FBC Holdings Limited

strength • diversity • service

2014 ANNUAL REPORT

DELIVERING SUSTAINABLE SERVICE

Contents

FBC Holdings Limited
strength • diversity • service

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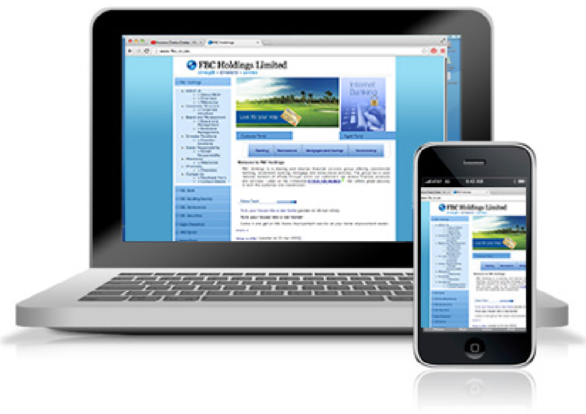

Group Structure

FBC Holdings Limited
strength • diversity • service

	Shareholding 31 December 2014	Shareholding 31 December 2013
FBC Bank Limited (Registered Commercial Bank)	100%	100%
FBC Reinsurance Limited	100%	100%
FBC Building Society	100%	60%
FBC Securities (Private) Limited	100%	100%
MicroPlan Financial Services (Pvt) Limited	100%	100%
Eagle Insurance Company Limited	95%	95%
Turnall Holdings Limited	-	58%

Destiny, Cause and Calling

Destiny
To be Africa's trendsetters in financial and risk management.

Cause
To secure individual and corporate wealth.

Calling
To create value through a passionate commitment to partnerships.

General Information

Registered Office
6th floor FBC Centre
45 Nelson Mandela Avenue
P.O. Box 1227, Harare
Zimbabwe
Telephone : 263-04-700312/797770
: 263-04-708071/2
Telex : 24512 FIRSTB ZW
Swift : FBCPZWHA
Fax : 263-04-700761
E-mail : info@fbc.co.zw
Website : http://www.fbc.co.zw

Transfer Secretaries
First Transfer Secretaries (Private) Limited
1 Armagh Avenue, Eastlea
P.O. Box 11 Harare
Telephone : 263-04-782869
Mobile : 263 772146157/8

Independent Auditor
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Building No 4, Arundel Office Park
Norfolk Road
Mount Pleasant
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Telephone : 263-04-338362-8
Fax : 263–04–338395

Attorneys
Dube Manikai & Hwacha Legal Practitioners
Eastgate Building
6th Floor, Goldbridge, Southwing
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Costa & Madzonga Legal Practitioners
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Telephone : 263-08644133638/9

FBC Bank Limited

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:263-04-251976
Fax :263-04-253556

Chinhoyi Branch
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Bulawayo Avenue Branch
Asbestos House
Jason Moyo Avenue
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:263-09-76371
Fax :263-09-67536

Masvingo Branch
FBC House
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:263-039-62912
Fax :263-039-65876

Gweru Branch
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General Information *(CONTINUED)*

Mutare Branch
50 B Herbert Chitepo Avenue
P.O. Box 2797, Mutare
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:263-020-62114
Fax :263-020-60543

Nelson Mandela Avenue Branch
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P.O. Box BE 818, Belvedere, Harare
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:263-04-753608
Fax :263-04-775395

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:263-04-759392
Fax :263-04-759567

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Chitungwiza Branch
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:263-270-31016
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:263-04-700044
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Victoria Falls Branch
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Msasa Branch
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Bulawayo Office
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Eagle Insurance Company Limited

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General Information *(CONTINUED)*

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Gweru Branch
Impala Seeds Building
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:263-054-223586
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Fax :263-09-74069

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Mutare Branch
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Masvingo Branch
FBC House
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:263-54-224524

Bindura Branch
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Telephone :263-0271-6581

Financial Highlights

For the year ended 31 December 2014

	31-Dec-14 US$	31-Dec-13 US$
Consolidated statement of comprehensive income		
Continuing operations		
Profit before income tax	17 095 396	18 550 165
Profit for the year from continuing operations	13 933 163	15 901 245
Loss from discontinued operations	(9 038 872)	(4 298 928)
Profit for the year	4 894 291	11 602 317
Consolidated statement of financial position		
Total equity	88 216 896	97 682 469
Total assets	477 348 003	452 346 832
Share statistics		
Shares in issue - actual (m)	672	672
Shares in issue - weighted (m)	666	601
Basic earnings per share - (US cents)	0.73	2.03
Diluted earnings per share - (US cents)	0.73	2.03
Headline earnings per share - (US cents)	1.48	2.03
Dividend per share - ordinary (US cents)	0.73	0.15
Closing share market price - (US cents)	8.0	13.5
Ratios		
Return on shareholders equity	6%	13%
Cost to income ratio	78%	74%

Group Chairman Statement

Financial Performance Review

2014 was a year of mixed results which combined both strong operating performances by the Group's financial services subsidiaries and significant extraordinary once off costs related to the Group's strategic exit from Turnall Holdings Limited (Turnall).

