ANNUAL REPORT - 2012

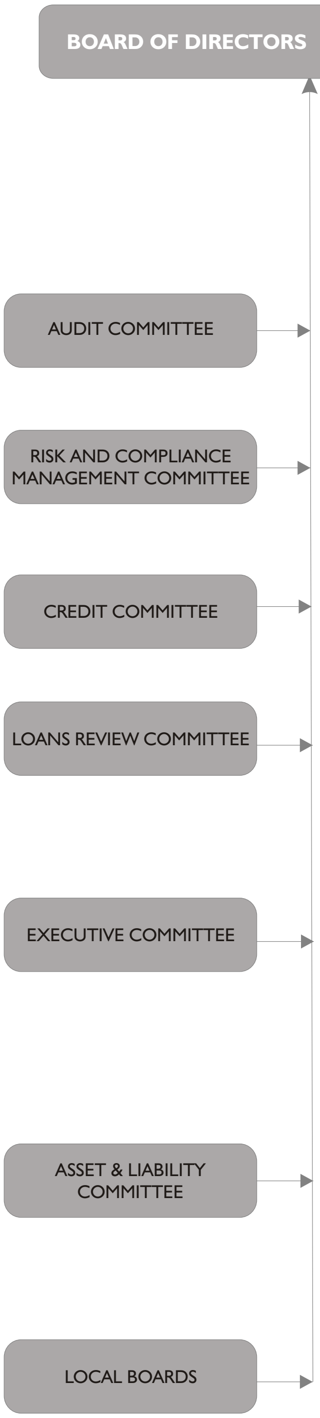
CABS

We want to do things better Do You?

A Member of the OLD MUTUAL Group

CONTENTS

DIRECTORATE AND ADMINISTRATION



BOARD OF DIRECTORS

Dr L L Tsumba	BS BA Finance. MA Econs. PhD Econs. [CHAIRMAN]
L E M Ngwerume	BA (UZ), MBA (UCT)
S J Hammond	C.A.(Z) R.P.A.
P W Fearnhead	C.A.(SA) C.A.(Z) R.P.A.
T M Johnson	B.Com DIP IMM
D L Stephenson	
A K T Matika	MSc FIBSA
J O Meikle	B.Com (Hons) BSc DIP AGRIC
B L Nkomo	B.Tech Acc
I T Mashinya	C.A.(Z) R.P.A. MBL. B.COMPT (Hons)
K Terry*	BL LLB [MANAGING DIRECTOR]
J Mushosho	B.Acc; Bcompt (Hons); MBA; FCIS; CA (SA), CA (Z)

AUDIT COMMITTEE

P W Fearnhead	C.A.(SA) CA(Z) R.P.A. [CHAIRMAN]
D L Stephenson	
B L Nkomo	B.Tech Acc

RISK AND COMPLIANCE MANAGEMENT COMMITTEE

T M Johnson	B.Com DIP IMM [CHAIRMAN]
K Terry*	BL LLB [MANAGING DIRECTOR]
I T Mashinya	C.A.(Z) R.P.A. MBL. B.COMPT (Hons)

CREDIT COMMITTEE

D L Stephenson	Non Executive Director[CHAIRMAN]
S J Hammond	C.A.(Z) R.P.A.
I T Mashinya	C.A.(Z) R.P.A. MBL. B.COMPT (Hons)

LOANS REVIEW COMMITTEE

T M Johnson	B.Com DIP IMM [CHAIRMAN]
L E M Ngwerume	BA (UZ), MBA (UCT)
A K T Matika	MSc FIBSA

EXECUTIVE COMMITTEE

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

ASSET & LIABILITY COMMITTEE

K Terry*	[MANAGING DIRECTOR]
M A Finnigan	[GENERAL MANAGER - RETAIL BANKING & BUSINESS SERVICES]
C T Ndoro	[GENERAL MANAGER - CORPORATE BANKING]
A Chaavure	[CHIEF FINANCIAL OFFICER]
E Mujekenyeki	[HEAD OF RISK]
J Mapiye	[CORPORATE TREASURER]
J Jabangwe	[GENERAL MANAGER - OPERATIONS]

LOCAL BOARDS

Manicaland

F J Meglic	B.Com [CHAIRMAN]
C K Holland	FEVI
Dr J W Pfumojena	MB CHB (BIRMINGHAM) MRCP (UK)
J O Meikle	B.Com (Hons) BSc DIP AGRIC

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: +263 4 883 823, Fax: +263 4 883 804

AUDITORS

Deloitte & Touche
Kenilworth Gardens Complex, 1 Kenilworth Road, Newlands, Harare, Zimbabwe.
Telephone: +263 4 746248-54, Fax: +263 4 746255

*Denotes executive director

NOTICE TO MEMBERS

FOR THE YEAR ENDED 31 DECEMBER 2012

AGENDA

Notice is hereby given that the fifty eighth (58th) Annual General Meeting of members will be held in the Auditorium, CABS Administration Centre, Northend Close, Northridge Park, Highlands, Harare on, Tuesday, 19 March 2013 at 1145 hours.

ORDINARY BUSINESS

1. Notice of Meeting and Quorum.
2. Minutes of the previous AGM held on 20 March 2012.
3. To receive, consider and adopt the Financial Statements and Directors' and Auditors' Reports for the financial year ended 31 December 2012.
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 elect Directors.
   a. To note the retirement of Mr A K T Matika from the Board of the Society with effect from 31 December 2012.
   b. Messrs. I T Mashinya, T M Johnson, J O Meikle and P W Fearnhead retire with effect from 19 March 2013 in terms of Article 71 of the Rules of the Society.
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.

SPECIAL BUSINESS

1. To consider, and if deemed fit, pass the following resolutions with, or without amendments:
   That the Directors be, and are hereby, authorised to transfer from the Non-Distributable Reserves an amount of US$20,000,000.00 (twenty million United States Dollars) to Ordinary Share Capital.

By order of the Board

L T KARUMAZONDO
GROUP COMPANY SECRETARY

Central Africa Building Society
HARARE
Monday, 25 February 2013.

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ANNUAL FINANCIAL REVIEW

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012 Twelve months US$	31 December 2011 Eighteen months US$
ASSETS		
Cash and cash equivalents	60 414 256	17 089 923
Financial assets at fair value through profit or loss	56 832 864	51 827 879
Other assets	8 805 625	5 922 818
Intangible asset	9 906 608	3 015 976
Loans and advances	278 159 319	194 476 930
Property and equipment	47 655 695	37 989 502
Investment property	26 132 353	24 598 989
Total assets	487 906 720	334 922 017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	355 941 901	233 470 047
Credit lines	19 171 536	21 546 007
Other liabilities	18 488 114	17 545 050
Shareholders' funds	94 305 169	62 360 913
Total liabilities and shareholders' equity	487 906 720	334 922 017
INCOME AND EXPENSES		
Net interest income	29 759 979	23 212 277
Impairment	(2 134 225)	(598 480)
	27 625 754	22 613 797
Non interest income	22 860 218	17 930 170
	50 485 972	40 543 967
Operating expenses	(28 277 678)	(25 710 701)
- Administration	(15 064 315)	(14 307 206)
- Depreciation	(2 112 976)	(1 499 002)
- Staff costs	(11 100 387)	(9 904 493)
	22 208 294	14 833 266
Fair value adjustment on investment properties	1 533 364	4 030 963
Net surplus for the year	23 741 658	18 864 229

CAPITAL ADEQUACY

Tier 1 Capital	**US$**	**US$**
Ordinary class "A" share capital	15 000 000	15 000 000
Retained earnings	30 560 857	7 658 124
Exposures to insiders and connected counterparties	(12 533 721)	(6 114 380)
Less Tier 1 allocated to market risk	(164 329)	(107 117)
Les Tier 1 allocated for operational risk	(3 378 206)	(2 142 584)
Tier 1 Capital	29 484 601	14 294 043
Tier 2 Capital		
Tier 2 capital	29 484 601	14 294 043
Total tier 2 capital	29 484 601	14 294 043
Tier 3 Capital		
Allocation of capital to market risk	164 329	107 117
Allocation of capital to operational risk	3 378 206	2 142 584
Total qualifying tier 3 capital	3 542 535	2 249 701
Total regulatory capital	62 511 737	30 837 787
Total risk weighted assets	375 036 003	255 393 631
Capital adequacy ratio	17%	12%
Regulatory minimum capital adequacy ratio	12%	10%
Liquidity ratio	33%	30%
Total liquid assets	117 247 120	68 917 802
Total liabilities to the public	355 941 901	233 470 047
Return on average assets	6%	8%
Surplus for the year	23 741 658	18 864 229
Average assets	411 414 369	237 586 607
Return on equity	25%	30%
Surplus for the year	23 741 658	18 864 229
Shareholders' equity	94 305 169	62 360 913
Cost to income ratio	56%	63%

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

Dear Shareholder

Environment

The economic stability brought about by the introduction of a multi-currency system, and the formation of the inclusive government, continued through 2012. The economy is estimated to have grown by 4.4% in 2012, down from 9.3% in 2011. Economic growth is, however, expected to continue through 2013, underpinned by strong growth in the mining and agriculture sectors of the economy. Banking sector deposits increased from $3,3 billion as at 31 December 2011, to $4,4 billion as at 31 December 2012.

