.

		31 December 2014 US$	31 December 2013 US$
19.2	**Retained earnings**		
	Opening balance	46 523 938	30 560 857
	Net surplus for the year	24 030 942	18 297 037
	General provision for loan loss	(1 750 974)	(2 333 956)
	Closing balance	68 803 906	46 523 938

The entire accumulated surplus for the financial year is transferred to the general reserve at the end of the financial period and is a distributable reserve.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

19 Share capital and reserves (continued)

19.3 Regulatory provision reserves

	31 December 2014 US$	31 December 2013 US$
Opening balance	4 948 017	2 614 061
Regulatory impairment allowance	(2 510 283)	2 333 956
Closing balance	2 437 734	4 948 017

19.4 Non distributable reserves

	31 December 2014 US$	31 December 2013 US$
Opening balance	1 445 851	21 445 851
Capitalisation issue of Ordinary class "A" share capital	-	(20 000 000)
Closing balance	1 445 851	1 445 851

19.5 Revaluation reserves

	31 December 2014 US$	31 December 2013 US$
Opening balance	24 747 422	23 572 068
Revaluation of properties	337 633	1 175 354
Closing balance	25 085 055	24 747 422

19.6 Share based payment reserves

	31 December 2014 US$	31 December 2013 US$
Opening balance	2 855 601	1 112 332
Share based payment reserve	1 185 335	1 743 269
Closing balance	4 040 936	2 855 601

20 Commitments

For advances:

	31 December 2014 US$	31 December 2013 US$
Aggregate commitments due under advances granted but not yet disbursed	48 282 701	12 755 913

21 Derivative financial instruments

The Society does not, at present, trade in derivatives of any form.

22 Foreign currency exposures

The Society is currently trading in an environment where multiple currencies are in use. The United States dollar [USD] and South African Rand [ZAR] are the major trading currencies. The Society is exposed to exchange rate movement of the rand and other major currencies against the United States dollar. The total foreign currency exposures are disclosed in note 27.6.

23 Related party disclosures

Group companies
The Society is a wholly owned subsidiary of Old Mutual Zimbabwe Limited, a company with interests in insurance, asset management, banking, unit trusts and property management. The ultimate holding company is Old Mutual PLC which is a Company incorporated and registered in United Kingdom.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and money market investments. The Society's assets are insured through a related party (Old Mutual Insurance Company (Private) Limited), a subsidiary of the holding company. Other fellow group companies are as follows;

Subsidiaries of parent company
* Old Mutual Life Assurance Company Zimbabwe Limited
* Old Mutual Property Zimbabwe (Private) Limited
* Old Mutual Investment Group Zimbabwe (Private) Limited
* Old Mutual Securities (Private) Limited
* Old Mutual Shared Services (Private) Limited
* Old Mutual Property Investment Corporation (Private) Limited
* Three Anchor Investment (Private) Limited
* Old Mutual Insurance Company (Private) Limited

Other group companies
* MBCA Bank Limited

Key management
Key management include members of the executive committee who are the Managing Director, Chief Financial Officer, General Manager - Corporate Banking, General Manager - Retail Banking, General Manager - Operations, Head of Risk, Corporate Treasurer, Head of Compliance, Head of Credit and Marketing Executive.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

23.1 Loans to directors

	31 December 2014 US$	31 December 2013 US$
Opening balance	304 790	249 811
Granted during the year	13 068 515	125 259
Interest and insurance charges	463 109	53 875
Repayments during the year	(556 767)	(124 155)
Closing balance	13 279 647	304 790

Loans and advances to directors are made on the same terms and conditions as in the normal course of business with the exception of executive Directors which are in accordance with the normal staff loan scheme. A loan has been granted to Stiefel Investments Private Limited and the facility was executed in pursuance of OMZIL's Indigenisation Plan.

23.2 Balances with group companies

During the year the Society had transactions with group companies and the outstanding balances at year end were:

	31 December 2014 US$	31 December 2013 US$
Amounts due to the holding company	855 640	11 645 567
Amounts due to fellow subsidiaries	205 163 525	146 755 070
	206 019 165	158 400 637
Amounts due from the holding company	20 252	-
Amounts due from fellow subsidiaries	620 199	447 288
	640 451	447 288

The Society had the following bank balances with MBCA, a related party through shareholding by the ultimate holding company (Old Mutual Plc).

