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CORPORATE VISION, MISSION AND VALUES

Corporate Vision

To be Africa's Centre of Excellence in deposit protection.

Mission Statement

To protect deposits, enhance public confidence and stability in the financial system.

Our Values

To achieve the above, the DPB is guided by the following core values.

- **Accountability** - We take full ownership and responsibility for our actions. We account to our stakeholders and are compliant. We adhere to sound corporate governance principles and are disciplined in thought and conduct.

- **Fairness** - We fairly implement our mandates and treat all our stakeholders with equity. We create a level playing field that allows every stakeholder to contribute to economic development.

- **Innovation** - We choose to make a difference with our knowledge and ideas. We benchmark ourselves with world-class players and continually improve our systems, processes and practices. We build capacity to deliver and tap the full potential of every team player. We embrace new ideas. liberate thought, talent and creativity.

- **Teaming** - We are cooperative. We are open to different views and we value diversity. We listen and share ideas. We recognize and work with partners to accomplish our goals. We continually raise our interpersonal skills and positively interact to deliver breakthrough results. We value and engage our stakeholders and publics.

- **Integrity** - We hold ourselves up to the highest ethical and professional standards. We conduct ourselves in a transparent, ethical manner. We are honest and serve with diligence and commitment.

- **Excellence** - We are exemplary and model the way in our business. We exceed expectations. We are committed and always give our best. We develop a reputation for excellence in all we do.

BOARD OF DIRECTORS

Dr. Gideon Gono

Chairman

Dr. S. Mahlahla

Mr. A. L. A. Pichanick

Mr N Ncube

Dr C Dhliwayo

MANAGEMENT

Mr. J. M. Chikura

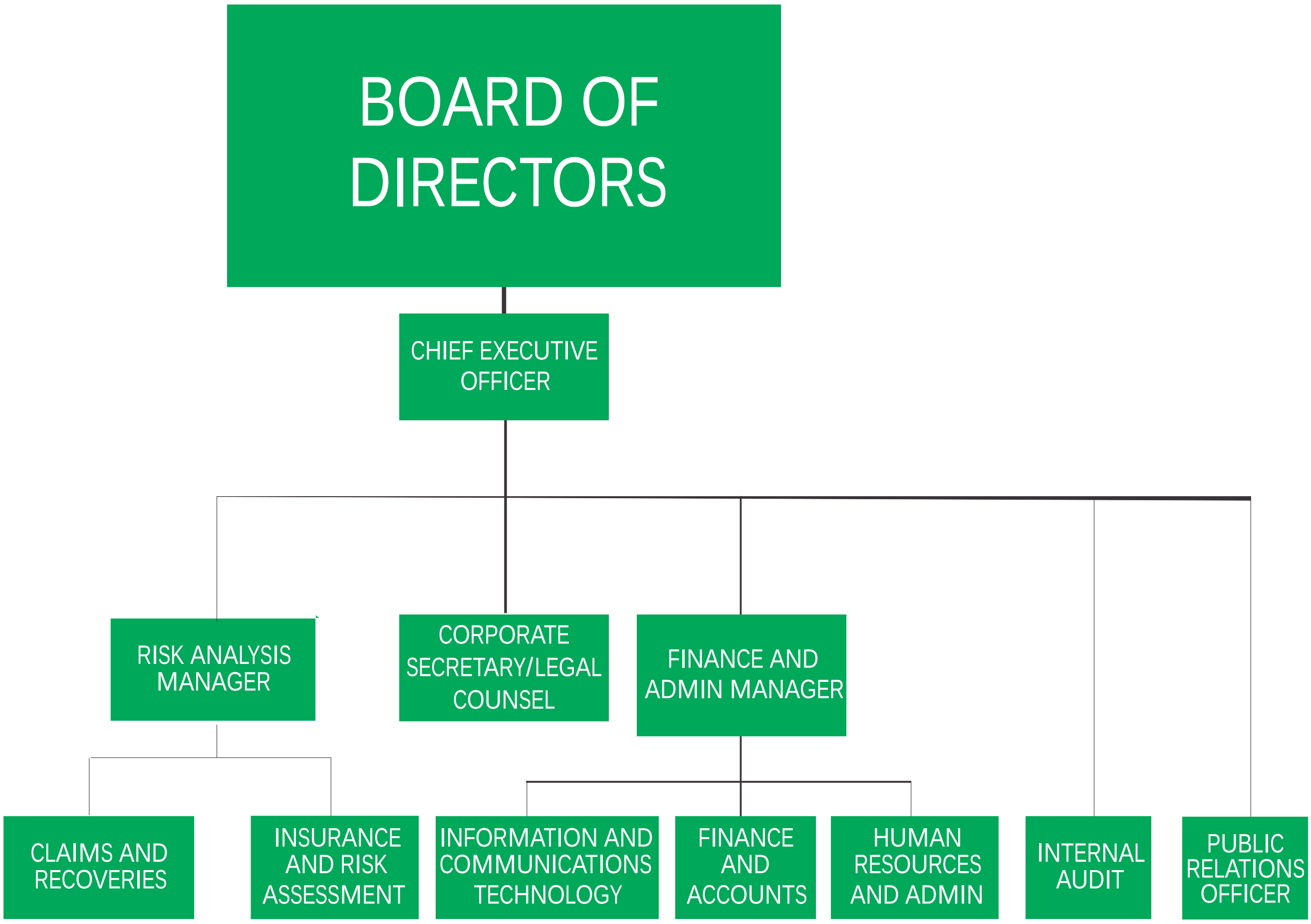
Chief Executive Officer

Mr. M. M. Chingosho
Finance & Administration Manager

Mr. V. Vuma
Corporate Secretary/Legal Counsel

Mr. M. Murau
Acting Risk Analysis Manager

ORGANIZATIONAL STRUCTURE



CORPORATE INFORMATION

REGISTERED OFFICES

Takura House
67 – 69 Kwame Nkrumah Avenue
P. O. Box 7390
Harare
ZIMBABWE

Phone: 263 4 250900/1
Website: www.dpb.co.zw
E-mail: info@dpb.co.zw

AUDITORS

Deloitte & Touche

ATTORNEYS

Chihambakwe, Mutizwa & Partners

BANKERS

Commercial Bank of Zimbabwe

CHAIRMAN’S STATEMENT

It gives me great pleasure to present the seventh Annual Report and Financial Statements of the Deposit Protection Board (DPB) for the twelve months to 31 December 2010, the highlights of which are summarised below. The rest of the report will highlight major activities of the Board during the review period.

MAJOR HIGHLIGHTS FOR THE AUDITED FINANCIAL STATEMENTS
for the 12 months ended 31 December 2010

	2010 US$	**2009 US$**
Total income	1 937 080	1 108 587
Provision for protection payments	0	0
Cost to income ratio	65%	70%
Surplus for the period	680 564	335 216
Total assets	1 216 923	621 300
Accumulated Surplus	1 015 780	335 216

The DPB started operations on 1 July 2003 and is governed by Section XII of the Banking Act (Chapter 24:20) as well as the Banking (Deposit Protection) Regulations Statutory Instrument 29 of 2003. Its main purpose is to build depositor confidence and foster stability in the country’s banking industry, a function which complements efforts by the Reserve Bank of Zimbabwe and the Ministry of Finance.

