DEPOSIT PROTECTION BOARD
FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2011

DEPOSIT PROTECTION BOARD

BUSINESS

The Deposit Protection Board is governed by Part XII of the Banking Act (Chapter 24:20) as well as the Banking (Deposit Protection) Regulations, Statutory Instrument 29 of 2003. The Deposit Protection Board aims at meeting a number of objectives that include**:**

- 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 of failed banks;
- 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 exposure and support in protecting depositors when a bank or the Board of banks fails in normal times.

DIRECTORS RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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.

The Directors are also responsible for maintaining adequate accounting records and for taking such steps as are reasonably open to them for safeguarding the assets and to prevent and detect fraud and other irregularities.

DIRECTORS

Dr G Gono	Chairman
Dr S Mahlahla	
A L A Pichanick	
Dr C Dhliwayo	
N Ncube	

MANAGEMENT

J M Chikura	Chief Executive Officer
M M Chingosho	Finance and Administration Manager
V Vuma	Board Secretary and Legal Counsel
M Murau	Acting Risk Analysis Manager

REGISTERED OFFICE

5th Floor
Takura House
67 – 69 Kwame Nkrumah Avenue
Harare

AUDITORS

Deloitte & Touche
P O Box 267
Harare

LAWYERS

Chihambakwe, Mutizwa and Partners
8th Floor Regal House
25 George Silundika Avenue
Harare

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FOR THE YEAR ENDED 31 DECEMBER 2011

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INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF
DEPOSIT PROTECTION BOARD

We have audited the accompanying financial statements of the Deposit Protection Board on pages 3 to 26, which comprise the the statement of financial position, statement of comprehensive income at 31 December 2011, the statement of changes in accumulated funds 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 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 the Deposit Protection Board as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International 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.

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Harare
6 June 2012

DEPOSIT PROTECTION BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 US$	2010 US$
REVENUE			
Premium income	10	2 367 329	1 909 296
Net fair value gains on financial assets at fair value through profit or loss		43 350	5 045
Other income		18 604	22 739
Total income		2 429 283	1 937 080
EXPENSES			
Operating expenses	11	(1 583 358)	(1 256 516)
Surplus for the year		845 925	680 564
Other comprehensive income		-	-
Total comprehensive income		845 925	680 564

DEPOSIT PROTECTION BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	2011 US$	2010 US$
ASSETS			
Non-current assets			
Property, vehicles and equipment	5	889 444	105 511
Current assets			
Financial assets at fair value through profit or loss	6	-	450 000
Trade and other receivables	7	1 056 732	644 320
Cash and cash equivalents	8	113 977	17 092
Total current assets		1 107 709	1 111 412
Total assets		**2 060 153**	**1 216 923**
RESERVES AND LIABILITIES			
Reserves			
Accumulated surplus		1 861 705	1 015 780
Distributable reserve		138 196	138 197
Total reserves		1 999 901	1 153 977
Current liabilities			
Trade and other payables	9	60 252	62 946
Total reserves and liabilities		**2 060 153**	**1 216 923**

The financial statements were approved by the Board of Directors on and signed on its behalf by:

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______________________________ **DIRECTORS**

6 June 2012

DEPOSIT PROTECTION BOARD
STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Accumulated surplus US$	Total US$
Balance at 1 January 2010	138 196	138 196
Total comprehensive income	1 015 780	1 015 780
Balance at 31 December 2010	1 153 976	1 153 976
Total comprehensive income	845 925	845 925
Balance at 31 December 2011	**1 999 901**	**1 999 901**

DEPOSIT PROTECTION BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 US$	2010 US$
Cash flows from operating activities			
Surplus for the year		845 925	680 564
Adjustments for:			
Depreciation	5	36 615	76 374
Net fair value gains on financial assets at fair value through profit and loss	6	-	(5 045)
Profit on disposal of vehicles and equipment		-	(486)
Other non-cash items		(1)	16 673
Operating cash flow before changes in operating assets and liabilities		882 539	768 080
Movements in working capital:			
Increase in trade and other receivables		(412 412)	(263 422)
Decrease in trade and other payables		(2 694)	(11 517)
Decrease in tax provision		-	(73 424)
Net cash generated from operating activities		467 433	419 717
Cash flows from investing activities			
Purchase of fixed assets	5	(857 608)	(23 282)
Proceeds from disposal of vehicles and equipment		37 060	1 087
Sale/(purchase) of financial assets at fair value through profit and loss	6	450 000	(450 000)
Net cash generated from investing activities		(370 548)	(472 195)
Net (decrease)/increase in cash and cash equivalents		96 885	(52 478)
Cash and cash equivalents at the beginning of the year		17 092	69 570
Cash and cash equivalents at the end of the year	8	113 977	17 092

1 GENERAL INFORMATION

The Deposit Protection Board (the 'Board') was established by the Reserve Bank of Zimbabwe on behalf of the Government of Zimbabwe to lessen the impact on the public when banks, building societies and other financial institutions become insolvent or collapse.