Financial Results

Your Society recorded a surplus of $23,74 million during the twelve months ended 31 December 2012. This surplus was due to improvements in both interest and non interest income. Net interest income increased by 28%, in line with the increase in loans and advances. Net interest income contributed 57% to the Society's total income, signaling a return to the Society's core business. Non interest income increased by 27% mainly due to increases in the number of transactions through the Society's various delivery channels. Operating costs increased by 10% during the period under review. The cost to income ratio was 56%, down from 63% registered in 2011.

Total assets increased by 46% during the period under review. This robust growth was driven by deposit growth of 52% during the same period. The Society's total loans and advances increased from $194,48 million as at 31 December 2011, to $278,16 million as at 31 December 2012. Included in the total loan book is $97,04 million for ten year mortgages issued since the beginning of August 2010.

Liquidity Management

The Society remains prudent when lending funds to various sectors of the economy. The Society continues to place great priority on ensuring that customers access to their funds whenever they wish to do so.

Human Resources

Industrial relations remained cordial. The Society retained key staff during the twelve months under review, thus ensuring overall steady industrial relations going forward.

Operations

Your Society achieved the following milestones during the year under review. It;

* Reopened eight branches, to make banking more accessible throughout the country;
* Rolled out agents to support the mobile banking initiative;
* Deployed more point of sale terminals to promote use of plastic money in what is becoming a predominantly cash economy;
* Disbursed $2,13 million under the Youth Fund loan Scheme;
* Disbursed $13,81 million under the Distressed Marginalised Areas Fund (DIMAF);
* Mobilised an additional $4,8 million, from Shelter Afrique, to finance long term mortgage loans.

Corporate Social Responsibility

At CABS we recognised the need to continuously plough back into the communities in which we operated during the period under review. As always, therefore, your Society undertook a number of initiatives in support of education, sports and culture.

Corporate Governance

The Board of Directors and Management remain committed to the best, and most up to date, practice 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 continually to develop systems and procedures that will further safeguard the Society's assets.

Compliance Issues

The Society was in full compliance with all relevant regulatory requirements and pronouncements.

New Additional Disclosure Requirements.

In line with international standards, the Reserve Bank of Zimbabwe requires all financial institutions to publish their CAMELS rating; (Capital Adequacy, Asset Quality), Management, Earnings, Liquidity and Sensitivity to Market Risk, Risk Assessment System, and Risk Matrix ratings. A financial institution must also publish its credit ratings by a reputable credit rating agency, accredited with the Reserve Bank of Zimbabwe.

There was no onsite visit by the Reserve Bank of Zimbabwe during the period under review. Therefore, there are no ratings to publish at this time. Ratings will be published when available. The Society, however, continues to be rated highly by Global Credit Rating Company (GCR). The latest ratings are as follows: 2012 A+; 2011 A+; 2010 A+; 2009 A+; 2008 A+; 2007 A+.

CHAIRMAN'S STATEMENT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

Directorate

During the year under review, Mr A K T Matika retired from the Board of Directors with effect from 31 December 2012. On behalf of the Board, I take this opportunity to thank him for his contribution.

The Society welcomes Mr J Mushosho who accepted appointment to the Board with effect from 1 October 2012.

Future Prospects

Your Society is pursuing a number of initiatives to enhance its role in banking and housing finance. I have no doubt, therefore, that CABS will naturally continue to be an important force in the financial services sector, as these initiatives consolidate and begin to bear fruit.

DR L.L. TSUMBA
CHAIRMAN

19 March 2013

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2012

Your directors have pleasure in presenting the financial statements and their report for the year ended 31 December 2012.

Results of operations	**31 December 2012 Twelve months US$**	**31 December 2011 Eighteen months US$**
The operating results for the year ended 31 December 2012 were as follows:-		
Net interest income	29 759 979	23 212 277
Impairment	(2 134 225)	(598 480)
	27 625 754	22 613 797
Non-interest income	22 860 218	17 930 170
	50 485 972	40 543 967
Operating expenses	(28 277 678)	(25 710 701)
	22 208 294	14 833 266
Fair value adjustment on investment properties	1 533 364	4 030 963
Net surplus for the year before appropriations	23 741 658	18 864 229

The appropriations for the year were as follows:-	**31 December 2012 Twelve months US$**	**31 December 2011 Eighteen months US$**
Dividends on Ordinary "A" Class shares	-	(10 000 000)
Regulatory impairment allowance	(838 925)	(1 775 136)
Transfer to retained earnings	23 741 658	18 864 229
Total appropriations for the financial year	22 902 733	7 089 093

LOANS AND ADVANCES

The prevailing liquidity challenges constrained the Society's ability to lend. The demand for mortgage borrowing is high and the Society issued $19,76 million ten year mortgage facilities during the current financial year. The Society's loan book stood at $278,16 million as at 31 December 2012 compared with $194,48 million as at 31 December 2011. Efforts to mobilise more deposits for long term mortgage lending are ongoing. The Society is actively involved in housing initiatives to help improve housing delivery in the economy.

TOTAL ASSETS

The total assets of the Society were $487,91 million as at 31 December 2012. Properties were revalued at 31 December 2012 on a fair value basis as detailed in notes 12 and 13 to the financial statements.

LIQUIDITY

Cash and cash equivalents totalled $60,41 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).

DIRECTORATE

In terms of the Society's rules, Messrs. I T Mashinya, S J Hammond, P W Fearnhead and J O Meikle retire at the Annual General Meeting. Messrs. I T Mashinya, S J Hammond, P W Fearnhead and J O Meikle retiring and being eligible, do not offer themselves for re-election. Mr J Mushosho became a new board of directors member with effect from 1 October 2012 while Mr A K T Matika retired from the Society's Board with effect from 31 December 2012.

The following directors were appointed to the the Society's Board with effect from 1 January 2013; Messrs, B Zamchiya, D Long, W Alberts and Mrs R D C Chitengu. Mr A E Siyavora was appointed to the Society's Board with effect from 1 March 2013.

REPORT OF THE DIRECTORS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

Details of the directors' fees are contained in note 6 to the financial statements.

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 believe 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 19 March 2013 and were signed on its behalf by:

DR L L TSUMBA
CHAIRMAN

K TERRY
MANAGING DIRECTOR

Harare
19 March 2013

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 (including special meetings, sessions devoted to strategy and business planning). Attendance was as tabled below.

Attendance register					
	Main Board	Audit Committee	Risk and Compliance Management Committee	Credit Committee	Loans Review Committee
Number of meetings held	6	5	4	4	4
Tsumba L L (Dr)	6				
Fearnhead P W	5	2			
Hammond S J	6			4	
Johnson T M	5	2	4		4
Matika A K T	6				4
Mashinya I T	6		4	3	
Meikle J O	5				
Nkomo B L	6	5			
Stephenson D L	6	3		4	
Terry K	5		3		
Ngwerume L E M	5				2
Mushosho J*	1				

* Mr J Mushosho joined the board of directors on 1 October 2012.

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 both 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 one executive and eleven non-executive directors, as identified on page 3 of this document. Messrs. J Mushosho, L EM Ngwerume, S J Hammond and I T Mashinya are also Directors of the Society's parent company, Old Mutual Zimbabwe Limited. With the exception of Messrs L E M Ngwerume, S J Hammond, I T Mashinya, J Mushosho and A K T Matika, 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 of the Board met five times during the year ended 31 December 2012. 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.