2010 was the second year of operations after the introduction of multi-currencies by the Government. The banking sector experienced a gradual improvement in its intermediation role during the year. The sector also generally remained in a safe and sound financial condition, notwithstanding the challenging macro-economic environment characterised mainly by market illiquidity, low savings, volatile deposits and short term loans.

Despite the economic challenges, financial intermediation improved in 2010, as reflected by the growth in deposits and lending to the productive sectors. The loans to deposit ratio of the banking sector rose to 76.2% in October before declining to 68.8% in November 2010.These levels are close to the international benchmarks of 70-90 %.

The financial performance of the DPB was modest considering that the institution was in a start up position in the previous year after the introduction of a multi currency regime. The surplus of for the year was US$$680 564 compared to US$335 216 that was achieved in previous year.

There were some changes to the Board of Directors of the DPB during the review period. One member, namely Mr. A. Pasipanodya resigned from the Board in June 2010. The ensuing vacancy will be filled in the near term.

Finally, let me take this opportunity to commend the Board of Directors, management and staff of the DPB for their loyalty and dedication to duty without which the achievements recorded during the period under review would not have been possible. I wish them success in their endeavours to meet their goals during the coming year.

Dr Gideon Gono
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S FOREWORD

We are encouraged to note that the economic environment remained relatively stable backed by the multicurrency system and the cash budgeting fiscal system. Annual inflation peaked at 6.1% in May before decelerating to 3.2% in December 2010.Economic growth was estimated at 8.1% for the year and the fiscal authorities' project that the economy will grow by 9.3% in 2011.

Economic recovery was slower than initially anticipated at the beginning of the year as the economy failed to attract the desired levels of inflows from foreign direct investment. Foreign direct investment remained low for the year although the conclusion of the ZISCO tender gave renewed hope of a resurgence of foreign investments in the near term.

Persistent liquidity shortages, limited access to offshore lines of credit, low savings, frequent power outages and lack of fiscal space are some of the major challenges which militated against a faster economic recovery during the review period

For the banking sector, the economic landscape meant that deposits remained largely short term and to avoid adverse effects of potential mismatches, loans also remained largely short term, whilst the money market remained generally inactive mainly due to low liquidity levels.

Despite these challenges financial intermediation improved in 2010 as reflected by the growth in deposits and lending to the productive sectors of the economy. The value of deposits at member institutions grew by 118.2% from US$1.1 billion in December 2009 to US$2.4 billion by December 2010, whilst the banking sector's asset base increased from US$2.2 billion in December 2009 to US$3.6 billion in December 2010.

The Deposit Protection Scheme had 23 contributory institutions as at 31 December 2010. On 1 September 2010 the Reserve Bank issued Commercial banking licences to Barbican, Royal and Trust Banks after their de merger from ZABG. As at 31 December 2010, only Trust Bank had commenced banking operations.

There was no change in the premium rate levied for banks and the need to review it was overdue not only to build critical mass on the Fund, but also to promote equity among all the banks. The upper limit cap on premiums placed in 2009 had resulted in a relatively low effective rate for bigger banks compared to smaller banks.

The Deposit Protection Corporation Bill is expected to be passed into a new Act during 2011. The new Act will give the corporation enhanced powers to enable it to effectively discharge its mandate of protecting depositors and enhancing financial stability.

At the end of the year, the Accumulated Surplus stood at US$1.0 million having opened at a zero balance in 2009 following the decommissioning of the Zimbabwe dollar. This highlights the need for Government to inject a significant sum of capital to enable the DPB to execute its mandate.

I wish to attribute the success of the DPB achieved during the review period to the continued support we received from all stakeholders involved notably, Government, the Reserve Bank of Zimbabwe, contributory institutions, depositors at large and the International Association of Deposit Insurers (IADI).

I also want to thank the DPB staff, management and the Board of Directors for a sterling job in keeping the organisation on track towards the achievement of its objectives.

John M. Chikura
CHIEF EXECUTIVE OFFICER

Introduction

The Deposit Protection Board (DPB), which was established by the Government of Zimbabwe started operations in July 2003. It is governed by Section XII of the Banking Act (Chapter 24:20) as well as the Banking (Deposit Protection) Regulations, Statutory Instrument 29 of 2003.

Assistance in setting up the DPB came from a number of organisations, notably the International Monetary Fund (IMF) and B & W Deloitte (Republic of South Africa), who helped in conducting the country's situational analysis. Whilst concerns were raised as regards the timing of setting up the DPB, it was agreed (as outlined below) that the environment called for the establishment of deposit protection in the country to assist small depositors in the event of collapse of contributory institutions.

Rationale for setting up the deposit protection system

The need for the deposit insurance system was underscored by failures in the market, namely United Merchant Bank, Universal Merchant Bank, Zimbabwe Building Society and First National Building Society. Having seen the hardships bank failures inflicted on the general public, especially small, less financially-sophisticated depositors, authorities saw it necessary to set up the system.

Public policy objectives

In terms of the Public Policy Objectives, the Deposit Protection Board (DPB) aims at meeting a number of objectives. These include the following:

- Protecting small, less financially-sophisticated depositors by providing an orderly means of compensation in the event of a deposit-taking institution becoming insolvent;
- Enhancing public confidence and systemic stability by providing a framework for the resolution and an orderly exit mechanism for failing banks, thereby preventing contagion or the risk of rumour-driven bank runs;
- Enhancing competition in the financial sector by mitigating some of the competitive barriers in the deposit taking industry; and
- Helping in defining the boundaries of the Government's exposure and support in protecting depositors when a bank or group of banks fail in **normal** times.

Organisational structure & governance

There were no changes in the governance and organisational structure of the organisation during the year under review. The DPB Board of Directors comprises the Governor of the Reserve Bank, who is the Chairman, two Deputy Governors of the Reserve Bank and three other persons appointed by the Governor from a list of names submitted by contributory institutions.

The DPB has retained its structure since inception with three main departments running its operations. The **Risk Analysis Department** is involved in the review of the risk profiles of member institutions, setting, assessing and levying of premiums on member institutions as well as processing and paying depositor claims in the event of the liquidation of a member institution. The **Finance and Administration Department** handles three major functions, namely Human Resources and Administration, Information and Communications Technology and Finance and Accounts. **Legal and Corporate Affairs Department** handles legal, secretarial and public issues. Each department is headed by a manager who reports to the Chief Executive Officer.

Mandate of the DPB

The implementation of the DPB is to be done in two phases as outlined below.

Phase One Operations

The DPB continued with its Phase One mandate during the review period whilst the appropriate legislation has reached advanced stages to propel the organisation into the second phase of its operations.

Phase Two

From an international best practice perspective, the deposit insurer needs to expand its mandate and become a risk minimiser. This entails assuming more responsibilities towards the attainment of confidence and stability within the financial sector. To achieve this status, an enabling regulatory environment has already reached advanced stages and is expected to be completed in 2011.

Key Design Features

Membership:

In terms of statute, participation by deposit taking institutions is mandatory in order to avoid adverse selection. Membership includes all commercial banks, building societies, merchant banks, finance houses and discount houses. Current legislation, however, excludes asset managers, money lenders and micro-finance institutions.