	31 December 2014	31 December 2013
Current account balance US$	807 843	1 376 177
Current account balance in South African Rands (ZAR)	814 341	561 859

The Society had the following deposits from MBCA Bank Limited:

	31 December 2014 US$	31 December 2013 US$
Money market deposits	15 000 000	10 000 000
Interest accrued	198 508	157 300
	15 198 508	10 157 300

23.3 Transactions with group companies

The Society entered into normal business transactions with group companies. Income earned and interest paid in respect to these transactions as listed below:

	31 December 2014 US$	31 December 2013 US$
Bank charges - charged by MBCA Bank	4 093	9 063
Insurance paid to Old Mutual Insurance Company (Private) Limited	1 448 564	955 738
Interest payable to Old Mutual on savings accounts	9,816	2 973
Outsourced services - Old Mutual Shared Services (Private) Limited	5 254 739	3 963 089
Interest payable to fellow subsidiaries	7 710 168	5 269 719

All these transactions were at arm's length basis.

23.4 Loans to executives and senior management

	31 December 2014 US$	31 December 2013 US$
Loans to executives and senior management	1 006 983	1 360 740

These loans were granted on an arm's length basis

23.5 Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	31 December 2014 US$	31 December 2013 US$
Short term benefits	3 561 141	3 885 403
Post employment benefits	257 679	250 686
Share based payments	250 163	494 664
	4 068 983	4 630 753

The remuneration of key executives is determined by the OMZIL board having regard to the performance of both the individual and Society, and market trends.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

24 Post employment employee benefits

24.1 Old Mutual Group Pension Fund - Defined contribution fund
All eligible employees are members of the pension scheme, Old Mutual Group Pension Fund.

The pension fund is a defined contribution pension fund and the amount of benefits are determined by contributions made into the fund plus profits that are declared from time to time by the fund's trustees. The contributions to the pension fund by the employer are charged to the statement of comprehensive income.

24.2 National Social Security Authority (NSSA)
All employees are members of the National Social Security Authority which includes workmen's compensation fund, to which both the employer and the employees contribute.

25 Share-based payments

25.1 Indigenisation Transaction
In 2012 the Society through its holding company Old Mutual Zimbabwe (OMZIL) entered into an indigenisation transaction under the Indigenisation Act (Chapter 14:33). Eligible participants were granted share awards under various trusts. The grants represent a share-based payment transaction as defined in IFRS 2, Share-based payments. The shares on offer are Old Mutual Zimbabwe shares (OMZIL shares).

OMZIL Indigenisation Employee Share Scheme
This scheme operates for the benefit of all employees of OMZIL. On 1 June 2012, an allocation was made by means of a once-off share award to the participants. The award is not subject to any performance targets. Staff joining the Group after the allocation date do not participate in the scheme.

Participants are to be paid dividends in respect of the share awards and will be entitled to exercise the voting rights in respect of the OMZIL shares. Participants may, however, only take delivery of the shares after two years (one-third), three years (one-third) and 4 years (one-third) of participation in the scheme.

OMZIL Management Incentive Scheme
This scheme operates for the benefit of management and its primary purpose is to attract, reward and retain senior and middle management. Share awards are not subject to performance targets and will vest after three years, subject to a resolute condition that the participant remains in the OMZIL Group's employment for the three years. Participants are to be paid dividends in respect of the share awards.

Costs associated with Indigenisation transaction	31 December 2014 US$	31 December 2013 US$
Employee Share Scheme	2 941 372	2 006 200
Management Incentive Scheme	1 099 564	849 401
	4 040 936	2 855 601

Movements relating to the share schemes during the year are as follows:

OMZIL Indigenisation Employee Share Scheme	31 December 2014 US$	31 December 2013 US$
Opening balance	2 855 601	1 112 332
Issued during the year	1 756 864	2 174 780
Exercised during the year	(571 529)	(431 511)
	4 040 936	2 855 601

25.2 Share based payment reserve
As stated above, the shares available for the share schemes were acquired and warehoused in special purpose vehicles at the parent company, Old Mutual Zimbabwe Limited.

The equity-settled share based payment reserve is maintained in the company from the date of issue of the share awards. On exercise of the share awards settlement will be made through the special purpose vehicles controlled by the company.