Shareholders may recall, that during the course of 2014, the Board took the decision to exit from our 58% shareholding in Turnall, a non-core manufacturing company which had been part of the FBCH Group since September 2009. This decision was made so that the Group would focus entirely on its financial services operations, the sector in which it has strong core competence. The divestiture from Turnall, was achieved through a declaration of a dividend in specie. In order to effect this dividend, the Group had to absorb its attributable share of Turnall's operating losses from 1 January 2014 to the date of the dividend (17 October 2014). In addition the Group had to recognize the reduction in the fair market value of its investment in Turnall as at 17 October 2014.

As a result, the Group incurred total extraordinary charges of US$9 million related to this exit strategy and the eventual disposal of its investment in Turnall. However, it is important that this once off cost be viewed in the context of strong operating results with Net Income increasing by 8.8% in 2014 to US$77.4 million and resulting in profit from continuing operations of US$13.9 million. After netting out this extraordinary charge and the related tax implications, the bottom

Group Chairman Statement (CONTINUED)

line net profit of the Group for 2014 stands at US$4.9 million. While this divestiture was costly to the Group, it was the right action to take and the Group will produce stronger results with its focused approach on its core competence. The costs arising from the Turnall divestiture are separately disclosed on the consolidated statement of comprehensive income as the loss from discontinued operations.

The Group also had to restate its 2013 financial statements to reflect the correction of some prior year accounting errors made by Turnall in their 2013 audited accounts. The impact of these Turnall errors is fully disclosed in the financial statements.

The growth in the Group's core business was mainly driven by an increase in net interest income and net insurance premium. This was however, counteracted by decreases in other revenue lines- mainly gross profit on property sales under the Building Society business, as a result of timing differences in completing housing units and increased holding costs. The growth in total income is a clear demonstration of the continued entrenchment of the FBC brand in the market. The Group continues to focus on expanding its revenue base within the financial services sector to maintain its growth momentum.

The Group's profit before income tax for continuing operations decreased by 7.8% to US$17.1 million from the US$18.6 million achieved last year. This was mainly as a result of an increase in impairment allowance on financial assets that was recorded as a prudent response to the increasing credit risk in the market. As a result, impairment allowance increased to US$8.3 million from US$3.9 million last year. The Group continues to bolster its risk management framework with particular emphasis on credit risk and liquidity risk, on the backdrop of the current challenging macro-economic environment. The Group is in full compliance with Basel II provisioning requirements and has set aside adequate reserves to cushion it from the adverse effects of potential loan losses.

Administrative overheads increased by 3% in light of the businesses being in an expansionary phase, benefiting from an increased focus on cost containment and improvement in efficiencies emanating from a continuous review of operating processes.

Although the administrative cost to total income ratio improved to 52% from 55% last year, the overall cost to income ratio for continuing business increased to 78% from 74% in 2013, due mainly to specific impairment allowances and insurance related expenses.

The Group continues to be in a strong liquidity position and is able to comfortably meet customer requirements. It will continue to exercise prudence in the area of liquidity management under the current challenging economic environment.

Despite the divestiture from Turnall, the Group's statement of financial position increased by 5.5% to US$477 million from US$452 million last year. The growth in the statement of financial position was mainly driven by a 22% increase in deposits augmented by the $60 million syndicated loan facility. The three year syndicated facility enabled the banking subsidiary to extend medium term facilities to our customers, thereby increasing their capacity to repay on a sustainable basis.

Total equity attributable to FBC Holdings Limited shareholders was at US$88 million, which was the same as last year, despite the payment of a dividend in specie.

The Group's businesses continue to record positive performance and the trend is expected to continue.

Operating Environment.

A GDP growth rate of 3.1% recorded last year is expected to be maintained this year as the country continues to implement the Zimasset program. The Group businesses are poised to exploit opportunities in the informal sector by deploying appropriate technological solutions.

Financial Services Sector

The Financial services sector has remained stable notwithstanding the closure of a few banks with insignificant systemic risk. An initiative by the central bank to address the market-wide non performing loans, has been instituted through a special purpose vehicle, Zimbabwe Asset Management Company (ZAMCO). This initiative entails hiving off secured non performing loans (NPLs) from financial institutions at an agreed discount. It will capacitate banks to undertake new lending, which is fundamental to economic growth. In addition, the Reserve Bank is establishing a credit reference bureau which will enhance credit risk management.