The Board is incorporated and domiciled in Zimbabwe.

The financial statements are expressed in the United States of America dollars ("US$").

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 revised IFRSs affecting amounts reported in the current year (and/or prior years)

The following new and revised IFRSs have been applied in the current year and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material effect on the financial statements are set out in this section.

New and revised IFRSs affecting presentation and disclosure only

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Board has chosen to present such an analysis in the notes to the financial statements, with a single-line presentation of other comprehensive income in the statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these financial statements have been modified to reflect the change.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) New and revised IFRSs affecting amounts reported in the current year (and/or prior years) (continued)

New and revised IFRSs affecting presentation and disclosure only (continued)

IAS 24 Related Party Disclosures (as revised in 2009)	IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Board is a government-related entity. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. The related party disclosures set out in note 14 of the financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

(b) New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have also been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IAS 32 Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Board has not issued instruments of this nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New and revised IFRSs applied with no material effect on the financial statements (continued)

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Board's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Board has not entered into any transactions of this nature.

Improvements to IFRSs issued in 2010

Except for the amendments to IFRS 3 and IAS 1 described earlier in section 2.1, the application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the financial statements.

(c) 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:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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.

- IFRS 9, 'Financial instruments part 1: Classification and measurement' (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

Note: Entities are required to disclose in their financial statements the potential impact of new and revised IFRSs that have been issued but are not yet effective. The disclosures below reflect a cut-off date of 30 September 2011. The potential impact of the application of any new and revised IFRSs issued by the IASB after 30 September 2011 but before the financial statements are issued should also be considered and disclosed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) New and revised IFRSs in issue but not yet effective (continued)

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

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2012.

Note: In August 2011, the IASB issued an exposure draft titled Mandatory Effective Date of IFRS 9. The exposure draft proposes to change the effective date of IFRS 9 from 1 January 2013 to 1 January 2015. The IASB has not yet finalised the proposal up to the date of issue of this publication.

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Board's disclosures regarding transfers of trade receivables previously affected (see note 25.2). However, if the Board enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of preparation (continued)

(c) New and revised IFRSs in issue but not yet effective (continued)

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

  The directors anticipate that IFRS 9 will be adopted in the Board's financial statements for the annual period beginning 1 January 2013 and that the application of IFRS 9may have significant impact on amounts reported in respect of the Board's financial assets and financial liabilities (e.g. the Board's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

  In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

  Key requirements of these five Standards are described below.

  IFRS 10 replaces the parts of IAS 27 and Separate Financial Statements that deal with financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) New and revised IFRSs in issue but not yet effective (continued)

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or un structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Board's financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the financial statements. Under IFRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the Directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that IFRS 13 will be adopted in the Board's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(c) New and revised IFRSs in issue but not yet effective (continued)

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are the grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to IAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Board's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Board's financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Boards' defined benefit plans. However, the Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(d) Early adoption of standards

The Board did not early-adopt or amended standards in 2011.

((e) 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.

(f) 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.

2.1.2 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 was submitted to the Ministry of Finance in 2011. This was not acknowledged in the 2012 National Budget by the Minister of Finance.

As at 31 December 2011, 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 Property, vehicles and equipment

Property, 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 profit or loss 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:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Property, vehicles and equipment

Buildings	40 years
Furniture and fittings	15 years
Computers and office equipment	7 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 profit or loss.

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.

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 reporting date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statement of financial position.

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.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets (continued)

2.4.1 Classification (continued)

Recognition and measurement (continued)

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 reporting date whether there is objective that a financial asset or a group of financial assets is impaired. Impairment losses are recognised in profit or loss.

2.5 Cash and cash equivalents

Cash and cash equivalents includes cash on 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. Revenue is shown net of value added tax (''VAT'').

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

Premium income is recognised in the accounting period in which it accrues. Premiums are received in arrears.

(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, and continues unwinding the discount as interest income. 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. 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 (Chapter 17:04). The Board's obligations under the scheme are limited to specific contributions legislated from time to time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss on a straight-line basis over the period of the lease.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 asset management company's statements, dated 31 December 2011.

ii) Useful lives of property, vehicles and equipment

The Board's management determines the estimated useful lives and related depreciation charges for its property, 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 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. Management reassessed the remaining useful lives of property, vehicles and equipment at the beginning of 2009 as expectations then were differing from previous estimates. Prior year estimated useful lives were as follows:

Buildings	40 years
Furniture and fittings	10 years
Computers and office equipment	4 years
Vehicles	5 years

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors

a) 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 its 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.