During the year Mr. T M Johnson ceased to be a member of the audit committee and Mr D L Stephenson was appointed.

CREDIT COMMITTEE

The Credit Committee met four times during the year ended 31 December 2012. 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. Changes in the credit committee include a new member Mr I T Mashinya while T M Johnson and K Terry resigned as members.

EXECUTIVE COMMITTEE

The Executive Committee comprises the Managing Director and senior executives. The committee meets on a monthly basis and its terms of reference include, within predefined parameters, the approval of mortgages and recommendations to the Credit Committee or the Board on the same, recommendations to the Board on appropriate properties for purchase and /or development, capital expenditures and control of the Regional Boards and lending authorities.

CORPORATE GOVERNANCE (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

ASSET AND LIABILITIES COMMITTEE (ALCO)

The Committee comprises the Managing Director, the Chief Financial Officer, General Manager-Operations,General Manager - Corporate Banking, General Manager - Retail Banking and Business Services, Corporate Treasurer and Head of Risk. 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 Management Committee met four times during the year ended 31 December 2012. 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. The committee comprises two non-executive directors and one executive director.

LOAN REVIEW COMMITTEE

The Loans Review Committee met four (4) times during the year ended 31 December 2012. The Loans Review Committee is the vehicle through which Directors provide a framework to review all loans granted. It reviews a reasonable sample of all loans granted to ensure that they fall within the set parameters for granting loans and ensure that reasonable and justifiable reasons exist for all loans granted that fall outside the set parameters as well as loans declined. The Committee reviews the lending policy, credit risk policy and strategy to ensure that it is operating effectively to achieve the Society's objectives. 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 Loans Review Committee on their effectiveness. The Committee comprises of three non executive Directors.

RISK MANAGEMENT

1. Market Risk

This refers to the potential negative impact on earnings as a result of unfavourable changes in the market value of assets and liabilities. The main component of market risk that affects the Society is fluctuations in interest rates which may unfavourably affect the Society's earnings and value of its assets, liabilities and capital.

The Asset and Liabilities Committee determines the level of risk appetite. This is monitored by the Treasury and Credit Departments on a regular basis. Regular reports are produced for review by the ALCO and relevant senior management.

2. Operational Risk

This risk refers to direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes risk allied to the processing of transactions, legal risk and risks associated with project management.

3. Compliance Risk

Compliance risk concerns the risk that the Society and individuals may fail to meet the standards and behaviour expected by financial services regulators who are concerned with their activities, whether prescribed or otherwise.

The Society has an independent compliance function that administers 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 Committee and Board meetings.

4. Credit Risk

Credit risk is defined as the inability or failure by a counter-party to meet commitments with respect to lending, trading, hedging, settlement and other financial related obligations as and when they fall due.

The Society strives to achieve a diversified and well spread credit portfolio which optimises the risk /reward relationship. In pursuit of this goal, the Society's approach is to understand the diversity of risk and to manage it with strong emphasis on reduction and mitigation, thereby maximising returns for the risk assumed. The Management Credit Committee and ALCO are accountable for the effectiveness of the credit policy.

5. Fraud Risk

This refers to any activities involving dishonesty or deception which may result in the diminution of shareholder value across the Society, either through financial loss or reputational damage, whether or not there is personal benefit to the fraudster.

Management throughout the Society is responsible for ensuring that the central framework, which assists the prevention, detection and commissioning of an investigation of fraud are operating effectively. All employees of the Society have a duty to report any fraud that is suspected or discovered. All frauds that are discovered or suspected are investigated immediately.

CORPORATE GOVERNANCE (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

6. Liquidity Risk
Liquidity risk is failure to manage the availability of assets to meet changing market conditions, meeting of liabilities, funding asset purchases or meeting an increase in clients demand for cash.

The Society has in place an agreed and documented strategy for the day to day management of liquidity. The strategy execution is the responsibility of ALCO.

7. Reputational Risk
This risk has a number of key components, two most important ones being:

* corporate reputation which relates to the Society's performance, strategy, execution and delivery. This is intertwined with management's reputation risk (and governance by the Board) in their ability to create shareholder value;
* operational or business reputational risk where an activity, action or stance taken by the Society, any of its constituent entities, or its officials will impair its image with one or more of its stakeholders and this will result in loss of business and or disproportionate decrease in the value to the Society.

The principles applied to the reputational process by the Society include:

* adopting good management practices of building reputation capital, earning goodwill of key stakeholders and securing the Society's licence to operate;
* managing reputation risk through a process of anticipation, risk analysis and then attempting to manage expectations both internally and externally.

8. 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. Strategic risk mitigation is done through formulation and implementation of operational (action) plans. 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. Monitoring of progress against 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.

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 system of internal controls, 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 executive director receives monthly summaries of financial results of the Society’s business operations and supplied to all members of the Board. Additionally, the executive 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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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CENTRAL AFRICA BUILDING SOCIETY

FOR THE YEAR ENDED 31 DECEMBER 2012

We have audited the accompanying financial statements of Central Africa Building Society as set out on pages 13 to 44, which comprise the statement of comprehensive income for the year ended 31 December 2012, the statement of financial position at 31 December 2012, the statement of changes in equity and 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 other explanatory notes.

Directors' Responsibility for the Financial Statements
The Society's 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 Society Act (Chapter 24:02) of Zimbabwe. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free of 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Africa Building Society at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements
In our opinion, the financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Building Society Act (Chapter 24:02) of Zimbabwe.

Deloitte & Touche

Deloitte & Touche
Harare, Zimbabwe
19 March 2013

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	31 December 2012 Twelve months US$	31 December 2011 Eighteen months US$
Interest income	3	49 331 911	37 343 453
Interest expense	3	(19 571 932)	(14 131 176)
Net interest income		29 759 979	23 212 277
Impairment	4	(2 134 225)	(598 480)
		27 625 754	22 613 797
Fee and commission income	5.1	22 553 842	18 123 576
Other income/(expenses)	5.2	306 376	(193 406)
Operating income for the year		50 485 972	40 543 967
Operating expenses	6	(28 277 678)	(25 710 701)
Fair value adjustment on investment property	13	1 533 364	4 030 963
Net surplus for the year		23 741 658	18 864 229
Other comprehensive income		6 251 341	3 089 075
Gains on revaluation of owner occupied property	12	7 090 266	4 864 211
Regulatory impairment allowance	4	(838 925)	(1 775 136)
Total comprehensive income for the year		29 992 999	21 953 304

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	31 December 2012 US$	31 December 2011 US$
ASSETS			
Cash and cash equivalents	7	60 414 256	17 089 923
Financial assets at fair value through profit or loss	8.1	56 832 864	51 827 879
Other assets	9	8 805 625	5 922 818
Intangible asset	10	9 906 608	3 015 976
Loans and advances	11	278 159 319	194 476 930
Property and equipment	12	47 655 695	37 989 502
Investment property	13	26 132 353	24 598 989
Total assets		487 906 720	334 922 017
LIABILITIES			
Deposits	15	355 941 901	233 470 047
Credit lines	16	19 171 536	21 546 007
Other liabilities	17	5 781 133	5 379 685
Provisions	18	12 706 981	12 165 365
Total liabilities		393 601 551	272 561 104
SHAREHOLDERS' EQUITY			
Ordinary class "A" share capital	19.1	15 000 000	15 000 000
Retained earnings	19.2	30 560 857	7 658 124
Regulatory provision reserves	19.3	2 614 061	1 775 136
Non distributable reserves	19.4	21 445 851	21 445 851
Revaluation reserves	19.5	23 572 068	16 481 802
Share based payment reserves	19.6	1 112 332	-
Total shareholders' equity		94 305 169	62 360 913
Total liabilities and equity		487 906 720	334 922 017

DR L L TSUMBA
CHAIRMAN

K TERRY
MANAGING DIRECTOR

HARARE
19 March 2013

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	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 2012	15 000 000	21 445 851	-	16 481 802	7 658 124	1 775 136	62 360 913
Net surplus for the year	-	-	-	-	23 741 658	-	23 741 658
Other comprehensive income for the year	-	-	-	7 090 266	(838 925)	-	6 251 341
Regulatory impairment allowance	-	-	-	-	-	838 925	838 925
Share based payment reserves	-	-	1 112 332	-	-	-	1 112 332
Balance as at 31 December 2012	15 000 000	21 445 851	1 112 332	23 572 068	30 560 857	2 614 061	94 305 169

FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2011

	Share capital US$	Non Distributable reserves US$	Share based pay reserves US$	Revaluation reserves US$	Retained earnings US$	Regulatory provision reserves US$	Total equity US$
Balance as at 1 July 2010	12 500 000	23 945 851	-	11 617 591	569 031	-	48 632 473
Net surplus for the period	-	-	-	-	18 864 229	-	18 864 229
Other comprehensive income for the period	-	-	-	4 864 211	(1 775 136)	-	3 089 075
Dividends on Ordinary Class "A" shares	-	-	-	-	(10 000 000)	-	(10 000 000)
Regulatory impairment allowance	-	-	-	-	-	1 775 136	1 775 136
Capitalisation issue of Ordinary Class "A" shares	2 500 000	(2 500 000)	-	-	-	-	-
Balance as at 31 December 2011	15 000 000	21 445 851	-	16 481 802	7 658 124	1 775 136	62 360 913

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	31 December 2012 Twelve months US$	31 December 2011 Eighteen months US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year		23 741 658	18 864 229
Non - cash items:			
Fair value adjustment on financial instruments	5.2	(670 900)	574 546
Profit on sale of property and equipment	5.2	(2 331)	(34 171)
Depreciation	6	2 112 976	1 499 002
Fair value adjustment on investment property	13	(1 533 364)	(4 030 963)
Accrued interest on credit lines	16	538 333	855 000
Share based payments provisions	25.1	1 112 332	-
Provisions and accruals		2 900 239	225 021
Operating cash inflows before working capital changes		28 198 943	17 952 664
Increase in other assets		(2 882 807)	(4 082 592)
Increase in loans and advances		(86 041 012)	(173 270 811)
(Increase)/ decrease in financial assets at fair value through profit and loss		(4 334 085)	296 889
Increase in deposits		122 471 854	144 743 032
Increase in other liabilities		401 448	4 559 492
Net cash inflows/(outflows) from operating activities		57 814 341	(9 801 326)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets	10	(6 890 632)	(2 572 837)
Additions to property and equipment	12	(4 689 572)	(2 382 346)
Proceeds from sale of property and equipment		3 000	178 528
Net cash inflows/(outflows) before financing activities		46 237 137	(14 577 981)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credit lines (paid)/received		(2 912 804)	20 691 007
Net cash (outflows)/inflows from financing activities		(2 912 804)	20 691 007
NET INCREASE IN CASH AND CASH EQUIVALENTS		43 324 333	6 113 026
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		17 089 923	10 976 897
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	60 414 256	17 089 923

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1 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 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 Society Act (Chapter 24:02).

1.4 Approval of financial statements

The financial statements were approved by the board on 19 March 2013.

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 IFRSs 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 ongoing 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 IFRS7) 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Other accounting developments (continued)

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. Disclosure 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.

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 costs capitalised is amortised over its useful life but not exceeding a period of four 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 provision 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 method 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Employee benefits (continued)

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 has demonstrated commitment, 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 12.5% 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 $6 per employee per month.

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 equity 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 or 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.

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 and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring 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, plant 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 and 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 Property and equipment (continued)

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.

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

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, plant 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 loss 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 generate cash inflows largely independent of those from other assets, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 and 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 and 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.23 Financial instruments

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 and loans and receivable instruments are measured at amortised cost.

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 fair value through profit and 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.

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 level. 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 continue 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 that it would have been had there been no impairment.

The Society also considers the requirements of the Reserve Bank of Zimbabwe guidelines on loan loss provisioning. Where the regulatory provisions are higher than the impairment per IAS 39, the excess is treated as an appropriation to equity.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.23 Financial instruments (continued)

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

1.25 Inventories
Inventories comprise largely of costs for the 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 and includes 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 9.2.

1.26 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.

1.27 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 losses.

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 amortisation period and the amortisation method is 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 amortisation 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 recognised 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 capitalised 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 capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1.28.1 New and revised IFRSs mandatorily effective at the end of the reporting period with no material effect on the reported amounts and disclosures in the current period or prior period

There were no new or revised IFRSs that became mandatorily effective at the end of the reporting period that were applied by the Society.

1.28.2 Amendments to IFRSs mandatorily effective at the end of the reporting period with no material effect on the reported amounts and disclosures in the current period or prior period

The following amendments to IFRSs were mandatorily effective and adopted by the Society as at the end of the reporting period, but did not have a material effect on the current or previously reported financial performance or financial position.

IFRS 7 Financial Instruments: Disclosures (amended 2010)
The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

1.28.3 New, revised and amended IFRSs mandatorily effective at the end of the reporting period with a material effect on the reported amounts and disclosures in the current and prior period

There were no new, revised or amended IFRSs mandatorily effective at the end of the reporting period that had a material effect on the reported amounts and disclosures in the financial statements.

1.28.4 New, revised and amended IFRSs in issue, but not yet mandatorily effective at the end of the reporting period and not yet adopted

As at the end of the reporting period, the following IFRS were in issue, optionally effective, but not early adopted by the Society;

IAS 27 Separate Financial Statements (issued May 2011, effective January 2013)
This is an amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.

The standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.

The standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

The future application of this IFRS will not have a material impact on the Society's financial statements, as it does not currently prepare consolidated and separate financial statements.

IAS 28 Investments in Associates and Joint Ventures (issued May 2011, effective January 2013)
This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
The standard defines significant influence and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

The future application of this IFRS will not have a material impact on the Society's financial statements, as it does not currently have any associates or joint ventures.

IFRS 9 Financial Instruments (issued November 2009, effective January 2013)
IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances);

Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss;

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.28 Application of new and revised international financial reporting standards (continued)

1.28.4 New, revised and amended IFRSs in issue, but not yet mandatorily effective at the end of the reporting period and not yet adopted (continued)

All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss; and

The concept of 'embedded derivatives' does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

1.28.5 New, revised and amended IFRSs in issue, but not yet mandatorily effective at the end of the reporting period and not yet adopted

The future application of these IFRS will not have a material impact on the Society's financial statements, as the Society currently measures its borrowings at amortised cost, does not have any investments in equity instruments and does not have any financial instruments with embedded derivatives.

IFRS 9 Financial Instruments (issued October 2010, effective January 2015)
This is a revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss. In these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The future application of this IFRS will not have a material impact on the Society's financial statements, as the Society currently measures its borrowings at amortised cost and has no future intention to measure them at fair value.

IFRS 10 Consolidated Financial Statements (issued 12 May 2011, effective 1 January 2013)
Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and Standing Interpretations Committee (SIC) 12 Consolidation - Special Purpose Entities.

The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the returns.

The future application of this IFRS will not have a material impact on the Society's financial statements, as the Society currently does not have any entities over which it exercises control, as based on the revised IFRS 10 basis.

IFRS 11 Joint Arrangements (issued May 2011, effective January 2013)
This standard replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

- a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly)
- a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted.

The future application of this IFRS will not have a material impact on the Society's financial statements, as the Society currently does not have joint operations or joint ventures as defined in IFRS 11.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.28 Application of new and revised international financial reporting standards (continued)

1.28.5 New, revised and amended IFRSs in issue, but not yet mandatorily effective at the end of the reporting period and not yet adopted (continued)

IFRS 12 Disclosure of Interests in Other Entities (issued May 2011, effective January 2013)
Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined;
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on;
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information); and
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

The future application of this IFRS is expected to result in the Society's financial statements including additional qualitative and quantitative disclosures regarding its interests in certain unconsolidated structured entities, such as its major suppliers, customers and lenders.

IFRS 13 Fair Value Measurement (issued 12 May 2011, effective January 2013)
Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. It does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for the asset or liability.

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

The future application of this IFRS will not have a material impact on the Society's financial statements, as the Society's financial instruments are currently all measured at amortised cost, and there is no intention to change their classification or measurement basis.

IAS 19 Employee Benefits (amended June 2011, effective January 2013)
Amends IAS 19 Employee Benefits with revised requirements for pensions and other post-retirement benefits, termination benefits and other changes.