Group Chairman Statement *(CONTINUED)*

Capital Requirements

We are pleased to report that all the FBC Holdings Limited subsidiaries exceeded the minimum regulatory capital requirements as at 31 December 2014. Further, the Building Society has already exceeded the target minimum capital requirement of US$25 million which is required by the year 2020. The Bank has submitted to the Reserve Bank a robust recapitalisation program which will see it complying with the US$100 million minimum regulatory capital requirement by year 2020.

Share Price Performance

The Zimbabwe Stock Exchange (ZSE) remained subdued due to the obtaining macro-economic environment. The FBC Holdings counter has not been spared and has continued to trade at a discount to net asset value (NAV) per share. We expect the discount between NAV and market value to narrow as the Group benefits from the refocused business portfolio.

Corporate Social Investment

The Group remains committed to giving back to the communities it operates in, having disbursed over $100 000 towards various corporate social responsibility initiatives in the fields of education, health, community share trusts, sports and the arts during the year 2014.

Marketing and Public Relations

The Group maintained its brand stature within the market place during the year, owing to various sustained marketing and public relations initiatives that were implemented. FBC Holdings was crowned the winner of the Financial Gazette's Top Companies Survey 2014, an award presented to the best performing counter on the Zimbabwe Stock Exchange. FBC Holdings Limited was also recognised as the best performing counter in the Financial Services sector and the 4th best overall listed company by the Zimbabwe Independent Quoted Companies Survey 2014.

FBC Building Society was recognised by the Project Management Institute of Zimbabwe for delivering the "Most Outstanding Project for the year 2014" for its Muonde Gardens project in Newlands.

e-Commerce

The Group continues to make significant strides towards embracing technology-driven solutions to improve business processes, lower costs and improve customer convenience. More customers are getting 24/7 service access from the various businesses, creating sustained value in the process. A number of new systems and upgrades are being implemented concurrently with the attendant security protocols, to ensure the business ecosystems are protected from the ever-escalating threats of cyber crime. In particular, the Europay-MasterCard-VISA (EMV) security standards have been implemented for the issuance of MasterCard and acquisition of related transactions.

Dividend

On behalf of the Board I am pleased to advise that a dividend in specie comprising 262 063 155 ordinary shares in Turnall Holdings Limited was distributed as a specific payment to FBC Holdings shareholders registered as such on the record date of the transaction of 17 October 2014.

The transaction was valued at US$8 million on its effective date of 25 August 2014 and was approved by shareholders at an Extra - Ordinary General Meeting held on 26 September 2014. The distribution of the Group's shareholding in Turnall by way of a dividend in specie represents one of the biggest dividend payments by a listed entity in recent history. In view of the above, your Board has passed the declaration of a final dividend.