	31 December 2014 US$	31 December 2013 US$
Share based payment reserve	4 040 936	2 855 601

26 Contingent liabilities

Capital gains tax
The Society has an estimated deferred capital gains tax contingent liability of US$3,59 million arising from temporary differences on owner occupied and investment properties.

27 Financial Risk Management

27.1 Introduction and overview
The Society has exposure to the following risks from its use of financial instruments:
* Credit risk;
* Liquidity risk;
* Market risk;
* Operational risk.

This note presents information about the Society's exposure to each of the above risks, the Society's objectives, policies and processes for measuring and managing risk, and the Society's management of capital.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

27.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Society's risk management framework. The Board has established the Society's Asset and Liability Committee (ALCO) and Credit and Risk Committees, which are responsible for developing and monitoring the Society's risk management policies in their specified areas. All board committees except ALCO and EXCO have both executive and non executive members and report regularly to the Board of Directors on their activities.

The Society's risk management policies are established to identify and analyse risks faced by the Society, to set up appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Society, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Society's Audit and Risk and Compliance Committees and the Board are responsible for monitoring compliance with the Society's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to other risks faced by the Society. The Society's Audit Committee is assisted in these functions by the Old Mutual Group Internal Audit (GIA) and the Society's Internal Audit. Group Internal Audit and the Society`s Internal Audit undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

27.3 Credit risk

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Society's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Society considers and consolidates all elements of risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The Board of Directors has delegated the responsibility for the management of credit risk to the Society's Board Credit Committee which is responsible for oversight of the Society's credit risk, including:

* Formulating credit policies in consultation with business units covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
* Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to Senior Managers and members of the Management Credit Committee. Large facilities require approval by Society's Board Credit Committee or the Board of Directors.
* *Reviewing and assessing credit risk* Society's Board Credit Committee assesses all credit exposures in excess of designated limits prior to facilities being committed to customers by the business unit concerned. Renewal and review of facilities are subject to the same review process.
* *Limiting concentration of exposure* to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market, liquidity and country (for investment securities).
* *Reviewing compliance* of business units with agreed exposure limits including those for selected industries and product type. Regular reports are provided to the Society's Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken.
* *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Society in the management of credit risk.

Regular audits of the Society's credit processes are undertaken by Group Internal Audit and external auditors.

Exposure to credit risk

Carrying amount

	31 December 2014 US$	31 December 2013 US$
Individually impaired		
Gross amount	35 009 530	38 777 893
Allowance for impairment	(4 219 751)	(5 951 696)
Carrying amount	30 789 779	32 826 197
Collectively impaired		
Gross amount	395 314 277	285 336 403
General provision for loan losses	(6 592 411)	(4 948 016)
Carrying amount	388 721 866	280 388 387
Past due but not impaired	24 018 066	4 148 029
Carrying amount	24 018 066	4 148 029
Total carrying amount	443 529 711	317 362 613

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

27 Financial Risk Management (continued)

27.3 Credit risk (continued)

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Society determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreements.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Society believes that impairment is not appropriate, are on the basis of the level of security / collateral available and/or the stage of collection of amounts owed to the Society.

Exposure to counterparties
The Society is also exposed to counterparties arising from money market trading and as at 31 December 2014, the exposure was $169,67 million.

Loans and advances renegotiated
Restructuring of loans include extended repayment arrangements, modifications and deferral of repayments. Restructuring policies and and practices are based on indicators and criteria that in the judgment of management, indicate that repayments will most likely continue. These policies are kept under continuous review.

Loan loss provisioning
Provisioning is determined on the basis of account classification whereby provisions are uniformly determined for specific grades. The Society establishes an allowance for impairment based on the class of each loan and in line with the Reserve Bank of Zimbabwe guideline on provisions. The provisioning methodology is summarised below:

2014

Class	Type	Provisioning criteria	Gross loans US$	Allowance for impairment US$	Net loans US$
Grade A,B,C	Pass	1-2% general provision	356 919 256	4 243 104	352 676 152
Grade D,E,F,G	Special mention	3-10% general provision	60 043 491	2 417 445	57 626 047
Grade H	Sub standard	20% specific provision on balance less security value	11 483 194	410 494	11 072 700
Grade I	Doubtful	50% of total outstanding balance less security value	8 190 957	1 101 854	7 089 103
Default	Loss	100% of total outstanding balance less security held	15 335 379	2 707 404	12 627 975
		Portfolio total	451 972 277	10 880 300	441 091 977