The key amendments include:
- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19);
- Introducing enhanced disclosures about defined benefit plans;
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits;
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features;
- Incorporating other matters submitted to the IFRS Interpretations Committee.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.28 Application of new and revised international financial reporting standards (continued)

1.28.5 New, revised and amended IFRSs in issue, but not yet mandatorily effective at the end of the reporting period and not yet adopted (continued)

The future application of this IFRS is not expected to have a material effect on the Society's financial statements, with respect to accounting for defined benefit plans, as it does not operate or participate in defined benefit pension schemes; but will have an impact on accounting of termination benefits for employee retrenchments and resignations that occur in the future.

IAS 1 Presentation of Financial Statements (amended June 2011, effective on annual reporting periods beginning on or after July 2012)

Amends IAS 1 Presentation of Financial Statements to revise the way other comprehensive income is presented.

The amendments:
- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and other comprehensive income, ("OCI") to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' rather than requiring a single continuous statement as was proposed in the exposure draft;
- Require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently, i.e. those that might be reclassified and those that will not be reclassified;
- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

The future application of this IFRS will have an impact on the Society's financial statements, in the event that any transaction or events that result in items of OCI arise, and are therefore required to be presented as described above.

IFRS 7 Financial Instruments: Disclosures (amended December 2011, effective January 2013)
Amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosures to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS32.

The future application of this IFRS is not expected to have a material effect on the Society's financial statements, as it does not offset any of its financial instruments.

IAS 32 Financial Instruments: Presentation (amended December 2011, effective January 2014)
Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:
- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The future application of this IFRS is not expected to have a material effect on the Society's financial statements, as it does not offset any of its financial instruments.

IFRS 1 First-time Adoption of International Financial Reporting Standards (amended March 2012, effective January 2013)
Amends IFRS 1 First-time Adoption of International Financial Reporting Standards to address how a first-time adopter would account for a government loan with a below-market rate interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance in relation to accounting for government loans.

The future application of this IFRS is not expected to have any effect on the Society's financial statements, as it is not a first-time adopter of IFRSs, and neither does it have any government loans.

Annual Improvements 2009-2011 Cycle (issued May 2012, effective January 2013)
Makes amendments to the following standards:
- IFRS 1 - Permits the repeated application of IFRS 1, borrowing costs on certain qualifying assets;
- IAS 1 - Clarification of the requirements for comparative information;
- IAS 16 - Classification of servicing equipment;
- IAS 32 - Clarification that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes;
- IAS 34 — Clarification of interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.28 Application of new and revised international financial reporting standards (continued)

1.28.5 New, revised and amended IFRSs in issue, but not yet mandatorily effective at the end of the reporting period and not yet adopted (continued)

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Issued June 2012, effective January 2013)
Amends IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, to provide additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (Issued October 2012, effective January 2014)
Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries;
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

1.29 Comparative Information

- Intangible assets of $3.01 million which were previously classified under Other Assets have been disclosed separately as they have become more significant in the current period. This significant change in the balance necessitated the separate disclosure.
- Comparisons from the prior year period relate to a period of eighteen months. Hence the comparatives are for a twelve month period in current year and an eighteen month period in the prior year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

2 Financial assets and liabilities

As at 31 December 2012

	Note	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	60 414 256	-	-	-	60 414 256	60 414 256
Financial assets at fair value through profit or loss	8.1	-	56 832 864	-	-	56 832 864	56 832 864
Other financial assets carried at amortised cost	9.1	-	-	-	5 195 348	5 195 348	5 195 348
Loans and advances	11	-	-	278 159 319	-	278 159 319	278 159 319
		60 414 256	56 832 864	278 159 319	5 195 348	400 601 787	400 601 787
Liabilities							
Savings deposits	15	-	209 679 541	-	140 351 856	350 031 397	350 031 397
Term deposits	15	-	-	-	5 910 504	5 910 504	5 910 504
Credit lines	16	-	-	-	19 171 536	19 171 536	19 171 536
Other liabilities	17	-	-	-	5 781 133	5 781 133	5 781 133
		-	209 679 541	-	171 215 029	380 894 570	380 894 570

As at 31 December 2011

	Note	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	17 089 923	-	-	-	17 089 923	17 089 923
Financial assets at fair value through profit or loss	8.1	-	51 827 879	-	-	51 827 879	51 827 879
Other financial assets carried at amortised cost	9.1	-	-	-	3 504 579	3 504 579	3 504 579
Loans and advances	11	-	-	194 476 930	-	194 476 930	194 476 930
		17 089 923	51 827 879	194 476 930	3 504 579	266 899 311	266 899 311
Liabilities							
Savings deposits	15	-	138 465 657	-	90 378 983	228 844 640	228 844 640
Term deposits	15	-	-	-	4 625 407	4 625 407	4 625 407
Credit lines	16	-	-	-	21 546 007	21 546 007	21 546 007
Other liabilities	17	-	-	-	5 379 685	5 379 685	5 379 685
		-	138 465 657	-	121 930 082	260 395 739	260 395 739

3 Net interest income

	Notes	31 December 2012 Twelve months US$	31 December 2011 Eighteen months US$
Interest income		49 331 911	37 343 453
Fixed deposits		6 100 316	8 298 483
Loans and advances		43 231 595	29 044 970
Interest expense		(19 571 932)	(14 131 176)
Credit lines		(1 668 662)	(919 064)
Savings certificates deposits		(16 460 748)	(12 297 133)
Term deposits		(278 971)	(275 118)
Interest plus		-	(180)
Savings deposits		(1 163 551)	(639 681)
Net interest income		29 759 979	23 212 277

4 Impairment

	Notes	31 December 2012 Twelve months US$	31 December 2011 Eighteen months US$
Opening balance		3 864 966	1 491 350
Movement through other comprehensive income		838 925	1 775 136
Movement through comprehensive income		2 134 226	598 480
Closing balance		6 838 117	3 864 966
Analysis of closing balance:			
Bad debts on accrued rental		631 139	855 536
Regulatory provision reserves	19.3	2 614 061	1 775 136
Loans and advances	11	3 592 917	1 234 294
		6 838 117	3 864 966

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

		Notes	31 December 2012 Twelve months US$	31 December 2011 Eighteen months US$
5	**Non interest income**			
5.1	**Fee and commission income**			
	Commission		1 914 427	1 425 891
	Service fees		14 822 978	15 610 856
	Administration fees		5 816 437	1 086 829
			22 553 842	18 123 576
5.2	**Other Income**			
	Investment property			
	Rental income		2 149 526	2 468 028
	Less expenses		(2 516 381)	(2 121 059)
	Net rental income		(366 855)	346 969
	Included in the expenses are some expenses related to owner occupied property.			
	Profit on sale of property and equipment		2 331	34 171
	Fair value adjustment on financial instruments		670 900	(574 546)
	Total other income		306 376	(193 406)

		31 December 2012 Twelve months US$	31 December 2011 Eighteen months US$
6	**Operating expenses**		
	Administration		
	External auditors' remuneration	161 000	182 093
	Directors' fees	110 762	138 485
	Advertising and marketing	493 205	311 346
	Mobile banking expenses	938 166	1 170 196
	Consultancy fees	2 145 386	1 874 000
	Shanduko expenses	-	271 763
	Outsourced services - Old Mutual Shared Services	3 423 469	2 897 333
	Deposit protection premium	120 000	180 000
	Information systems maintenance	1 610 833	1 171 710
	Other administration expenses	6 061 494	6 110 280
	- Bank charges	1 226 858	1 215 864
	- General expenses	278 557	265 396
	- Maintenance of vehicles	430 529	609 821
	- Office rental	106 802	145 947
	- Stationery and printing	567 595	406 405
	- Travelling and subsistence	449 245	390 107
	- Cash in transit cost	560 810	547 452
	- Buildings security	758 874	602 603
	- Insurance premiums	966 211	1 003 485
	- Other expenses	289 806	499 688
	- Telephones and postage	426 207	423 512
		15 064 315	14 307 206
	Depreciation		
	Property and equipment	2 112 976	1 499 002
	Staff costs		
	Salaries, wages and bonuses	8 263 139	7 640 912
	Pension contributions	633 596	705 939
	Medical aid	330 609	610 638
	Retrenchment costs	-	329 182
	Share based payment expense	995 426	51 544
	Other staff costs	877 617	566 278
		11 100 387	9 904 493
	Operating expenses	28 277 678	25 710 701

The average number of persons employed by the Society during the year ended 31 December 2012 was 426 (2011: 414)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

		31 December 2012 US$	31 December 2011 US$
7	**Cash and cash equivalents**		
	Cash balances	23 567 980	12 827 490
	Statutory reserves	-	233 625
	Bank balances	36 846 276	4 028 808
		60 414 256	17 089 923

		31 December 2012 US$	31 December 2011 US$
8	**Financial instruments**		
8.1	**Financial assets at fair value through profit or loss**		
	Fixed deposits	56 832 864	51 827 879
	Maturity analysis - gross		
	On demand to 3 months	54 102 849	51 827 879
	3 months to 6 months	2 730 015	-
		56 832 864	51 827 879

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.