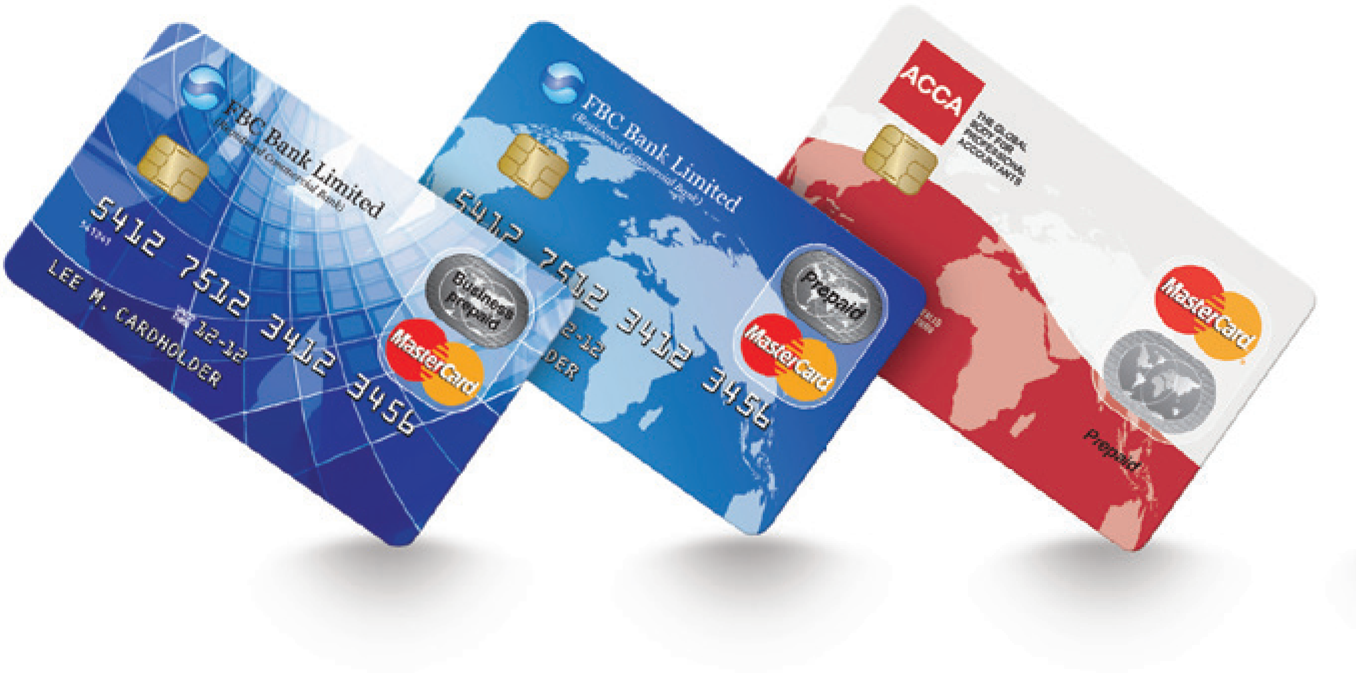
Outlook

There has been an increase in interest shown by foreign investors to invest in the country. The refocused Group is poised to exploit such opportunities as and when they arise. Going forward the Group will continue to focus on liquidity risk, credit quality, cost containment and low cost delivery channels in an effort to making banking more inclusive and affordable.

Appreciation

As always, my appreciation goes to our valued customers whose support remains the backbone of our existence. I am truly thankful for the non-executive directors' guidance and counsel during this period. The professionalism, dedication and commitment demonstrated at all times, by the Group Chief Executive, his management team and staff, is highly commendable.

Herbert Nkala
Group Chairman
30 March 2015


FBC Bank Limited
(Registered Commercial Bank)
5412 7512 3412 3456
LEE M. CARDHOLDER
12-12
Business prepaid
MasterCard
Prepaid
ACCA
THE GLOBAL BODY FOR PROFESSIONAL ACCOUNTANTS

Group Chief Executive's Report

I am pleased to present to you the FBC Holdings audited financial results for the twelve months ended 31 December 2014, a momentous year, which culminated in the Group taking a strategic decision to focus on core business in the financial services sector. The Group disinvested from Turnall Holdings Limited, a non core business to FBC Holdings Limited, which was held on the basis of specific Reserve Bank of Zimbabwe approvals to hold the non-core asset.

Group Performance

Despite the disposal of Turnall as a dividend in specie at a book loss of US$9 million, the Group sustained a positive performance, achieving a profit after tax of US$5 million for the year. The performance is however, significantly less than the profit of US$12 million achieved last year mainly due to the aforementioned book loss of US$9 million and the significantly increased impairment allowance made in response to the heightened inherent credit risk outlook and the challenging macro credit environment.

It is pleasing to note that for the continuing operations, now comprising our core business, the Group's total net income registered a growth of 8% to $77 million from US$71 million achieved last year. The revenue was buoyed by increased customer acquisitions underpinned by the continued collateralisation of the FBC brand.

The Group's net interest income grew by 14% to US$29 million from US$25 million recorded last year and its contribution to total net income increased to 37% from 35% last year. This was driven by the growth in loans and advances and mortgages on the back of increased deposits and credit lines.

Fee and commission income increased by 13% to US$25 million from US$22 million achieved in the prior year. The contribution to total net income registered a slight increase to 33% from 31% on the back of a more pronounced net interest income and net earned insurance premium contribution.

The contribution of gross profit on property sales decreased to 4% from 5% mainly as a result of reduced turnover on property sales as a significant number of housing units were completed towards the tail end of the year. It is however, encouraging to note that margins on property sales improved to 36% from 31% last year as a result of increased efficiencies in the construction of housing units.

Group Chief Executive's Report *(CONTINUED)*

Net earned insurance premium registered a commendable growth of 16% and its contribution to total net income increased to 25% from 23% last year driven by increased customer acquisitions and the successful introduction of new products.

The Group continues to place emphasis on cost containment as a strategic objective for survival under the current challenging operating environment. The Group cost income ratio moved to 78% from 74% last year mainly due to an increased impairment allowance made as a response to the heightened credit risk outlook. Administrative overheads at US$40 million were 3% above those incurred last year as a result of expansion related expenses.