Funding:

All deposit taking institutions contribute to the Deposit Protection Fund (DPF). These contributions are expected to meet the depositor reimbursements in the event of failure of a financial institution, DPB operational expenses and to build the DPF in advance (ex ante). It is anticipated that the DPF is to be built over a cumulative period of 5 years and it is the DPB’s aim to attain and maintain, at any point in time, a fund that should be approximately 2% of total deposits.

INVESTMENT OF FUNDS

As the DPB continues to accumulate funds, there is need to invest surplus funds in a way that strikes a correct balance between security and return. The ideal portfolio of assets must be highly liquid, with little or no credit risk. The portfolio should have low correlation with poor economic conditions and at the same time be independent of insured institutions. In terms of policy, however, the DPB is required to invest in government bills and bonds.

SCOPE AND LEVEL OF COVER

Cover is partial in order to promote market discipline, and avoid moral hazard. The deposits covered include the following:

- Demand;
- Savings;
- Time;
- Class B shares; and
- Class C shares.

Negotiable certificates of deposits (NCD's), bankers' acceptances (BA's) are currently excluded from the cover. On reimbursements/payouts, "netting off" debt against deposits is done.

1.1 Membership and Scope of Coverage

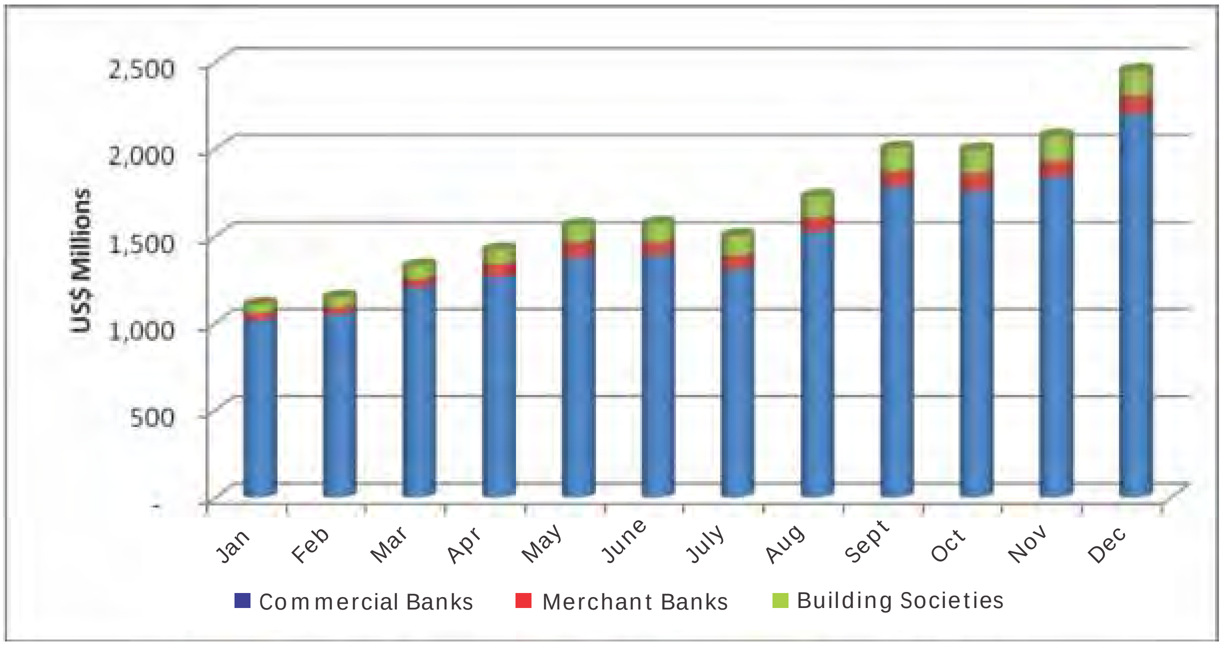
Membership to deposit insurance is compulsory for all banking institutions registered in terms of the Banking Act Chapter 24:20 and the Building Societies Act Chapter 24:02. During the year the number of member institutions insured by the Deposit Protection Board was reduced from twenty five to twenty three following the merger of CFX Bank with Interfin Banking Corporation and the voluntary surrender of its banking licence by NDH.

The deposit insurance fund provides partial insurance cover against loss of savings when a bank is closed to all insurable depositors in the banking sector. The key objective of the fund is to provide insurance cover that ensures that at least 90% of deposit accounts are covered in full. During the year the maximum insurance cover per depositor per bank was pegged at US$150 (one hundred and fifty US dollars). As at 31 December 2010, at this level of cover at least 76.8% of deposits accounts at member institutions were covered in full as they had balances of US$150 or less.

1.2. Distribution and Growth of Deposits

During the year the value of deposits at member institutions grew by a remarkable 118.2% from US$1.1 billion in December 2009 to US$2.4 billion by December 2010. The number of accounts at member institutions increased by 12.9% from 794 529 to 897 303. The increase in the number of deposit accounts could be a sign that the transacting public is slowly gaining confidence in the banking sector. Figure 1 below shows distribution and growth in the value of deposits at member institutions during the year.

Figure 1: Deposit Growth and Distribution.



Building Societies recorded the lowest average deposit size of US$530, while Merchant Banks that deal in wholesale deposits recorded the highest average deposit size of US$26 780. It is critical to monitor the size distribution of deposits in order to determine the ideal cover level which should cover at least 90% of depositors.

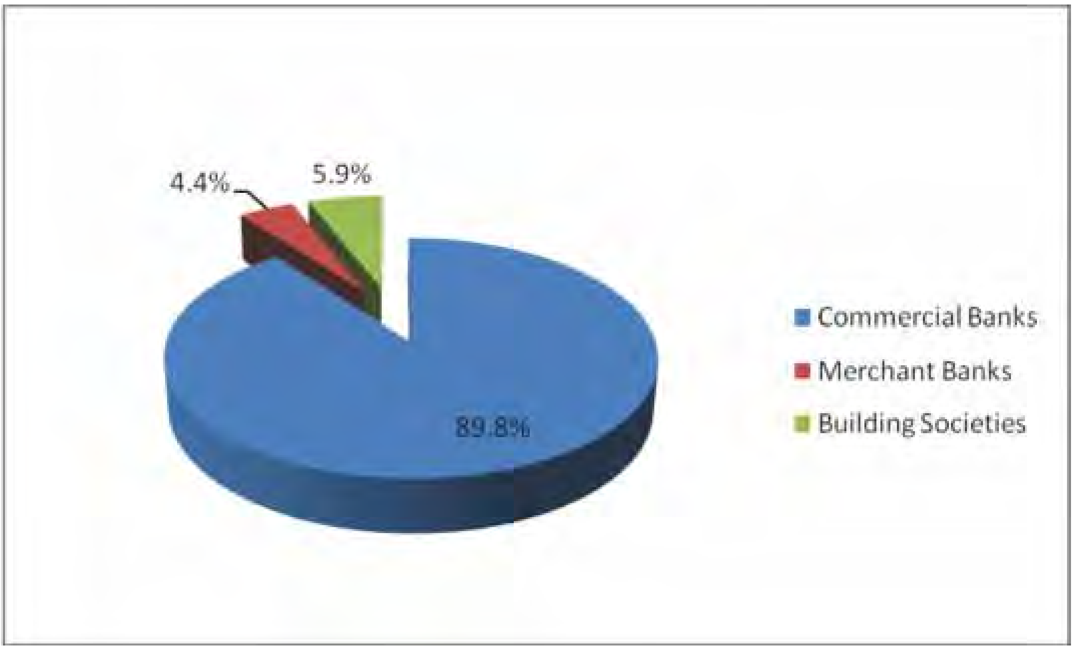
Table 1 below shows the distribution of deposits by sector as at 31 December 2010.