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 2011:

	Less than 1 Year US$	**Total US$**
Liabilities		
Trade and other payables	60 252	60 252
Assets		
Financial assets	-	-
Trade and other receivables	1 048 223	1 048 223
Cash and cash equivalents	113 977	113 977
Liquidity gap	1 101 958	1 101 958

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		
Financial assets	450 000	450 000
Trade and other receivables	644 320	644 320
Cash and cash equivalents	17 092	17 092
Liquidity gap	1 048 466	1 048 466

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 the Board, 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.

The following table presents the Board’s assets that are measured at fair value at 31 December 2011. 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	-	-	-	-
Total assets	**-**	-	**-**	-

5 PROPERTY, VEHICLES AND EQUIPMENT

Year ended 31 December 2011	Vehicles US$	Office equipment US$	Computer equipment US$	Furniture and fittings US$	Buildings US$	Total US$
Deemed cost at 1 January 2011	65 227	157	20 895	19 232	-	105 511
Additions	-	1 209	16 399	-	840 000	857 608
Disposals	(37 060)	-	-	-	-	(37 060)
Depreciation charge	(19 225)	(369)	(8 413)	(8 608)	-	(36 615)
Net book value	8 942	997	28 881	10 624	840 000	889 444
At 31 December 2011						
Cost	54 968	12 605	51 912	33 200	840 000	992 685
Accumulated depreciation	(46 026)	(11 608)	(23 031)	(22 576)	-	(103 241)
Net book value	8 942	997	28 881	10 624	840 000	889 444

There is no impairment of assets required from an assessment performed at the reporting date.

5 PROPERTY, VEHICLES AND EQUIPMENT (CONTINUED)

Year ended 31 December 2010	Vehicles US$	Office equipment US$	Computer equipment US$	Furniture and fittings US$	Buildings 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	-	243 678
Accumulated depreciation	(98 341)	(11 240)	(14 618)	(13 968)	-	(138 167)
Net book value	65 227	157	20 895	19 232	-	105 511

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

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 US$	2010 US$
At 1 January	450 000	11 628
Fair value gains	-	5 045
Additions	-	450 000
Disposals	(450 000)	(16 673)
At 31 December	-	450 000

Financial assets at fair value through profit or loss consist of unit trusts. These have been measured at fair value at the reporting date.

7 TRADE AND OTHER RECEIVABLES

	2011 US$	2010 US$
Trade receivables	759 688	524 264
Other receivables	297 044	120 056
	1 056 732	644 320

There we no impairment allowances for the year ended 2011.

As at 31 December 2011 there were no trade and other receivables past due.

Receivables are as follows:

	2011 US$	2010 US$
Current - 0 to 90 days	675 979	524 264
180 days	83 709	-
	759 688	524 264

Other receivables are due within twelve months from the reporting date.

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. 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

	2011 US$	2010 US$
Cash on hand	1 362	537
Cash at bank	112 615	16 555
	113 977	17 092

9 TRADE AND OTHER PAYABLES

	2011 US$	2010 US$
Leave pay provision	56 783	61 575
Other accruals	3 469	1 371
	60 252	62 946

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

10 OPERATING EXPENSES

Surplus for the year was arrived at after taking the following into account:

	2011 US$	2010 US$
Administration expenses:		
- Utilities	18 696	30 240
- Cellphone charges and internet services	15 051	19 841
- Other administration expenses	284 150	61 524
Staff costs (note 10.1)	956 884	800 652
Operating lease payments (note 11)	82 134	72 670
Other expenses:		
- Board fees	22 350	22 814
- Audit fees: statutory audit	17 319	17 500
2009 under provision	-	8 841
- Depreciation	36 615	76 374
- Consultancy fees	9 984	4 789
- Foreign travel	118 459	75 244
- Subscriptions to professional organizations	14 837	13 203
- Repairs and maintenance	6 879	52 824
	1 583 358	1 256 516

10.1 Staff costs

	2011 US$	2010 US$
Salaries and other short-term employee benefits	899 285	747 261
National Social Security Authority cost	7 249	11 342
Pension costs	50 350	42 049
	956 884	800 652

11 OPERATING LEASE PAYMENTS

The Deposit Protection Board leases premises from Mining Industry Pension Fund. During the current year the Board purchased a building from which it will operate from June 2012. Minimum lease payments for the next financial year is $37 350 (2010 - $79 200)

12 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 to 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 (Chapter 17:04). 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:

	2011 US$	2010 US$
Pension fund	50 350	42 047
National Social Security Authority	7 249	11 342
	57 599	53 389

13 RELATED PARTY TRANSACTIONS

Key management compensation shown below.

	2011	2010
Salaries and other short-term employee benefits	607 804	399 102
Defined contribution plan	28 120	22 410
	635 924	421 312