2013

Class	Type	Provisioning criteria	Gross loans US$	Allowance for impairment US$	Net loans US$
Grade A,B,C	Pass	1-2% general provision	256 211 289	2 738 780	253 472 509
Grade D,E,F,G	Special mention	3-10% general provision	38 673 736	1 645 058	37 028 678
Grade H	Sub standard	20% specific provision on balance less security value	18 478 652	2 374 522	16 104 130
Grade I	Doubtful	50% of total outstanding balance less security value	4 115 665	711 378	3 404 287
Default	Loss	100% of total outstanding balance less security held	10 782 984	3 429 973	7 353 011
		Portfolio total	328 262 326	10 899 711	317 362 615

The Society also takes into account provisions requirement of IAS 39 - Financial Instruments Recognition and Measurement and makes the most prudent provisions for its loans and advances based on the two methods. Where the regulatory provisions are higher than the IAS 39 impairment, the excess is treated as an appropriation from general reserves.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

27.3 Credit risk (continued)

Write off policy
The Society writes off a loan when the Society's Credit Committee determines that the loans/securities are uncollectible. The determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral
The Society holds collateral against loans and advances to customers in the form of mortgage interest over property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. The total registered security value for loans granted was $245,70 million. In addition, the Society has secured 8 301 171 Old Mutual Zimbabwe Shares worth $10,86 million as collateral for the Youth Fund loans.

Settlement risk
The Society's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed. The Society charges the maximum lending rate for all parties who fail to honour their obligations on time. Settlement risk is also monitored through risk assessment of counterparties and capping of trading limits in line with the risk profile of each institution.

27.4 Liquidity risk
Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations for its financial liabilities.

Management of liquidity risk
The Society's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Society's reputation. The daily liquidity position of the Society is managed by the treasury department in liaison with the relevant general managers. All liquidity policies and procedures are subject to review and approval by ALCO.

Exposure to liquidity risk
The key measure used by the Society for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and short term dealing and investment securities for which there is an active and liquid market less any deposits from banks, other borrowing and liabilities maturing within the same short term period. Details of this ratio as at 31 December 2014 are given below.

	31 December 2014 US$	31 December 2013 US$
Total liquid assets	255 125 423	190 988 290
Total liabilities to the public	701 390 796	486 019 306
Liquidity ratio	36%	39%
Maximum for the period	41%	45%
Minimum for the period	35%	30%
Average for the period	38%	40%

The Society monitors liquidity risk by compliance with liquidity regulations of the Building Societies Act (Chapter 24:02) as well as submission of monthly liquidity returns to the Reserve Bank of Zimbabwe (RBZ). In addition the Society matches long term lending to inflows into long term investments and this is monitored through the Risk and Compliance Management Committee.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

27.4.1 Liquidity gap analysis 2014

Total position	On demand to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Over 5 years US$	Non-determinant maturity US$	Total US$
Assets						
Cash and cash equivalents	85 452 467	-	-	-	-	85 452 467
Financial assets at fair value through profit or loss	132 637 734	23 452 931	13 582 291	-	-	169 672 956
Loans and advances	58 409 243	119 214 439	213 860 571	52 045 458	-	443 529 711
Intangible assets	-	-	-	-	12 724 880	12 724 880
Other assets	-	-	-	-	63 727 229	63 727 229
Investment property	-	-	-	-	25 818 853	25 818 853
Property and equipment	-	-	-	-	51 428 035	51 428 035
Total assets	276 499 444	142 667 370	227 442 862	52 045 458	153 698 997	852 354 131
Liabilities and equity						
Deposits	460 646 302	155 331 900	13 489 748	21 997 632	-	651 465 582
Credit lines	1 754 468	12 902 883	26 487 211	8 780 652	-	49 925 214
Other liabilities	-	-	-	-	11 250 209	11 250 209
Provisions	-	-	-	-	2 899 644	2 899 644
Ordinary class "A" share capital	-	-	-	-	35 000 000	35 000 000
Retained earnings	-	-	-	-	68 803 906	68 803 906
Regulatory provision reserves	-	-	-	-	2 437 734	2 437 734
Revaluation reserve	-	-	-	-	25 085 055	25 085 055
Non distributable reserves	-	-	-	-	1 445 851	1 445 851
Share based payment reserves	-	-	-	-	4 040 936	4 040 936
Total liabilities and equity	462 400 770	168 234 783	39 976 959	30 778 284	150 963 335	852 354 131
Net liquidity gap	(185 901 326)	(25 567 413)	187 465 903	21 267 174	2 735 662	-
Cumulative liquidity gap	(185 901 326)	(211 468 740)	(24 002 836)	(2 735 662)	-	-