Table 1: Distribution of Deposits by Sector.

SECTOR	2009				2010			
	Number of Banks	Number of Accounts	Total Deposits ($ millions)	Average Deposit size	Number of Banks	Number of Accounts	Total Deposits ($ millions)	Average Deposit size
COMMERCIAL BANKS	17	543,637	986.2	1,814	16	622,463	2,199.0	3,533
MERCHANT BANKS	4	3,371	36.7	10,892	3	4,013	107.5	26,780
BUILDING SOCIETIES	4	247,521	43.8	177	4	270,827	143.5	530
TOTAL	**25**	**794,529**	**1,066.7**	**1,342**	**23**	**897,303**	**2,449.9**	**2,730**

The bulk of the deposits were concentrated in the commercial banking sector that commanded the largest market share as shown in figure 2 below.

Figure 2: Deposit Market Share per Sector.



1.3. Composition of Deposits

During the period under review the Deposit Protection Board continued to partially cover all deposits at member institutions, except NCDs and bankers' acceptances. Due to the general lack of liquidity in the economy the bulk of deposits at member institutions were in transitory mode, as depositors withdrew their salaries as soon as they were deposited to fund consumption. High bank charges and near zero interest rates on deposits that were obtaining at member institutions remained the key obstacles to the attainment of quality savings.

2. Bank Failure Resolutions

2.1 Depositor Payouts

In cases where the cost of resuscitating an institution far outweighs the benefits that will accrue to the economy, the troubled bank will be liquidated. In fulfillment of its mandate DPB, has made payouts to depositors of three failed member institutions since its inception in 2003. To date a total of 3 482 depositors of failed institutions have benefited from the Deposit Protection Scheme as
detailed in table I:

Table I Depositor Payouts

INSTITUTION	DATE CLOSED	TOTAL DEPOSITORS	DEPOSITORS PAID	% PAID
CENTURY	Jan 2004	397	178	45 %
RAPID	April 2004	1215	472	39 %
SAGIT	March 2006	3003	2832	94 %
TOTALS		**4615**	**3482**	

The payout response rates for Century (45%) and Rapid (39%) were low, as the scheme was still in its infancy in 2004. On the other hand, Sagit Finance House had a high response rate of 94% mainly because the majority of the affected depositors responded positively to DPB's advertisements in the public media.

2.2 Termination of Liquidations

The Liquidation processes for Sagit Finance House, Century and Rapid discount Houses were finalized by the liquidators as indicated in Table **III.**

Table III: Liquidation Time frames

INSTITUTION	NAME OF LIQUIDATOR	DATE OF LIQUIDATION	DATE OF FINALISATION	LIQUIDATION TIMEFRAME
CENTURY	Tudor House Consultants	Jan 2004	March 2006	26 Months
RAPID	Ernest & Young	Dec 2004	Dec 2007	36 Months
SAGIT	Tudor House Consultants	July 2006	Oct 2008	27 Months

All the statutory reports as provided for by the provisions of the Companies Act (Chapter: 24:03), Insolvency Act (Chapter6:04) and the Banking Act (Chapter24:20) were submitted by the Liquidators to the Reserve Bank of Zimbabwe and to the office of the Master of High Court.

2.3 Claims Servicing and Payout Time Frames

Internationally, significant variations exist in the payout turnaround times among deposit insurers, ranging from a few days to about three months. The payout turnaround time refers to the period from when a bank is closed to the date when the deposit insurer starts reimbursing insured depositors. To date DPB has taken an average of two months to start compensating depositors after a bank closure. DPB will continuously strive to pay depositors within one month from the date of closure of a member institution.

2.4 Mergers and Acquisitions

During the year under review there were no bank failures in the market. The market witnessed the consummation of two mergers:

(a) Interfin Banking Corporation

Interfin Banking Corporation merged operations with CFX Bank, following its acquisition of significant shareholding in CFX Bank.

(b) Premier Banking Corporation

Premier Finance Group's shareholding structure changed significantly following the acquisition of a 70% stake by Ecobank Transnational Incorporated (ETI).

The regulatory authorities have encouraged banks facing viability challenges to merge with other well capitalized banks or seek international investors for capital injections.

2.5 Financial Stability Committee (FSC)

The COMESA Framework for Financial Stability Assessment recommended member central banks to establish and chair a Multi-disciplinary Financial Stability Committee comprising of the central bank and other financial sector regulatory authorities. To this end, the Reserve Bank of Zimbabwe is in the process of establishing a Financial Stability Committee which will comprise of the Ministry of Finance, the Deposit Protection Board, Securities and Exchange Commission, the Central Bank and the Insurance and Pensions Commission.

The FSC is expected to discuss and coordinate financial stability issues in the financial services sector. DPB is committed to cooperate and share information with other financial sector regulatory authorities in order to enhance financial stability. The formation of the FSC will be a positive development and this will facilitate the early identification of risks across the financial services sector and of potential vulnerabilities that could threaten financial stability.

1.1 Statement of Internal Control

As a statutory body, the DPB's Board of Directors acknowledges that it is good corporate governance to make a Statement of Internal Control.

1.2 Responsibilities of Risk Management and Internal Control

The Board sets the overall direction for the Deposit Protection Board. It provides an important oversight function and ensures that management has an effective risk management system and a sound system of internal control to maintain good corporate governance. The Board acknowledges that a sound system of internal control is needed to achieve effective and efficient operations, reliable financial reporting, strict compliance with applicable laws and regulations, as well as proper safeguarding of the DPB's assets. The Board recognises that the DPB system of internal control is intended to manage and mitigate risks rather than eliminate entirely the risk of failure to achieve the organisation's statutory mandate and objectives.

The review of the effectiveness, integrity and adequacy of DPB's system of internal controls is a concerted and continuous process and involves the audit committee, management, internal audit and external auditors.

1.3 Review of System of Internal Control

The Board Audit Committee considered on a quarterly basis;

a) The Internal audit reports;
b) Deposit Protection Board's financial reports;
c) The utilization of resources as compared to the budgets;
d) The implementation of the risk management framework; and
e) The update and progress of management's overall performance against initiatives set out in the corporate plan as well as management's assessments of internal and external factors that may impact the performance of the corporate plan.

1.4 Statement of the Effectiveness of Internal Controls

The effectiveness of the Deposit Protection Board's compliance with internal controls as at 31 December, 2010 was assessed by management and validated by internal audit and reviewed by external auditors. Based on the assessment and the effectiveness of the Deposit Protection Board's systems, policies, practices and processes established in 2010, the Board is pleased to report that a sound system of internal controls within the organisation was established and maintained.

INTERNAL AUDIT

The Board is committed to ensure that management continuously takes pro-active measures to:

a) Create a conducive corporate culture and environment that emphasizes accountability for control and risk management;
b) Identify, assess and address the various risks that could hinder the achievement of the organisation's objectives; and
c) Review and monitor the entire system of internal control and address issues or problems adequately on a timely basis.