	31 December 2012 Level 2 US$	31 December 2011 Level 2 US$
Financial assets at fair value through profit or loss		
Fixed deposits	56 832 864	51 827 879
	56 832 864	51 827 879

		31 December 2012 US$	31 December 2011 US$
9	**Other assets**		
9.1	**Other financial assets carried at amortised cost**		
	Staff debtors	118 164	101 559
	Sundry debtors	5 077 184	3 403 020
		5 195 348	3 504 579
9.2	**Other non financial assets**		
	Properties in possession	122 772	122 772
	Other assets	-	1 715 321
	Stock on hand	101 319	130 346
	Inventory		
	- ZRP housing project	1 916 234	-
	- Budiriro housing project	1 469 952	449 800
		3 610 277	2 418 239
		8 805 625	5 922 818
10	**Intangible asset**		
	Opening balance	3 015 976	443 139
	Additions	6 890 632	2 572 837
	Closing Balance	9 906 608	3 015 976

The intangible asset is currently work in progress as the asset is within the development stage and as such there is no amortisation.

		Notes	31 December 2012 US$	31 December 2011 US$
11	**Loans and advances**			
	Gross amount owing		281 752 236	195 711 224
	Less impairment	4	(3 592 917)	(1 234 294)
	Loans and advances		278 159 319	194 476 930
	Concentration - gross			
	Low density housing		87 279 986	68 691 014
	High density housing		9 151 398	5 379 988
	Individuals		100 587 957	65 119 659
	Commercial and industrial		84 732 895	56 520 563
			281 752 236	195 711 224
	Maturity analysis - gross			
	On demand to 3 months		71 570 419	25 007 213
	3 months to 12 months		102 192 723	66 632 871
	1 year to five years		11 557 710	30 000 138
	Over 5 years		96 431 384	74 071 002
			281 752 236	195 711 224
	Non - performing loans		16 631 896	3 218 439
	Past due but not impaired		5 286 016	885 014

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

12 Property and equipment

	Land US$	Buildings US$	Office Equipment, Fixtures & Fittings and Vehicles US$	Total US$
Year ended 31 December 2012				
Opening net book value	3 588 015	31 692 927	2 708 560	37 989 502
Additions	-	-	4 689 572	4 689 572
Revaluation	1 000 681	6 089 585	-	7 090 266
Disposals - cost	-	-	(669)	(669)
Depreciation charge	-	(636 030)	(1 476 946)	(2 112 976)
Closing net book value	4 588 696	37 146 482	5 920 517	47 655 695
As at 31 December 2012				
Cost or valuation	4 588 696	39 287 136	8 395 385	52 271 217
Accumulated depreciation	-	(2 140 654)	(2 474 868)	(4 615 522)
Net book value	4 588 696	37 146 482	5 920 517	47 655 695
Eighteen months ended 31 December 2011				
Opening net book value	3 588 015	27 779 229	1 019 060	32 386 304
Additions	-	-	2 382 346	2 382 346
Revaluation	-	4 789 151	75 060	4 864 211
Disposals - cost	-	-	(144 357)	(144 357)
Depreciation charge	-	(875 453)	(623 549)	(1 499 002)
Closing net book value	3 588 015	31 692 927	2 708 560	37 989 502
As at 31 December 2011				
Cost or valuation	3 588 015	33 197 551	3 706 482	40 492 048
Accumulated depreciation	-	(1 504 624)	(997 922)	(2 502 546)
Net book value	3 588 015	31 692 927	2 708 560	37 989 502

Assets pledged as security are disclosed in note 13.

13 Investment property

	Land US$	Buildings US$	Total US$
As at 01 January 2012			
Opening fair value	2 492 764	22 106 225	24 598 989
Fair value adjustment	153 336	1 380 028	1 533 364
Closing fair value at 31 December 2012	2 646 100	23 486 253	26 132 353

	Land US$	Buildings US$	Total US$
As at 01 July 2010			
Opening fair value	2 089 668	18 478 358	20 568 026
Fair value adjustment	403 096	3 627 867	4 030 963
Closing fair value at 31 December 2011	2 492 764	22 106 225	24 598 989

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 six months after which they may be extended as negotiated.

The properties were valued by Old Mutual Property Investment Company (Private) Limited's qualified valuers. A selected number of properties were independently valued by CB Richard Ellis (Private) Limited, Southbay Real Estate (Private) Limited and Trust Properties (Private) Limited and compared with values obtained by Old Mutual Property Investment Company (Private) Limited.

The Society pledged US$37.45 million worth of assets(both investment properties and owner occupied properties) as security for credit line from PTA Bank (note 16).

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

14 Operating leases

14.1 Society as a lessee

Non -cancellable operating lease rentals are payable as follows:-	31 December 2012 US$	31 December 2011 US$
Less than one-year	198 516	78 516
Between one and five years	913 174	-
	1 111 690	78 516

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 2012 US$	31 December 2011 US$
Less than one year	2 149 526	2 292 799
Between one and five years	9 887 818	4 585 597
	12 037 344	6 878 396

During the twelve months ended 31 December 2012 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 2012 US$	31 December 2011 US$
Savings certificates	209 679 541	138 465 657
Interest plus deposits	-	20 038
Term deposits	5 910 504	4 625 407
Savings deposits	140 351 856	90 358 945
	355 941 901	233 470 047
Maturity analysis		
On demand to 3 months	276 406 957	205 011 787
3 months to 6 months	36 242 619	16 951 951
6 months to 1 year	10 021 595	9 506 309
1 year to five years	33 270 730	2 000 000
	355 941 901	233 470 047

Concentration	31 December 2012 US$	Percentage %	31 December 2011 US$	Percentage %
Financial institutions	133 061 652	38%	77 237 300	33%
Companies	76 191 225	21%	94 241 636	40%
Individuals	146 689 024	41%	61 991 111	27%
	355 941 901	100%	233 470 047	100%

16 Credit lines

	31 December 2012 US$	31 December 2011 US$
*PTA Bank loan	13 333 233	20 000 000
*Shelter Afrique	4 799 990	-
Agritrade funds	499 980	399 990
AECF loan	-	291 017
Accrued interest on PTA Bank loan	538 333	855 000
	19 171 536	21 546 007
Maturity analysis		
On demand to 3 months	3 980 741	4 351 944
3 months to 6 months	-	4 133 796
6 months to 1 year	3 810 972	3 980 741
1 year to five years	11 379 823	9 079 526
	19 171 536	21 546 007

*PTA bank loan and Shelter Afrique loan are repayable over 3 years and 10 years respectively. These loans were sourced for the purpose of long term housing financing. PTA loan is secured by mortgage bond and power of attorney over immovable property (note 13). Old Mutual Zimbabwe Limited has guaranteed the Shelter Afrique loan for a full amount of $4,8 million.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

17 Other liabilities

	31 December 2012 US$	31 December 2011 US$
Trade creditors	527 151	1 056 343
VAT Liability	94 328	235 177
Deferred Revenue	5 092 850	4 052 739
Unclaimed monies	11 820	258
Withholding taxes payable	54 984	35 168
	5 781 133	5 379 685

18 Provisions

	31 December 2012 US$	31 December 2011 US$
Opening balance	12 165 365	2 071 516
- leave pay and bonus provisions	755 899	311 051
- share based payment	357 558	306 014
- Old Mutual Zimbabwe Limited dividend	10 000 000	-
- other	1 051 908	1 454 451
Net movements	541 616	10 093 849
Closing balance	12 706 981	12 165 365
- leave pay and bonus provisions	1 532 204	755 899
- impairment loss on staff loans	64 016	-
- share based payment	256 510	357 558
- Old Mutual Zimbabwe Limited dividend	10 000 000	10 000 000
- other	854 251	1 051 908

19 Share capital and reserves

19.1 Ordinary class "A" share capital

	31 December 2012 US$	31 December 2011 US$
Opening balance	15 000 000	12 500 000
Capitalisation issue during the year	-	2 500 000
Closing balance	15 000 000	15 000 000

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.