The Group's statement of financial position at US$477 million increased by 5% compared to the prior year despite the disposal of Turnall, piggybacking on a commendable increase in deposits of 22%. This growth is underpinned by continued customer support which is a further testimony to the continued consolidation of the FBC brand.

Total equity attributable to shareholders of FBC Holdings limited remains static at US$88 million following the disposal of Turnall by way of a dividend in specie.

FBC Bank Limited

In a market that continues to be constrained by high inherent risks in liquidity, credit and operational management, FBC Bank recorded a profit before income tax of US$8.1 million compared to US$7 million achieved last year excluding the loss from the Turnall transaction. When the Turnall transaction is included, the profit before tax reduces to US$2 million. The disposal of Turnall has improved the quality of revenue and the asset base of the Bank.

The Bank cost to income ratio excluding the Turnall transaction improved to 77% from 81% following increased cost containment and a reassessment of the Group's shared cost burden.

The Bank's statement of financial position registered a creditable growth of 18% to US$382 million, bolstered by total deposits which increased by 24% to US$347 million from US$278 million last year.

The Bank increased its lending portfolio by 19% to US$252 million from US$213 million last year, on the back of an increased deposit base and accessed credit lines. The Bank will continue to strengthen its credit risk management systems to reduce the level of non-performing loans.

The core capital of the Bank reduced to US$33 million from US$39 million last year, following the declaration of the Bank's investment in Turnall as a dividend to its sole shareholder, FBC Holdings Limited, in order to facilitate the Group's exit from non- core business.

The Bank continued to focus on securing additional external lines of credit with a view to providing the much needed support to clients with bankable businesses. FBC Bank received a US$60 million syndicated loan facility from Standard Chartered Bank, Commerzbank and Investec, guaranteed by Afreximbank. The Bank also successfully concluded a US$10,5 million factoring facility as well as a Grain and Agricultural input facility worth US$10 million. A successful renewal and deployment of a US$15 million Agro bills facility was also completed during the course of the year. The Bank managed to pay off a US$8 million facility as well as the US$15 million Afreximbank facility. The thrust is to position FBC Bank as a market leader in securing external lines of credit for on lending to quality corporates as well as qualifying individuals.

In its continued efforts to expand its product offering, the Bank has established a lease finance department. The Bank also migrated its MasterCard from the magnetic stripe to the more secure chip and pin. Branch network expansion is on going, with plans underway to open new branches. The Bank maintained it's A-rating from the Global Credit Rating Agency.

FBC Building Society

The Building Society continues to actively participate in the properties market with upmarket housing developments having been completed and sold during the year. The Building Society won the "Project of the year" award which was issued by the Project Management Institute of Zimbabwe in recognition of the quality projects delivered during the year, a commitment that the Building Society has upheld in delivering value to our customers. In a market where the housing waiting list is reported to be in excess of 1 million houses, the Building Society is playing its part in meeting the acute demand for housing whilst targeting various segments of the market.

The Society recorded a surplus of US$7 million for the year ended 31 December 2014. Total net income for the year amounted to US$14 million compared

Group Chief Executive's Report *(CONTINUED)*

to $13 million recorded in 2013. Operating expenses were controlled and remained flat in 2014 with the 6% increase emanating from impairment loss on land and buildings.

The Building Society's statement of financial position increased by 39% to US$109 million propelled by total deposits which increased by 48%. The loan portfolio registered a 11% growth to US$50 million from US$45 million in 2013. The loan book growth continues to be driven by mortgages lending, arising from housing development projects.

The net capital for the Building Society stood at US$29.7 million as at 31 December 2014, enabling it to be compliant with the current capital requirements for tier 2 banking institutions which will remain at the same level until 31 December 2020.

Microplan Financial Services (Private) Limited

Since its establishment in January 2011, Microplan has recorded significant growth in market share and is now ranked 3rd by balance sheet size in the market. The business unit contributed US$2 million to the overall Group profit before tax, representing a 67% growth from the 2013 profit before income tax of $1,2m.

Microplan's success is a result of employing aggressive business development tactics while at the same time applying strong risk management methods. The business unit has spread its footprint to all major cities and centres so as to register increased visibility as well as market share. Microplan as a responsible corporate institution, won a ZIMRA Taxpayer Appreciation Award, under the income tax SME category for the 2013 tax year, for paying taxes on time and in full.

FBC Securities (Private) Limited

Declining capacity utilization, low disposable incomes and reduced aggregate demand culminated in a negative performance of 19.9% of the industrial index on the Zimbabwe Stock Exchange. Having embarked on a deliberate income diversification strategy that included product and service diversification, the unit was able to reduce the effects of a declining brokerage income and recorded a marginally above break even comprehensive income level for the year 2014.