The Board is also pleased to report that for the year ended 31 December, 2010 there were no reported significant incidences or weaknesses or deficiencies in the adequacy and integrity of internal controls embedded in the Deposit Protection Board's systems, policies, practices and processes and there were no financial losses incurred during the financial period under review resulting from weaknesses or deficiencies in the internal controls.

Legal Framework

In terms of International best practice, the deposit insurer should be part of a framework within the financial system safety net that provides for the early detection and timely intervention and resolution of troubled banks.

Zimbabwe's regulatory and legal framework has inherent weaknesses which militate against the effective handling of problem banks. Currently, DPB's mandate is restricted to only compensating depositors in the event of a bank failure. In this regard, DPB has crafted the Deposit Protection Corporation Bill which has been tabled before Parliament. The Bill seeks to replace the current Deposit Protection Board with a new statutory body to be called the Deposit Protection Corporation. The Corporation's functions will be similar to those of the existing board, but more extensive.

Some of the additional functions of the Corporation will include, participating in resolution of failing or failed institutions and acting as receiver or liquidator of failed deposit taking institutions.

During the period under review the division ensured that the organisation complied with all statutory and regulatory obligations.

The DPB continued to embark on a comprehensive programme of conducting market visits. These visits were conducted to ensure that;

- There is enhanced communication between contributory institutions and DPB;
- To assess the condition of each institution and to solicit the institution's views on measures, if any, being implemented to address the challenges faced;
- To assess their compliance with corporate governance principles; and
- Solicit views on how best DPB can address common interests with stakeholders.

Directorate

DPB complied with corporate governance principles. The operations of the Board were governed by a Board Charter which sets out its roles, responsibilities and authority. The Charter itself was developed in accordance with sound principles in corporate governance. A Code of Ethics was reviewed during the year to incorporate developments within the corporate governance structures. The Code ensures that the Directors and staff exhibit highest professional and ethical conduct in any given situation.

The Board met as per the statutory requirements, that is, at least once in every three months. Special or extraordinary board meetings were held to dispense with urgent DPB business issues. Board committees include the Human Resources Committee and the Audit Committee, which also acts as the Investment Committee. The member`s attendance in the Board and Committee meetings was very high, which is highly commendable. One Board member, Mr A. Pasipanodya resigned in June 2010. We thank him for his infinite wisdom and valuable contribution to the organisation.

The Finance and Administration function is made up of three Sections namely, Human Resources and Administration, Information and Communication Technology and Finance and Accounts. The activities of the sections during the period up to the end of 2010 are highlighted below.

Human Resources and Administration

The DPB enjoyed a cordial and harmonious industrial relations climate during 2010. This was achieved through employee engagement by the Board and management. Key result areas and preset performance targets, were used as measures for organisational, departmental and individual performance. The DPB Strategic planning seminar was convened from 13th to 16th October 2010. The Strategic Plan, together with 2011 Budgets was forwarded to the Ministry of Finance, in terms of the Public Finance Management Act, for approval.

The organisation, in line with its benchmarking against international and domestic best practices, is in the process of implementing an integrated Balanced Scorecard approach to business and performance management. Training on this methodology is ongoing at all levels.

The DPB's internal policies and procedures and active consultative processes coupled with clear code of ethics and code of conduct, helped align the individual actions towards achieving organisation goals and objectives.

The DPB pension fund administered by Old Mutual Zimbabwe successfully converted the accrued values to US$ following the change over to the multicurrency system. With the advent of dollarization the DPB and the organization's insurers revalued company assets in order to give realistic US$ based values. These changes have been incorporated into the DPB's accounting systems.

The DPB relocated its business premises from Beverley House to 5th Floor Takura House 67-69 Kwame Nkrumah Avenue, Harare in April 2010.

Manpower training and development is ongoing (locally, regionally and internationally). Through these capacity building initiatives, DPB staff gain firsthand knowledge and experiences on deposit insurance systems from established institutions.

The DPB's organizational structure is clearly defined. The Castellion Job Evaluation System is currently in operation and positions are graded accordingly. In addition, remuneration issues continue to be addressed.

Information and Communication Technology (ICT)

The relocation of offices during the year resulted in the installation of a 900 metre communication fibre optic line at a cost US$15 000. The fiber connection was successfully established. There were no major disruptions of computer applications and network services throughout the year.

The upgrade of Navision accounting system to the latest version which had been scheduled for August will be carried out during the first quarter of the coming year.

The organization's website, ***www.dpb.co.zw*** was redesigned and can now accommodate various changes across industry such as licencing or deregistration of financial institutions, changes in base currency and hence cover limits. The website is updated regularly and has so far been visited by various readers across the globe.

The disaster recovery site was identified at the premises of an internet service provider. The location of the site will improve data security and promote business continuity. The project is set to be completed during the first quarter of 2011. The new site will allow online updating via the already existing network link.

**INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF
DEPOSIT PROTECTION BOARD**

We have audited the accompanying financial statements of the Deposit Protection Board on pages 28 to 52, which comprise the statement of comprehensive income, the statement of financial position at 31 December 2010, 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 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 Part XII of the Banking Act (Chapter 24.20). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 the Deposit Protection Board as at 31 December 2010, and of its
Financial Reporting Standards and in the manner required by Part XII of the Banking Act (Chapter 24.20).

INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF
DEPOSIT PROTECTION BOARD (CONTINUED)

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.1.2 to the financial statements on going concern which indicates that the cash resources of the Deposit Protection Board are stressed and may become insufficient to pay all depositors in the event of a bank failure.

Report on other legal and regulatory requirements

In our opinion, the financial statements have, in all material respects, been properly prepared in compliance with Part X11 of the Banking Act (Chapter 24:20).

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Harare
06 April 2011

DEPOSIT PROTECTION BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	31.12.2010 US$	31.12.2009 US$
REVENUE			
Premium income	11	1 909 296	1 098 232
Net fair value gains on financial assets at fair value through profit or loss	6	5 045	8 431
Other income		22 739	1 924
Total income		1 937 080	1 108 587
EXPENSES			
Operating expenses	12	(1 256 516)	(773 371)
Surplus for the year		680 564	335 216
Total comprehensive income		680 564	335 216

The notes on pages 32 to 52 are an integral part of these financial statements.

DEPOSIT PROTECTION BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	31.12.2010 US$	31.12.2009 US$	01.01.2009 US$
ASSETS				
Non-current assets				
Vehicles and equipment	5	105 511	159 204	215 694
Current assets				
Financial assets	6	450 000	11 628	3 197
Trade and other receivables	7	644 320	380 898	-
Cash and cash equivalents	8	17 092	69 570	-
		1 111 412	462 096	3 198
Total assets		**1 216 923**	**621 300**	**218 891**
EQUITY AND LIABILITIES				
Reserves				
Accumulated surplus		1 015 780	335 216	-
Distributable reserve		138 197	138 197	138 197
		1 153 977	473 413	138 197
Current liabilities				
Trade and other payables	9	62 946	74 463	49 928
Tax provisions	10	-	73 424	30 767
Total equity and liabilities		**1 216 923**	**621 300**	**218 892**

The notes on pages 32 to 52 are an integral part of these financial statements
The financial statements were approved by the Board of Directors on and signed on its behalf by:

DIRECTORS

6 April 2011

DEPOSIT PROTECTION BOARD
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Distributable Reserve US$	Accumulated Surplus US$	Total US$
Balance at 1 January 2009	138 197	-	138 197
Total comprehensive income	-	335 216	335 216
Balance at 1 January 2010	138 197	335 216	473 413
Total comprehensive income	-	680 564	680 564
Balance at 31 December 2010	**138 197**	**1 015 780**	**1 153 977**

The notes on pages 32 to 52 are an integral part of these financial statements.