19.2 Retained earnings

	31 December 2012 US$	31 December 2011 US$
Opening balance	7 658 124	569 031
Net surplus for the year	23 741 658	18 864 229
Old Mutual Zimbabwe limited dividend	-	(10 000 000)
General provision for loan loss	(838 925)	(1 775 136)
Closing balance	30 560 857	7 658 124

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.

19.3 Regulatory provision reserves

	31 December 2012 US$	31 December 2011 US$
Opening balance	1 775 136	-
Regulatory impairment allowance	838 925	1 775 136
Closing balance	2 614 061	1 775 136

19.4 Non distributable reserves

	31 December 2012 US$	31 December 2011 US$
Opening balance	21 445 851	23 945 851
Capitalisation issue of Ordinary class "A" share capital	-	(2 500 000)
Closing balance	21 445 851	21 445 851

19.5 Revaluation reserves

	31 December 2012 US$	31 December 2011 US$
Opening balance	16 481 802	11 617 591
Revaluation of properties	7 090 266	4 864 211
Closing balance	23 572 068	16 481 802

19.6 Share based payment reserves

	31 December 2012 US$	31 December 2011 US$
Share based payment reserve	1 112 332	-
Closing balance	1 112 332	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

20 Commitments

	31 December 2012 US$	31 December 2011 US$
For advances:		
Aggregate commitments due under advances granted but not yet disbursed.	12 591 272	8 205 874

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 and South African Rand 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, unit trusts and property management. The ultimate holding company is Old Mutual Public Limited Company which is a Company incorporated and registered in the 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 (RM 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 (Private) Limited
* Old Mutual Investments Group (Private)Limited
* Old Mutual Unit Trust Company (Private) Limited
* Old Mutual Shared Services
* RMI Insurance Company (Private) Limited

Other group companies

* MBCA Bank Limited

Key management personnel

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

23.1 Loans to directors

	31 December 2012 US$	31 December 2011 US$
Opening balance	216 094	127 393
Granted during the year	64 538	236 652
Interest and insurance charges	56 265	55 796
Repayments during the year	(87 086)	(203 747)
Closing balance	249 811	216 094

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.

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 2012 US$	31 December 2011 US$
Amounts due to the holding company	2 934 614	231 547
Amounts due to fellow subsidiaries	99 746 461	77 091 534
	102 681 075	77 323 081
Amounts due from the holding company	218 204	2 268 912
Amounts due from fellow subsidiaries	224 822	645 019
	443 026	2 913 931

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

	31 December 2012 US$	31 December 2011 US$
Current account balance US$	5 789 621	816 945
Current account balance in South African Rands	6 954 598	-

The Society had the following money market placements with MBCA:

	31 December 2012 US$	31 December 2011 US$
Money Market Placements	10 000 000	8 000 000
Interest accrued on investment	31 075	11 214
	10 031 075	8 011 214

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

23 Related party disclosures (continued)

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 2012 US$	31 December 2011 US$
Bank charges - charged by MBCA	371 187	331 262
Insurance paid to RMI	874 548	1 003 485
Interest payable to Old Mutual	2 673	862
Outsourced services - Old Mutual Shared Services	3 423 469	2 897 333
Interest payable to fellow subsidiaries	7 111 641	7 947 566

All these transactions were done at an arm's length basis.

23.4 Loans to executive and senior management	31 December 2012 US$	31 December 2011 US$
Loans to executive and senior management	832 162	637 463

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 2012 US$	31 December 2011 US$
Short term benefits	1 783 218	1 293 173
Post employment benefits	71 216	64 486
Share based payments	995 426	51 544
	2 849 860	1 409 203

The remuneration of key executives is determined by the Old Mutual Group remuneration committee having regard to the performance of both the individual and Society, and market trends.

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
During the year 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 the company. 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 Company 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 2012 US$	31 December 2011 US$
Employee Share Scheme	855,953	-
Management Incentive Scheme	256,379	-
	1 112 332	-

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

OMZIL Indigenisation Employee Share Scheme	31 December 2012 US$	31 December 2011 US$
Opening balance	-	-
Issued during the year	855,953	-
Exercised during the year	-	-
Closing balance	855 953	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

25 Share-based payments (continued)

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 2012 US$	31 December 2011 US$
Share based payment reserve	855 953	-

26 Contingent liabilities

Capital gains tax

The Society has an estimated deferred capital gains tax contingent liability of US$3,57 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.

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), Credit and Risk Committees, which are responsible for developing and monitoring Society 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 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 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 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 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 Executive Management. Large facilities require approval by Society's Credit Committee or the Board of Directors;
* Reviewing and assessing credit risk. Society's 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

27 Financial Risk Management (continued)

27.3 Management of credit risk (continued)

Exposure to credit risk

Carrying amount	**31 December 2012 US$**	**31 December 2011 US$**
Individually impaired		
Gross amount	16 631 896	3 218 439
Allowance for impairment	(3 592 917)	(1 234 294)
Carrying amount	13 038 979	1 984 145
Collectively impaired		
Gross amount	259 834 324	191 607 771
General provision for loan losses	(2 614 061)	(1 775 136)
Carrying amount	257 220 264	189 832 635
Past due but not impaired	5 286 016	885 014
Carrying amount	5 286 016	885 014
Total carrying amount	275 349 924	192 701 793

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 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 2012, the exposure was $56,8 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.

	31 December 2012 US$	**31 December 2011 US$**
Renegotiated loans and advances to customers	295 278	1 291 562

Class	**Type**	**Provisioning criteria**	**Gross loans US$**	**Allowance for impairment US$**	**Net loans US$**
Grade A,B,C	Pass	1% general provision	239 113 654	3 538 854	235 574 800
Grade D,E,F,G	Special mention	3% general provision	26 006 686	1 124 936	24 881 750
Grade H	Sub standard	20% specific provision on balance less security value	6 379 437	266 770	6 112 667
Grade I	Doubtful	50% of total outstanding balance less security held	1 493 345	232 940	1 260 405
Default	Loss	100% of total outstanding balance less security held	8 759 114	1 043 477	7 715 637
		Portfolio total	**281 752 236**	**6 206 977**	**275 545 259**

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.

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 $110,1 million. In addition, the Society has secured 8 301 171 Old Mutual Zimbabwe Shares worth $10 million as collateral for the Youth Fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

27 Financial Risk Management (continued)

27.3 Management of credit risk (continued)

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 2012 is given below.

	31 December 2012 US$	31 December 2011 US$
Total liquid assets	117 247 120	68 917 802
Total liabilities to the public	355 941 901	233 470 047
Liquidity ratio	33%	30%
Maximum for the period	33%	51%
Minimum for the period	28%	27%
Average for the period	30%	39%

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 Management Committee.

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 its 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.

The Society has been compliant with all laws and regulations governing its activities and has not been subject to any fines resulting from non compliance in 2012.

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 32 and 33.

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.

	2012 100% increase interest rates US$	2012 100% decrease in interest rates US$	2011 100% increase in interest rates US$	2011 100% decrease in interest rates US$
Effect on profit	1 846 300	(1 846 300)	1 130 000	(720 809)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

27 Financial Risk Management (continued)

27.6 Management of credit risk (continued)

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 2012.