Liquidity gap analysis 2013

Total position	On demand to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Over 5 years US$	Non-determinant maturity US$	Total US$
Assets						
Cash and cash equivalents	62 127 214	-	-	-	-	62 127 214
Financial assets at fair value through profit or loss	108 479 191	20 288 426	93 459	-	-	128 861 076
Loans and advances	39 342 718	44 216 382	92 451 945	146 299 585	-	322 310 630
Intangible asset	-	-	-	-	13 522 506	13 522 506
Other assets	-	-	-	-	20 264 795	20 264 795
Investment property	-	-	-	-	26 388 853	26 388 853
Property and equipment	-	-	-	-	49 832 773	49 832 773
Total assets	209 949 123	64 504 808	92 545 404	146 299 585	110 008 927	623 307 847
Liabilities and equity						
Deposits	415 762 643	44 707 495	1 105 026	-	-	461 575 164
Credit lines	5 119 852	5 035 020	14 289 270	-	-	24 444 142
Other liabilities	-	-	-	-	18 651 858	18 651 858
Provisions	-	-	-	-	3 115 854	3 115 854
Ordinary class "A" share capital	-	-	-	-	35 000 000	35 000 000
Retained earnings	-	-	-	-	46 523 938	46 523 938
Regulatory provision reserves	-	-	-	-	4 948 017	4 948 017
Revaluation reserve	-	-	-	-	24 747 422	24 747 422
Non distributable reserves	-	-	-	-	1 445 851	1 445 851
Share based payment reserves	-	-	-	-	2 855 601	2 855 601
Total liabilities and equity	420 882 495	49 742 515	15 394 296	-	137 288 541	623 307 847
Net liquidity gap	(210 933 372)	14 762 293	77 151 108	146 299 585	(27 279 614)	-
Cumulative liquidity gap	(210 933 372)	(196 171 079)	(119 019 971)	27 279 614	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

27.4.2 Interest rate repricing and gap analysis 2014

Total position	On demand to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Over 5 years US$	Non-Interest bearing US$	Total US$
Assets						
Financial assets at fair value through profit or loss	132 637 734	23 452 931	13 582 291	-	-	169 672 956
Loans and advances	58 409 243	119 214 439	213 860 571	52 045 458	-	443 529 711
Total assets	191 046 977	142 667 370	227 442 862	52 045 458	-	613 202 667
Liabilities						
Deposits	460 646 302	155 331 900	13 489 748	21 997 632	-	651 465 582
Credit lines	1 754 468	12 902 883	26 487 211	8 780 652	-	49 925 214
Total liabilities	462 400 770	168 234 783	39 976 959	30 778 284	-	701 390 796
Net liquidity gap	(271 353 793)	(25 567 413)	187 465 903	21 267 174	-	(88 188 129)
Cumulative interest rate repricing liquidity gap	(271 353 793)	(296 921 207)	(109 455 303)	(88 188 129)	(88 188 129)	(88 188 129)

Interest rate repricing and gap analysis 2013

Total position	On demand to 3 months US$	3 months to 1 year US$	1 year to 5 years US$	Over 5 years US$	Non-Interest bearing US$	Total US$
Assets						
Cash and cash equivalents	62 127 214	-	-	-	-	62 127 214
Financial assets at fair value through profit or loss	108 479 191	20 288 426	93 459	-	-	128 861 076
Loans and advances	39 342 718	44 216 382	92 451 945	146 299 585	-	322 310 630
Other financial assets	12 807 782	-	-	-	-	12 807 782
Total assets	222 756 905	64 504 808	92 545 404	146 299 585	-	526 106 702
Liabilities						
Deposits	415 762 643	44 707 495	1 105 026	-	-	461 575 164
Credit lines	5 119 852	5 035 020	14 289 270	-	-	24 444 142
Other liabilities	-	-	-	-	-	-
Total liabilities	420 882 495	49 742 515	15 394 296	-	-	486 019 306
Net liquidity gap	(198 125 590)	14 762 293	77 151 108	146 299 585	-	40 087 396
Cumulative interest rate repricing liquidity gap	(198 125 590)	(183 363 297)	(106 212 189)	40 087 396	40 087 396	80 174 793