Looking ahead, the unit will consolidate its position in the foreign market with intentions of building a sustainable and well diversified income portfolio, with particular focus in the equities, fixed income securities and advisory services for the benefit of its customers and the group's subsidiaries.

FBC Reinsurance Limited ("FBC Re")

FBC Re's gross premium income for 2014 amounted to US$16 million compared to US$15 million written in 2013, which is an increase of 3%. Profit before income tax amounted to $2.7 million, which is a 7% decrease from the US$2.9 million achieved last year. Performance was adversely impacted by the adverse performance of the ZSE which reduced investment income from $1.64 million in 2013 to $0.65 million in 2014.

The company recorded a 58% increase in underwriting results to US$1.9 million from the US$1.2 million achieved in 2013. This is attributed to the strong underwriting discipline and robust risk management employed by the company.

FBC Re remains the lead reinsurer for the majority of the major direct insurers in Zimbabwe and is also the most liquid and most profitable Zimbabwean reinsurer in the market. The company has the fastest claims turnaround time in the market. In the just ended business year, FBC Re maintained its A- rating in claims paying ability from the Global Credit Rating Agency of South Africa, making it the only local A rated reinsurer.

The company has been granted permission to commence writing Life and Health business in 2015. This new line of business will ensure that the company, which has been in business for 20 years, offers the full spectrum of Reinsurance services to both the short term and long term markets. FBC RE has also put in place retrocession arrangements with top rated specialist markets covering businesses against risks associated with Political Riots and Terrorism, as well as Cyber Risks.

Eagle Insurance Company Limited

Eagle Insurance continues to grow since its acquisition by the Group in 2011. Gross Written Premium increased by 15% to US$17 million from US$15 million in 2013. The insurance company has continued to post profits consistently since 2012. It grew its profits to US$1.76 million in 2014 from US$1.67 million in 2013.

We are pleased to report that the outlook remains largely positive, with the business unit poised to benefit from on-going product development in the largely untapped micro insurance space. In particular there has been increased uptake of the new Hospital Cash Plan product. Eagle continues to exercise robust risk management, engage in prudent underwriting and also continues to maintain a very liquid balance sheet.

Group Chief Executive's Report *(CONTINUED)*

In 2014, Eagle Insurance's claims paying ability was upgraded to BBB by the Global Credit Rating Agency.

Service Delivery

The Group remains committed to delivering a quality service to all clients and stakeholders through continuous product innovation and review. There has been a concerted effort to increase physical representation across the country for business units such as FBC Bank, FBC Building Society and Microplan.

Risk Management

The Group has a strong risk management culture which is continuously reinforced across all business units. Policies and procedure manuals are regularly reviewed to ensure that they are consistent with conditions prevailing in the operating environment and are in conformity with best practices and regulatory requirements. The FBC Group's risk appetite statement also provides the connection between the overall business strategy and the risk governance of the organisation.

The Group, through its Enterprise-Wide Risk Management Framework, conducts stress tests to assess the vulnerability of the Group against severe market conditions. Proactive measures are undertaken to address any undesirable outcomes from the stress tests. In addition, the Group has adopted best practice Information Technology Operations Control Frameworks, given the e-Commerce strategic thrust being pursued. The Group's adoption of the Basel II Standards has been of great assistance in achieving the objective of maintaining robust risk management processes. Management and Board committees which are an integral part of the risk governance structure across the Group, provide continuous oversight on overall risks.

Human Resources

The Group enjoys harmonious employee relations across all its business units. For the fourth consecutive year, the Group was once again, able to retain its key and critical skills that are pivotal in delivering the service it provides to its valued customers and stakeholders. Employee commitment to the Group has further improved as reflected by the level of employee engagement which in 2014 surpassed the levels which were recorded in the last 3 years.

The financial performance of the company bears testimony to the level of productivity that committed and highly engaged employees are capable of achieving. The Group will continue to review its policies with a view to ensuring that areas which increase the level of employee commitment and consequently productivity are given attention. These include but are not limited to employee relations, talent management, performance management, incentives and rewards, learning and development, employee participation, work life balance, employee wellness and other related policies which influence high levels of engagement and belonging.

Information Technology and e-Commerce

The FBC brand has made tremendous inroads in leveraging technology to enhance efficiency, lower costs and deliver customer convenience. Emerging channels such as mobile and internet banking continue to benefit from the high penetration rate resulting in a surge in electronic transactional volumes and associated revenues. The Group is focused on broadening service access for the banked whilst enhancing reach for the un-banked and under-banked segments which hitherto could not be served optimally via brick and mortar structures.