DEPOSIT PROTECTION BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	31.12.2010 US$	31.12.2009 US$
Cash flows from operating activities			
Surplus for the year		680 566	335 216
Adjustments for:			
Depreciation	5	76 374	67 804
Net fair value gains on financial assets at fair value through profit and loss	6	(5 045)	(8 429)
(Profit)/loss on disposal of vehicles and equipment		(486)	300
Other non cash items		16 671	-
Operating cash flow before changes in operating assets and liabilities		768 080	394 891
Movements in working capital:			
Increase in trade and other receivables		(263 422)	(380 898)
(Decrease)/increase in trade and other payables		(11 517)	67 191
Decrease in tax provision		(73 424)	-
Net cash generated from operating activities		419 717	81 184
Cash flows from investing activities			
Purchase of vehicles and equipment	5	(23 282)	(11 614)
Proceeds from disposal of vehicles and equipment		1 087	-
Purchase of financial assets at fair value through profit and loss	6	(450 000)	-
Net cash generated from investing activities		(472 195)	(11 614)
Net (decrease)/increase in cash and cash equivalents		(52 478)	69 570
Cash and cash equivalents at the beginning of the year		69 570	-
Cash and cash equivalents at the end of the year	8	17 092	69 570

DEPOSIT PROTECTION BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1 GENERAL INFORMATION

The Deposit Protection Board (the 'Board') was established by the Reserve Bank of Zimbabwe on behalf of the Government of Zimbabwe.

The Board is incorporated and domiciled in Zimbabwe.

The financial statements were authorised for issue by the Board of Directors on 6th April 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The financial statements comprise the statement of financial position, statement of comprehensive income, the statement of changes in accumulated funds, the statement of cash flows and the notes to the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Board's accounting policies. Changes in assumptions may have a significant impact on the financial statements, in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Board's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant notes to the financial statements.

(a) New and amended standards adopted by the Board

Standard / interpretation	Content	Applicable for financial years beginning on/after
IFRS 1	First-time adoption of International Financial Reporting Standards' (amended) –Revaluation basis as deemed cost	1 July 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Board (continued)

The Board is resuming presentation of IFRS financial statements after early adoption of Revised IFRS 1 First-time Adoption of International Financial Reporting Standards issued on 20 December 2010. The Board failed to present IFRS financial statements for the financial year ended 31 December 2009 due to the effects of severe hyperinflation as defined in Revised IFRS 1.

The effect of the application of this amendment is to render the opening statement of financial position, prepared on 1 January 2009 (date of transition to IFRS) IFRS compliant. The opening statement of financial position was reported in the prior year as not being compliant with International Accounting Standard (IAS) 21 The Effects of Changes in Foreign Exchange Rates and IAS 29 Financial Reporting in Hyperinflationary Economies. The Board's previous functional currency, the Zimbabwe dollar (ZW$), was subjected to severe hyperinflation before the date of transition to IFRS because it had both of the following characteristics:

(a) a reliable general price index was not available to all entities with transactions and balances in the ZW$; and

(b) exchangeability between the ZW$ and a relatively stable foreign currency did not exist.

The Board changed its functional and presentation currency from the ZW$ to the United States dollar (US$) with effect from 1 January 2009.

Deemed cost exemption

The Board elected to measure certain items of property, plant and equipment, trade and other receivables and trade and other payables at fair value and to use the fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. The determination of balances for the opening statement of financial position is summarised below:

<u>Financial assets and liabilities</u> **-** Fair value as agreed by the shareholders i.e. willing buyer willing seller

<u>Accounts payable</u> **-** Settlement amounts agreed with debtors in United States dollars.

<u>Vehicles</u> - These were valued at gross replacement value and reassessed in line with subsequent market trends and necessary adjustments were made.

<u>Cash and cash equivalents</u> - All ZW$ bank accounts were written off to zero. Opening balances represent actual United States dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Shareholders' equity - Difference between total assets and total liabilities

Comparative information

The financial statements comprise three statements of financial position, two statements of comprehensive income, changes in equity and cash flows as a result of the retrospective application of the Amendments to IFRS 1.

The following interpretations became effective in 2010, but were not relevant for the Board's operations:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRIC 9	Reassessment of embedded derivatives and IAS 39 Financial Instruments: Recognition and measurement	1 July 2009
IAS 38 (Amendment)	Intangible assets	1 January 2010
IFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New and revised standards in issue but not effective

The following standards, amendments and interpretations have been issued and are mandatory for the Board's accounting periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the Board.

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification 'depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New and revised standards in issue but not effective (continued)

The Board has not applied the following new and revised standards that have been issued but are not yet effective

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 January 2011
IFRS 7 (Amended)	Financial Instruments: Disclosures	1 January 2011
IAS 34 (Amended)	Interim Financial Reporting	1 January 2011
IFRIC 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011

(c) Early adoption of standards

The Board has early adopted IFRS 1 First-time Adoption of International Financial Reporting Standard.

(d) Foreign currency translation

I) Functional and presentation currency

Items included in the financial statements of the Board are measured using the currency of the primary economic environment in which the entity operates, ("the functional currency"). The financial statements are presented in US$ which is the functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.2 Going concern

The financial statements have been prepared on a going concern basis which assumes that the Board will continue in existence for the foreseeable future. Deposit Protection Board's operations have been significantly affected and may continue to be affected by the challenging economic environment. The cash resources of the Board are stressed and may become insufficient to pay all depositors in the event of a bank failure. A request for an equity injection has since been submitted to the Ministry of Finance. This was acknowledged in the 2011 National Budget by the Minister of Finance. As at 31 December 2010, the Directors have assessed the ability of the Board to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate.

However, the Directors believe that under the current Zimbabwe economic environment a continuous assessment of the ability of the Board to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

2.2 Vehicles and equipment

Vehicles and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Board and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on the straight line method to allocate the cost of each asset, to their residual values over their estimated useful lives as follows:

Furniture and fittings	15 years
Computers and office equipment	7 years
Vehicles	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.2 Vehicles and equipment (continued)

There was a change in estimates in 2009 for furniture and fittings and computer and office equipment since the useful lives of the assets were previously as follows:

Furniture and fittings	10 years
Computers and office equipment	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

2.3 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash – generating units). Non -financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.4 Financial assets

2.4.1 Classification

The Board classifies its financial assets in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statement of financial position

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial assets (continued)

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or upon initial recognition it is designated by the entity as at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

2.4.2 Recognition and Measurement

Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Board has transferred substantially all risks and rewards of the ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income.

The Board assesses at each balance sheet date whether there is objective that a financial asset or a group of financial assets is impaired. Impairment losses are recognised in the statement of comprehensive income.

2.4.3 Trade and other receivables

Trade and other receivables are carried at fair value less allowance made for impairment of these receivables. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade and other receivables are impaired.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within other operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade and other receivables in the statement of comprehensive income.

Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the statement of comprehensive income

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

2.6 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.7 Provisions

Provisions are recognised when the Board has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Taxation

The Board is domiciled in Zimbabwe. Under the current laws of Zimbabwe there is no income, estate, corporation, capital gains or other taxes payable by the Board. This is with exception of value added tax ("VAT") and Board's employees Pay As You Earn ("PAYE") which are due and payable when applicable.

2.9 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Board's activities.

The Board recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Board's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Board bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Premium income

Contributions income is recognised on an accrual basis.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Board reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans is recognised using the original effective interest rate.

2.10 Employee benefits

The Board operates a defined contribution plan. The scheme is funded through payments to an insurance company. A defined contribution plan is a pension plan under which the Board pays fixed contributions into a separate entity. The Board has no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Board pays contributions to a separately administered pension insurance plan on a mandatory basis. The Board has no further payment obligations once the contributions have been paid.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Employee benefits (continued)

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Board and its employees also contribute to the National Social Security Scheme. This is a social security scheme which was promulgated under the National Social Security ("NSSA") Act. The Board's obligations under the scheme are limited to specific contributions legislated from time to time.

2.11 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Valuation of unit trusts

The fair value of financial assets in form of unit trusts are derived from prices of shares that are traded on the Zimbabwe Stock Exchange The Board has determined the valuation of the financial assets by relying on the asset management company's statement dated 31 December 2010.

ii) Useful lives of vehicles and equipment

The Board's management determines the estimated useful lives and related depreciation charges for its vehicles and equipment. This estimate is based on projected product life cycle of these assets. It could change significantly as a result of technological innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non- strategic assets that have been abandoned or sold.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3ii) Useful lives of vehicles and equipment (continued)

Management reassessed the remaining useful lives of vehicles and equipment at the beginning of 2009 as expectations then were differing from previous estimates. Prior year estimated useful lives were as follows:

Furniture and fittings	10 years
Computers and office equipment	4 years
Vehicles	5 years

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Board's activity exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk) and liquidity risk. The Board's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Board's financial performance

Risk management is carried out by the Board's management under policies approved by the Board of Directors. Management identifies analyses and evaluates financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as price risk, liquidity risk and use of financial instruments, and investment of excess liquidity.

a) Market risk

Price risk

The Board is exposed to equity securities price risk because it has investments classified as fair value through profit or loss. The exposure to equity securities price risk is not significant. The Board is not exposed to commodity price risk. To manage its risk arising from investments in equity securities, the Board implements authority limits in determining how much to invest and complies with their internal Public Policy Document. All investments are sanctioned by management.

b) Liquidity risk

Cash flow forecasting is performed by the Board. Management monitors rolling forecasts of the Board's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Board does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Board's debt financing plans, covenant compliance, compliance with internal financial position ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

Surplus cash is invested in time deposits, money markets deposits and financial assets at fair value through profit and loss, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

The Board identifies liquidity risk through periodic liquidity gap analysis and the maturity profile of assets and liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps.

Liquidity gap analysis as at 31 December 2010:

	Less than 1 Year US$	Total US$
Liabilities		
Trade and other payables	62 946	62 946
Assets		
Trade and other receivables	644 320	644 320
Liquidity gap	**581 374**	**581 374**

Liquidity gap analysis as at 31 December 2009:

	Less than 1 Year US$	Total US$
Liabilities		
Trade and other payables	74 463	74 463
Assets		
Trade and other receivables	380 898	380 898
Liquidity gap	**306 435**	**306 435**

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

c) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as credit exposures from clients, including outstanding receivables (non-payment of premiums). To manage this risk, the Board provides for penalties in law for late payments. A dedicated department is allocated to make follow ups on non-payments.

d) Cash flow and fair value interest rate risk

As the Board has no significant interest -bearing assets, the Board's income and operating cash flows are substantially independent of changes in the market interest rates. The Board's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Board to fair value interest rate risk.

4.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly - occurring market transactions on an arm's length basis.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Board’s market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities traded on the Zimbabwe Stock Exchange.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This level includes non listed equity investments. The hierarchy requires the use of observable market data when available. The Board considers relevant and observable market prices in its valuations where possible.

DEPOSIT PROTECTION BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

4.2 Fair value estimation (continued)

The following table represents the Board's assets that are measured at fair value at 31 Dec 2010. None of the Board's Financial liabilities were carried at fair value.

Assets	**Level 1 US$**	**Level 2 US$**	**Level 3 US$**	**Total US$**
Fair value through profit or loss				
- Unit Trusts	-	11 628	-	11 628
Total assets	**-**	**11 628**	**-**	**11 628**

5 VEHICLES AND EQUIPMENT

Year ended 31 December 2010	**Vehicles US$**	**Office equipment US$**	**Computer equipment US$**	**Furniture and fittings US$**	**Total US$**
Deemed cost at 1 January 2010	114 880	6 092	13 081	25 151	159 204
Additions	-	-	20 616	2 666	23 282
Disposals	-	-	(391)	(210)	(601)
Depreciation charge	(49 653)	(5 935)	(12 411)	(8 375)	(76 374)
Net book value	**65 227**	**157**	**20 895**	**19 232**	**105 511**
At 31 December 2010					
Cost	163 568	11 397	35 513	33 200	243 679
Accumulated depreciation	(98 341)	(11 240)	(14 619)	(13 968)	(138 168)
Net book value	**65 227**	**157**	**20 895**	**19 232**	**105 511**

There is no impairment of vehicles and equipment required from an assessment performed at the statement of financial position date.

5. VEHICLES AND EQUIPMENT (CONTINUED)

Year ended 31 December 2009	**Vehicles US$**	**Office equipment US$**	**Computer equipment US$**	**Furniture and fittings US$**	**Total US$**
Deemed cost at 1 January 2009	157 875	11 397	15 678	30 744	215 694
Additions	5 694	-	5 920	-	11 614
Disposals	-	-	(300)	-	(300)
Depreciation charge	(48 689)	(5 305)	(8 216)	(5 594)	(67 804)
Net book value	**114 880**	**6 092**	**13 082**	**25 150**	**159 204**
At 31 December 2009					
Cost	163 569	11 397	21 058	30 744	226 768
Accumulated depreciation	(48 689)	(5 305)	(7 976)	(5 594)	(67 564)
Net book value	**114 880**	**6 092**	**13 082**	**25 150**	**159 204**
At 01 January 2009					
Net book value	**157 875**	**11 397**	**15 678**	**30 744**	**215 694**

There is no impairment of vehicles and equipment required from an assessment performed at the statement of financial position date.

6 FINANCIAL ASSETS

	31.12.2010 US$	31.12.2009 US$	01.01.2009 US$
At 1 January	11 628	3 197	-
Fair value gains	5 045	8 431	
Deemed cost	-	-	3 197
Additions	450 000	-	-
Disposals	(16 673)	-	-
At 31 December	450 000	11 628	3 197

Financial assets consist of a money market investment classified as held to maturity and carried at amortised cost (2009: unit trusts classified as financial assets through profit and loss carried at fair value)

The carrying amounts of financial assets approximate their fair value.

7 TRADE AND OTHER RECEIVABLES

Trade receivables	524 264	378 948	-
Other receivables	120 056	1 950	-
	644 320	380 898	-

The fair values of trade and other receivables are as follows:

Trade and other receivables	644 320	378 898	-

There we no trade and other receivables past due at year end.