27.5 Compliance Issues

Compliance risk
Compliance risk is the risk that the Society fails to comply with the letter and spirit of all statutes, supervisory requirements and industry codes of conduct which apply to its business. The Society seeks to bring the highest standards of compliance best practice in all areas of our operations.

Compliance environment
Compliance risk is managed through a Board approved Compliance Programme, internal policies and processes, which include legal, regulatory and other technical requirements relevant to the business. The compliance function provides advice of regulatory and other issues pertaining to the business. The compliance function independently monitors departments to ensure adherence to policies and procedures and other technical requirements.

Besides the US$5 000 penalty charged to the Society by Insurance and Pensions Commission (IPEC), the Society was compliant with all laws and regulations governing its activities.

27.6 Market risks

Market risk is the risk that the Society's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market prices such as interest rates, credit spreads, equity prices and foreign exchange rates. Most market risks arise from trading activities. The Society is primarily exposed to interest rate risk arising from financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Management of market risk
The Society separates its exposure to market risk between trading and non trading portfolios. Trading portfolios mainly are held by the treasury department and include positions arising from market marking and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in ALCO. The Society's risk department is responsible for detailed risk management policies and for the day to day review of their implementation.

A summary of the Society's interest rate repricing and gap analysis is given in note 27.4.2.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

27.6 Market risks(continued)

Exposure to interest rate risk
The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and liabilities to various standard and non standard interest rate scenarios.

At the reporting date, a change of 100 percentage points in interest rate would have impacted fair value through profit and loss financial instruments and profit as follows.

	2014 100% increase in interest rates US$	2014 100% decrease in interest rates US$	2013 100% increase in interest rates US$	2013 100% decrease in interest rates US$
Effect on profit	4,931,904	-2,485,209	2,271,677	-1,129,219

Exposure to foreign currency risk
The Society is exposed to exchange rate movement of various currencies against the United States dollar. Below are the foreign currency exposures for the Society as at 31 December 2014.

Currency name	Exchange rates as at 31 December 2014	Exchange rates as at 31 December 2013
South African Rands (ZAR)	11.5816	10.4326
Great British Pound (GBP)	1.5566	1.6481
EURO	1.2158	1.3792
Botswana Pula (BWP)	0.1052	0.1147
CHF	0.9891	-

	Assets Cash and cash equivalents 2014	Assets Cash an cash equivalents 2013	Net US$ equivalent as at 31 December 2014	Net US$ equivalent as at 31 December 2013	Effect of 10% depreciation 2014	Effect of 10% depreciation 2013	Effect of 10% appreciation 2014	Effect of 10% appreciation 2013
South African Rands	ZAR	ZAR	US$	US$	US$	US$	US$	US$
	24,990,671	3,067,041	2,157,791	293,986	(215,779)	(29,399)	215,779	29,399
Great British Pounds	GBP	GBP	US$	US$	US$	US$	US$	US$
	139,393	23,089	216,979	38,053	(21,698)	(3,805)	21,698	3,805
EURO	EURO	EURO	US$	US$	US$	US$	US$	US$
	155,100	45,064	188,571	62,153	(18,857)	(6,215)	18,857	6,215
Botswana Pula (BWP)	PULA	PULA	US$	US$	US$	US$	US$	US$
	435,384	70,489	45,802	8,085	(4,580)	(809)	4,580	809
CHF	CHF	CHF	US$	US$	US$	US$	US$	US$
	6,137	-	6,070	-	(607)	-	607	-

27.7 Operational risks
Operational risk is the direct or indirect loss arising from a variety of causes associated with the Society's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks. Operational risks arise from all of the Society's operations and are faced by all sections of the Society.