The Group has successfully migrated the MasterCard platform to the EMV chip and PIN standard as well as adopting ISO27K as part of various initiatives to secure the operating environment from ever-escalating threats. Technology remains fundamental to the FBC financial value chain, which will also utilise the agency network to enable reach and financial inclusion across multiple ecosystems. The Group is well poised to deliver integrated payment systems to its clients and the economy at large.

Product Development

The Group believes that with a sustained thrust towards understanding the desires of the market and responding to that need in the form of innovative products and services, we are well positioned to succeed in a highly contested market place.

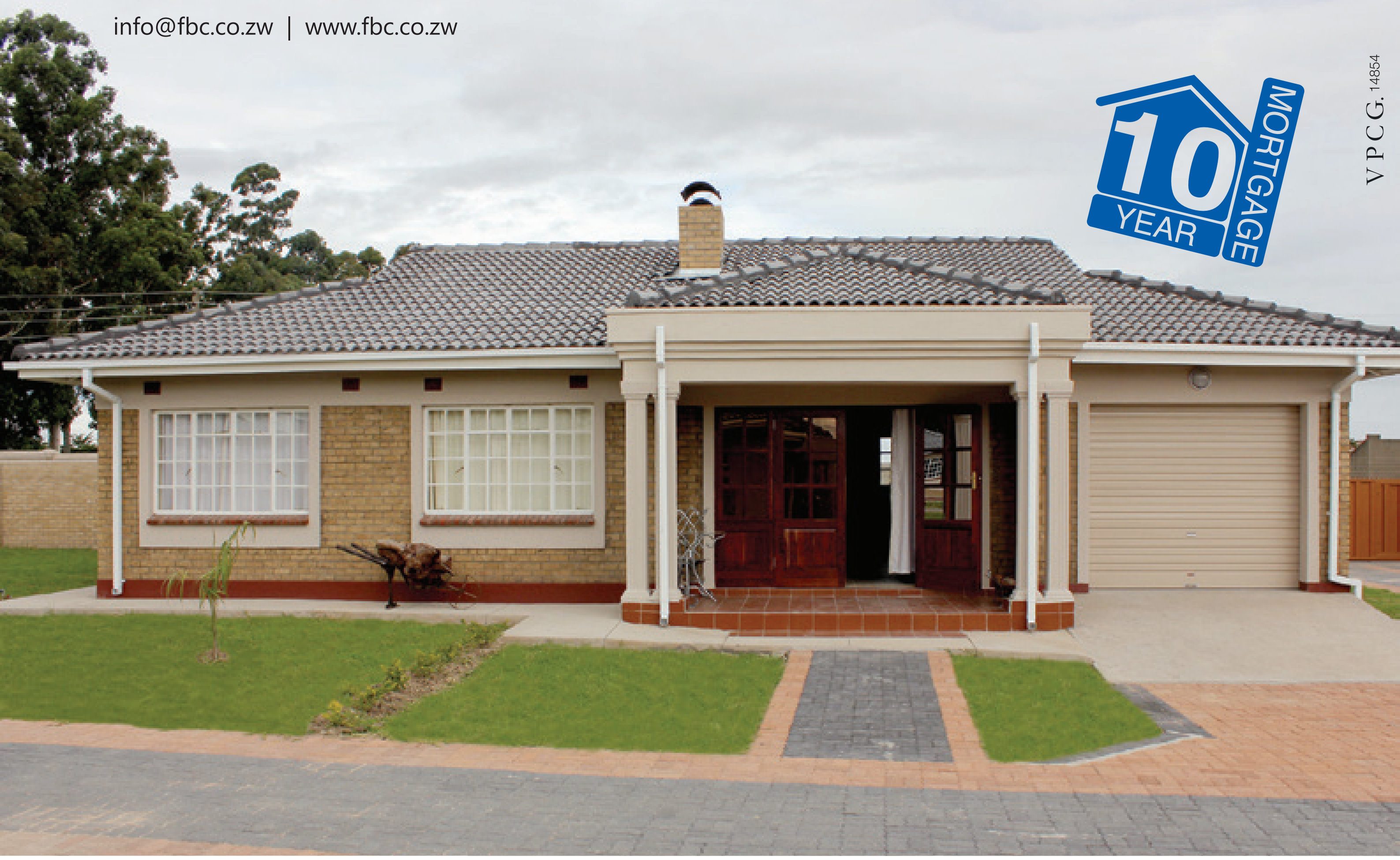
Appreciation

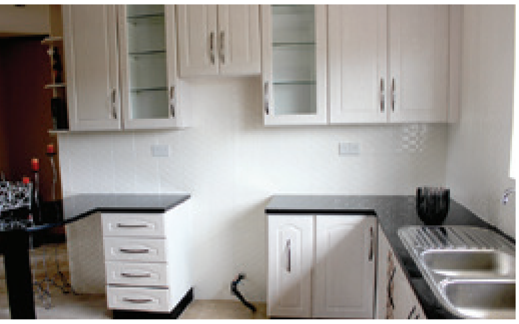
FBC Holdings remains highly appreciative of our loyal customers and stakeholders, some of whom have been with us since our humble beginnings in 1997. I am truly grateful for the unwavering support and commitment that continues to drive us in our quest for excellence. My sincere gratitude is extended to the FBC Holdings Limited Board of Directors, Management and Staff members for their steadfast guidance and support.