Receivables are as follows:

Current - 0 to 90 days	644 320	378 898	-

Other receivables are due within twelve months from the balance sheet date.

The Board does not hold any collateral as security. The carrying amount of trade and other receivables approximate fair value.

8 CASH AND CASH EQUIVALENTS

	31.12.2010	31.12.2009	01.01.2009
	US$	US$	US$
Cash on hand	537	1 505	-
Cash at bank	16 555	68 065	-
	17 092	69 570	-

9 TRADE AND OTHER PAYABLES

Leave pay provision	61 575	55 681	25 760
Foreign travel accrued	-	9 000	24 168
Other accruals	1 371	9 782	-
	62 946	74 463	49 928

The carrying amount of trade and other payables approximate fair value.

10 TAX PROVISIONS

Accrued Pay As You Earn on taxable benefits	-	35 959	30 767
Penalty provision	-	35 959	-
Interest provision	-	1 506	-
	-	73 424	30 767

11 PREMIUM INCOME

Premium income	1 909 296	1 098 232

12 OPERATING EXPENSES

	31.12.2010	31.12.2009
	US$	US$
Administration expenses:		
- Utilities	30 240	15 199
- Cellphone charges and internet services	19 841	12 162
- Other administration expenses	61 524	38 150
Staff costs (note 12.1)	800 652	495 815
Operating lease payments (note 13)	72 670	39 737
Other expenses:		
- Board fees	22 814	10 305
- Audit fees: 2010 statutory audit	17 500	7 000
2009 under provision	8 841	-
- Depreciation	76 374	67 804
- Consultancy fees	4 789	5 950
- Foreign travel	75 244	17 329
-Subscriptions to professional organizations	13 203	12 023
- Repairs and maintenance	52 824	51 897
	1 256 516	773 371

12.1 Staff costs

	31.12.2010	31.12.2009
	US$	US$
Salaries and other short-term employee benefits	747 261	465 569
National Social Security Authority cost	11 342	10 607
Pension costs	42 048	19 639
	800 651	495 815

13 OPERATING LEASE PAYMENTS

The Deposit Protection Board leases premises from Mining Industry Pension Fund.

14 PENSION FUND

Contributions are made to the following funds by both employees and the Board:

The Deposit Protection Board Pension Fund

The pension fund to which all permanent employees and the Board contribute is a defined contribution plan which is administered by Old Mutual Zimbabwe. This fund is subject to the Pension and Provident Funds Act (Chapter 24:09). Contributions by the Board amount to 12% and those by employees amount to 6% of pensionable emoluments.

National Social Security Authority

The Board and its employees contribute to the National Social Security Authority scheme. This is a social security scheme which was promulgated under the National Social Security Act. The Board's obligations under the scheme are limited to specific contribution legislated from time to time.

The Board's contributions to both funds were:	31.12.2010	31.12.2009
	US$	US$
Pension fund	42 048	19 639
National Social Security Authority	11 342	10 607
	53 390	30 246

DEPOSIT PROTECTION BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

15 RELATED PARTY TRANSACTIONS

Key management compensation shown below:

Salaries and other short-term employee benefits	399 102	265 496
Receivable amount - vehicle loan scheme	42 330	-
Defined contribution plan	22 410	10 691
	463 842	276 187

APPENDICES

APPENDIX 1

Insured Institutions

APPENDIX 2

Closed Member Institutions

APPENDIX 1: INSURED INSTITUTIONS

NAME	ADDRESS	WEBSITE
COMMERCIAL BANKS		
Banc ABC	1 Endevour Crescent.Mt Pleasant Business Park.Harare	www.abc.co.zw
Agribank	Hurudza House.14/16 Nelson Mandela Ave. Harare	www.agribank.co.zw
Barclays Bank of Zimbabwe Ltd	Cnr. 1 st /Jason Moyo Ave . Harare.	www.africa.barclays.com/zimbabwe
CBZ	60 Kwame Nkrumah Avenue, Harare.	www.cbz.co.zw
First Banking Corporation Ltd	FBC Centre.45 N Mandela Avenue. Harare.	www.firstbank.co.zw
Interfin	Block 4, Tendeseka Office Park.S Machel Avenue East. Harare	www.interfin.co.zw
Intermarket Banking Corporation Ltd	10th Floor, Intermarket Centre, Cnr 1 st/Kwame Nkrumah Avenue, Harare.	www.intermarketzimbabwe.com
Kingdom Bank Ltd	3rd Floor, Karigamombe Centre, 53 Samora Machel Avenue, Harare	www.kingdom.co.zw
MBCA	17th Floor.Old Mutual Centre.3rd Street.Harare	www.mbca.co.zw
Metropolitan Bank of Zimbabwe Ltd	Metropolitan house, 3 Central Aveneu, Harare.	www.metbank.co.zw
NMB Bank Limited	1st Floor, Unity Court, Kwame Nkrumah Avenue, Harare.	www.nmbz.co.zw
Royal Bank of Zimbabwe Ltd	67/69 Kwame Nkurumah Avenue.8th Floor.Takura House. Harare	www.royalbank.co.zw
Stanbic Bank Zimbabwe Ltd	Stanbic Centre, Samora Machel Avenue, Harare.	www.stanbic.co.zw
Standard Chartered Bank Zimbabwe Ltd	2nd Floor, Old Mutual Centre, Cnr. 3 rd Street/Jason Moyo Avenue, Harare.	www.stanchart.co.zw
TN Bank	101 Union Avenue.Kwame Nkurumah Avenue. Harare	www.tn.co.zw
Trust Banking Corporation Ltd	15th Floor, Trust Towers, 56 Samora Machel Ave, Hre.	www.trust.co.zw
ZABG	Intermarket Towers.Cnr J Moyo/Second Street. Harare	www.zabg.co.zw
ZB Bank	ZB house, Cnr. 1st Street/Speke Avenue, Harare.	www.finhold.co.zw
MERCHANT BANKS		
Ecobank	Sam Levy Office Park. Harare.	www.ecobank.com
Tetrad Investment Bank	Block 5, 1 st Floor, Arundel Office Park. Harare	www.tetrad.co.zw
Genesis Investment Bank Ltd	10th Floor, CABS Centre, Jason Moyo Ave, Harare.	www.genesis-zim.co.zw
Renaissance Merchant Bank Ltd	Renaissance Park. Borrowdale Road. Harare.	www.renaissance.co.zw

BUILDING SOCIETIES		
CBZ Building Society	Beverley Place, Selous Avenue, Harare.	www.cbz.co.zw
Central Africa Building Society	Northridge Park, Northend Close, Borrowdale, Harare.	www.cabs.co.zw
ZB Building Society	7th Floor, Finsure House, Kwame Nkrumah Ave, Hre.	www.zb.co.zw
FBC Building Society	FBC Centre.45 N Mandela Avenue.Harare.	www.fbc.co.zw

APPENDIX 2: CLOSED MEMBER INSTITUTIONS

NAME	DATE CLOSED	REASONS
Century Discount House	January 2004	➢ Insolvent due to imprudent lending ➢ Serious liquidity problems.
Rapid Discount House	December 2004	➢ Not operating according to sound administrative and accounting procedures ➢ Serious liquidity and solvency problems; and ➢ Failed to attract new investors.
Sagit Finance House	March 2006	➢ Non performing insider loans ➢ Poor corporate governance practices