Currency name	Exchange rate as at 31 December 2012
South African Rands (ZAR)	8.4767
Great British pound (GBP)	1.616
EURO	1.3528
Botswana Pula (BWP)	0.127

	Assets Cash an cash Equivalents 2012	Assets Cash an cash equivalents 2011	Net US$ equivalent as at 31 December 2012	Net US$ equivalent as at 31 December 2011	Effect of 10% depreciation 2012	Effect of 10% depreciation 2011	Effect of 10% appreciation 2012	Effect of 10% appreciation 2011
South African Rands	**ZAR**	**ZAR**	**US$**		**US$**	**US$**	**US$**	**US$**
	6,954,598	7,990,483	820,437	1,003,703	(82,044)	(91,246)	82,044	111,523
Great British Pounds	**GBP**	**GBP**	**US$**		**US$**	**US$**	**US$**	**US$**
	51,585	-	83,362	-	(8,336)	-	8,336	-
EURO	**EURO**	**EURO**	**US$**		**US$**	**US$**	**US$**	**US$**
	352,649	-	477,064	-	(47,706)	-	47,706	-
Botswana Pula (BWP)	**PULA**	**PULA**	**US$**		**US$**	**US$**	**US$**	**US$**
	129,039	-	16,388	-	(1,639)	-	1,639	-

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; and
* 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.

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$20 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

28 Capital Management (continued)

The Society's regulatory position as at 31 December 2012 was as follows:

CAPITAL ADEQUACY	**US$**	**US$**
Tier 1 Capital		
Ordinary class "A" share capital	15 000 000	15 000 000
Retained earnings	30 560 857	7 658 124
Exposures to insiders and connected counterparties	(12 533 721)	(6 114 380)
Less Tier 1 allocated to market risk	(164 329)	(107 117)
Les Tier 1 allocated for operational risk	(3 378 206)	(2 142 584)
Tier 1 Capital	29 484 601	14 294 043
Tier 2 Capital		
Tier 2 capital	29 484 601	14 294 043
Total tier 2 capital	29 484 601	14 294 043
Tier 3 Capital		
Allocation of capital to market risk	164 329	107 117
Allocation of capital to operational risk	3 378 206	2 142 584
Total qualifying tier 3 capital	3 542 535	2 249 701
Total regulatory capital	62 511 737	30 837 787
Total risk weighted assets	375 036 003	255 393 631
Capital adequacy ratio	17%	12%

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.

IAS 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. 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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

30 Going concern

The directors have assessed 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 2012.

32 Interest rate repricing and gap analysis

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	60 414 256	-	-	-	-	60 414 256
Financial assets at fair value through profit or loss	54 102 849	2 730 015	-	-	-	56 832 864
Loans and advances	71 570 419	102 192 723	11 557 710	92 838 467	-	278 159 319
Intangible asset	-	-	-	-	9 906 608	9 906 608
Other assets	-	-	-	-	8 805 625	8 805 625
Investment property	-	-	-	-	26 132 353	26 132 353
Property and equipment	-	-	-	-	47 655 695	47 655 695
Total Assets	186 087 524	104 922 738	11 557 710	92 838 467	92 500 281	487 906 720
Liabilities and equity						
Deposits	276 406 957	46 264 214	33 270 730	-	-	355 941 901
Credit lines	3 980 741	3 810 972	11 379 823	-	-	19 171 536
Other liabilities	-	-	-	-	5 781 133	5 781 133
Provisions	-	-	-	-	12 706 981	12 706 981
Ordinary class "A" share capital	-	-	-	-	15 000 000	15 000 000
Retained earnings	-	-	-	-	30 560 857	30 560 857
Regulatory provision reserves	-	-	-	-	2 614 061	2 614 061
Revaluation reserve	-	-	-	-	23 572 068	23 572 068
Non distributable reserves	-	-	-	-	21 445 851	21 445 851
Share based payment reserves	-	-	-	-	1 112 332	1 112 332
Total liabilities and equity	280 387 698	50 075 186	44 650 553	-	112 793 283	487 906 720
Interest rate repricing gap	(94 300 174)	54 847 552	(33 092 863)	92 838 467	(20 293 002)	-
Cumulative gap	(94 300 174)	(39 452 622)	(72 545 465)	20 293 002	-	-

33 Liquidity gap analysis

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$
Cash and cash equivalents	60 414 256	-	-	-	-	60 414 256
Financial assets at fair value through profit or loss	54 102 849	2 730 015	-	-	-	56 832 864
Loans and advances	71 570 419	102 192 723	11 557 710	92 838 467	-	278 159 319
Other financial assets	5 106 725	88 623	-	-	-	5 195 348
Total Assets	191 194 249	105 011 361	11 557 710	92 838 467	-	400 601 787
Liabilities						
Deposits	276 406 957	46 264 214	33 270 730	-	-	355 941 901
Credit lines	3 980 741	3 810 972	11 379 823	-	-	19 171 536
Other liabilities	-	-	-	-	5 781 133	5 781 133
Total liabilities and equity	280 387 658	50 075 186	44 650 553	-	5 781 133	380 894 570
Net liquidity gap	(89 193 449)	54 936 175	(33 092 843)	92 838 467	(5 781 133)	19 707 217
Cumulative liquidity gap	(89 193 449)	(34 257 274)	(67 350 117)	25 488 350	19 707 217	39 414 434

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2012

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

The Society administrates the Distressed Marginalised Fund (DIMAF) on behalf of the Zimbabwean Government at a commission of 3%. The objective of setting up the Fund was set up by the Government of Zimbabwe to help revive businesses that would have been vetted as distressed, with the 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 lendng.

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.

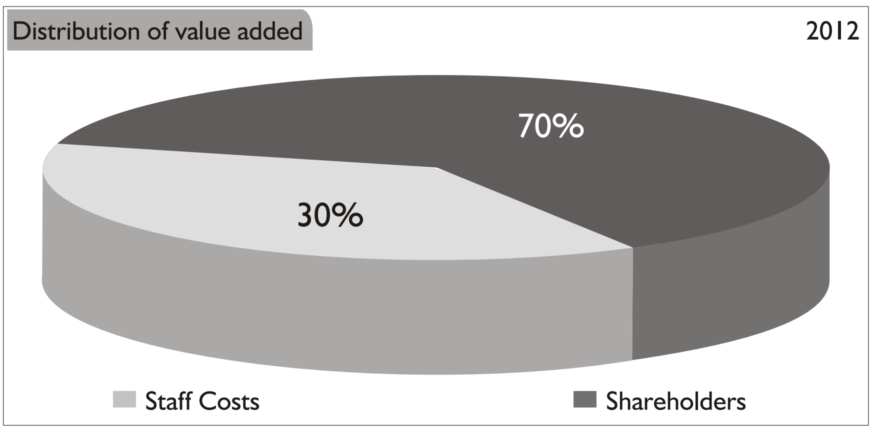
To the extent that the Society is not legally neither liable for the losses nor entitled to the losses or gains respectively of the Fund, the Society excludes the DIMAF transactions from its Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash flows for the year then ended 31 December 2012.

Below is the analysis of the balances;	31 December 2012 US$	31 December 2011 US$
Principal amount opening balance	900 000	-
New money injected	16 489 856	900 000
Accrued interest on deposit	167 001	-
Total	**17 556 857**	**900 000**
DIMAF Loans Issued	13 813 778	900,000
Balance to be issued as loan	3 743 079	-
Total	**17 556 857**	**900 000**
Interest on loans issued out	640 785	2 712

STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2012

	31 December 2012 US$
VALUE ADDED	
Interest income	49 331 911
Non-interest income	22 860 218
	72 192 129
Cost of services provided	(35 237 108)
Value added	36 955 021
DISTRIBUTION OF VALUE ADDED	
Employees	
- Staff costs	11 100 387
Share holders	
- Dividends to shareholders	-
Retained for growth	
- Depreciation	2 112 976
- Transfer to general reserve	23 741 658
	25 854 634
Distribution of value added	36 955 021



CABS AT A GLANCE

CABS is Zimbabwe's largest Building Society offering a diverse range of financial products and services to clients. These are delivered through the largest branch network in the country which is linked to CABS online real time computer system.

CABS is also a member of the Old Mutual Group.

Client Segments:	Platinum Club
	Gold Class
	Blue Class
	Icabs
	Easy Bank
Products:	Transaction & Savings A/c's Mortgage A/c Money Market Investment A/c
	Interest Plus
	Term Deposit
	CABS Payroll Loans
Delivery Channels:	Banking Halls: 3 Platinum Club Branches 17 Gold Class Branches 51 Blue Class Branches 8 Easy Bank Kiosks ibank (CABS Internet Banking) 615 POS Sites
Services:	Textacash (Mobile banking) Services Payroll Services

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