The Society's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Management of operational risks
The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

* Reconciliation and monitoring of transactions
* Appropriate segregation of duties including the independent authorisation of transactions
* Compliance with regulatory and other legal requirements
* Documentation of controls and procedures
* Training and professional development
* Ethical and business standards
* Risk mitigation including insurance where it is effective
* Development of contingency plans
* Reporting of risks and operational losses to the risk department

Compliance with Society standards is supported by periodic reviews undertaken by Group Internal Audit. The results of these audits are discussed with the management of the business unit to which they relate and summaries are submitted to the Audit Committee and Executive management of the Society.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

28 Capital Management

The regulator (Reserve Bank of Zimbabwe) sets and monitors capital requirements for the Society on a quarterly basis through quarterly BSD1 Returns. In implementing current capital requirements, the RBZ requires the Society to maintain a minimum capital requirement of US$25 million and capital adequacy ratio of 12% as measured by the ratio of total capital to risk weighted assets.

The Society's regulatory capital is analysed into two tiers:
*Tier 1 capital which includes ordinary paid up capital, share premium, retained earnings and general reserves after deducting for goodwill, intangible assets and exposure to insiders and connected counterparties.
*Tier 2 capital which include revaluation reserves and subordinated debt.

Loans and advances to Directors are made on the same terms and conditions as in the normal course of business with the exception of executive Directors which are in accordance with the normal staff mortgage scheme. A special condition allowance has been specifically granted to Stiefel Private Limited Company and the facility was executed in pursuance of OMZIL's Indigenization Plan as agreed with the Minister to acquire 3.5% of OMZIL's fully paid up and issued ordinary share capital. Various limits are applied to elements of the capital base. Tier 2 capital cannot exceed tier 1 capital and qualifying term subordinated loan capital may not exceed 50% of tier 1 capital.

The Society's policy is to maintain a strong capital base so as to maintain depositor confidence and sustain future developments of the business.

The Society's regulatory position as at 31 December 2014 was as follows:

CAPITAL ADEQUACY	31 December 2014 US$	31 December 2013 US$
Tier 1 Capital		
Ordinary class "A" share capital	35 000 000	35 000 000
Retained earnings	70 554 880	46 523 937
Exposures to insiders and connected counterparties	(13 825 531)	(16 668 403)
Less Tier 1 allocated to market risk	(140 161)	(44 133)
Less Tier 1 allocated to operational risk	(7 658 469)	(6 221 050)
Total Tier 1 Capital	83 930 719	58 590 351
Tier 2 Capital		
Tier 2 capital	37 136 027	31 943 985
Total Tier 2 capital	37 136 027	31 943 985
Tier 3 Capital		
Allocation of capital to market risk	140 161	44 133
Allocation of capital to operational risk	7 658 469	6 221 050
Total Tier 3 capital	7 798 630	6 265 183
Total Regulatory capital	128 865 376	96 799 519
Total risk weighted assets	592 980 330	439 540 462
Capital adequacy ratio	22%	22%

29 Significant accounting estimates and judgments

Management discussed with the Audit Committee the development, selection and disclosure of the Society's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (note 27).

Key sources of estimation uncertainty
Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 1.23. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Impairment on loans and advances

The IAS 39 impairment on loans and advances was calculated by comparing the net present value of expected cash flows to the carrying amount of the loan. Management assumed that all non performing loans will be recovered after the foreclosure process which is estimated to take an average period of one year. Where the loan is unsecured management assumed that no amount will be recovered from the borrower and claims will be made to the insurer. For secured loans, the recoverable amount is the lower of security value and outstanding loan amount.

Critical accounting judgments in applying the Society's accounting policies

Critical accounting judgments made in applying the Society's accounting policies include:

Financial asset and liability classification

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

29 Significant accounting estimates and judgments (continued)

The Society's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

• In classifying financial assets or liabilities as "trading", the Society has determined that it meets the description of trading assets and liabilities set out in accounting policy note 1.23.
• In designating financial assets or liabilities at fair value through profit or loss, the Society has determined that it has met one of the criteria for this designation set out in accounting policy note 1.23.
• In classifying financial assets as held-to-maturity, the Society has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy note 1.23.

Useful lives and residual values of property and equipment

The Society assesses useful lives and residual values of property and equipment each year taking into account of past experience and technology changes.

Revaluation of properties

Investment valuation basis was used to determine the fair value of investment properties and owner occupied properties. The method used estimated open market net rental income, which is capitalised using rates based on actual yields achieved from recent sales of properties in similar locality and characteristics. Capitalisation rates used in coming up with value of properties ranged from 8.5% to 12%. Vacant land, land holdings and residential flats are valued according to sales of comparable properties. Near vacant properties are valued at land value less the estimated cost of demolition.

30 Going concern

The Directors have assesed the ability of the Society to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

31 Subsequent events

There were no significant subsequent events affecting the financial statements for the year ended 31 December 2014.

32 Transactions excluded from Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

The Society administers the Distressed Marginalised Fund (DIMAF) on behalf of the Zimbabwean Government at a commission of 3%. The Fund was set up by the Government of Zimbabwe to help revive businesses that would have been vetted as distressed and showing evidence of decline in performance because of inadequate funding for capitalisation. The Fund is revolving in nature, whereby the interest gains are added to the principal amount for further loaning.

The Society is neither liable for the losses nor entitled to gains from the loan facility except for the commission that it earns on granting each loan.

To the extent that the Society is not legally neither liable for the losses nor entitled to the losses or gains respectively of the Fund, the Society excludes the DIMAF transactions from its statement of comprehensive income, statement of financial position and statement of cash flows for the year then ended 31 December 2014.

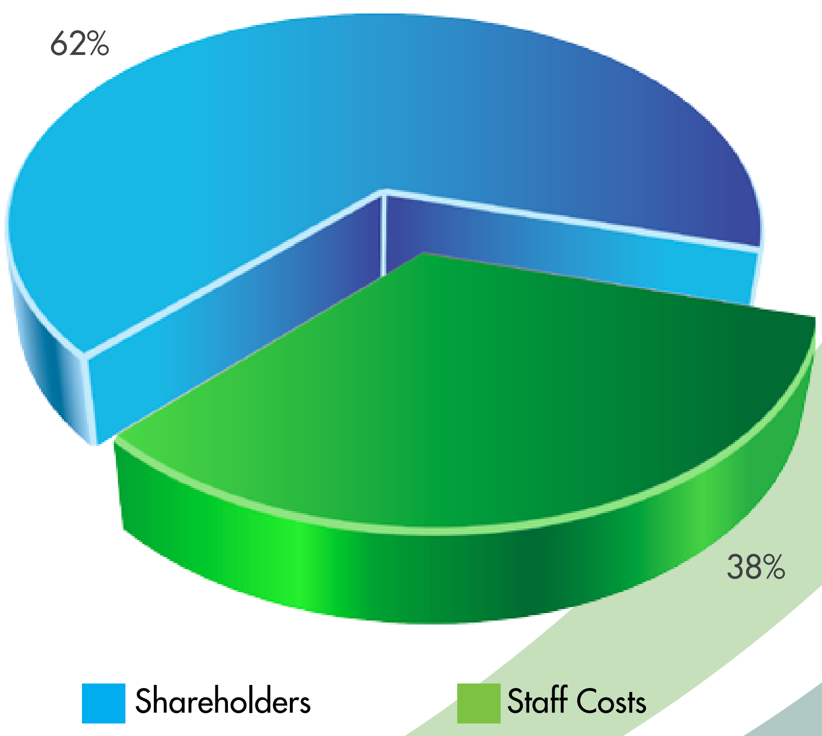
Below is the analysis of the balances;

	31 December 2014 US$	31 December 2013 US$
Principal amount opening balance	21 961 976	17 556 857
New money injected	-	3 329 367
Interest rolled over	1 557 844	1 075 752
Accrued interest	249 581	232 221
Total	23 769 401	22 194 197
DIMAF loans issued	17 038 142	18 517 286
Balance to be issued as loans	6 731 259	3 676 911
Total	23 769 401	22 194 197
Interest on loans issued out	2 004 467	1 580 242

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2014

	31 December 2014 US$
VALUE ADDED	
Interest income	80 499 785
Non-interest income	38 946 661
	119 446 446
Cost of services provided	(71 614 085)
Value added	47 832 361
DISTRIBUTION OF VALUE ADDED	
Employees	
- Staff costs	17 946 695
Share holders	
- Dividends to shareholders	-
Retained for growth	
- Depreciation	5 854 724
- Transfer to general reserve	24 030 942
	29 885 666
Distribution of value added	47 832 361

Distribution of Value Added 2014



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