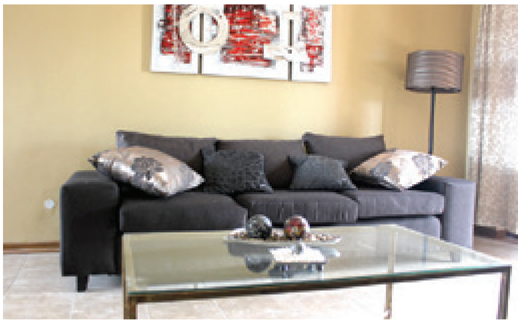
John Mushayavanhu
Group Chief Executive
30 March 2015

info@fbc.co.zw | www.fbc.co.zw

V P C G. 14854







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A Member of the Deposit Protection Board

FBC Building Society

(Registered Building Society)

Call, SMS or WhatsApp our FBC Help Centre on:

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TOLLFREE: 0808 0025, 0808 0026 **EMAIL:** help@fbc.co.zw

skype FBC.Help.Centre

Directors' Report

Your directors have pleasure in submitting their eleventh annual report and financial statements, for the financial year ended 31 December 2014, for FBC Holdings Limited.

1. ACTIVITIES AND INCORPORATION

FBC Holdings Limited (''the Company") and its subsidiaries (together "the Group") are incorporated and domiciled in Zimbabwe. The Group comprises of five wholly-owned subsidiaries and one subsidiary controlled 95%. During the year the Group disposed of Turnall Holdings Limited, a subsidiary it held a 58% equity interest through a dividend in specie. A 5% interest was retained of this investment. The Group, through its subsidiaries, provides a wide range of commercial banking, mortgage financing, short term reinsurance, short term insurance, stockbrocking and other related financial services

2. AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Company was 800 000 000 ordinary shares of a nominal value of US$0.00001 each as at 31 December 2014. The issued and fully paid ordinary shares remained at 671 949 927 ordinary shares of US$0.00001 with no movements during the year. The details of the authorized and issued share capital are set out in note 19.3 of the consolidated financial statements.

3. RESERVES

The Group's total shareholders' equity attributable to equity holders of the parent as at 31 December 2014 was US$88 008 703 (2013: US$87 996 062).

4. FINANCIAL STATEMENTS

	2014 US$	2013 US$
Continuing operations		
The results reflected a profit before income tax for the year of	17 095 396	18 550 165
Income tax expense	(3 162 233)	(2 648 920)
Profit for the year for continuing operations	13 933 163	15 901 245
Loss from discontinued operations	(9 038 872)	(4 298 928)
Profit for the year	4 894 291	11 602 317
Equity holders of the parent	4 838 405	12 226 603
- from continuing operations	13 877 277	14 733 738
- from discontinued operation	(9 038 872)	(2 507 135)
Non-controlling interest	55 886	(624 286)
	4 894 291	11 602 317

Directors' Report *(CONTINUED)*

5. DIRECTORS' INTERESTS

As at 31 December 2014, the Directors' interest in the issued shares of the Company directly or indirectly is shown below:

Directors' shareholding

Number of shares	Direct holding	Indirect holding	Total
H. Nkala (Group Chairman)	-	410 339	410 339
J. Mushayavanhu (Group Chief Executive)	142 241	31 760 865	31 903 106
T. Kufazvinei (Executive Director)	35 114	11 408 184	11 443 298
W. Rusere (Executive Director)	5 000	10 165 352	10 170 352
F. Gwandekwande (Executive Director)	7 344	-	7 344
	189 699	53 744 740	53 934 439

The other directors have no shareholding in the Company.

6. CAPITAL ADEQUACY

The following subsidiaries have their capital regulated by the regulatory authorities:

FBC Bank Limited, FBC Building Society and Microplan Financial Services (Private) Limited are all regulated by the Reserve Bank of Zimbabwe ("RBZ"). The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries.

The capital position for these subsidiaries is detailed in the table below;

Company As at 31 December 2014	Regulatory Authority	Minimum capital required US$	Net regulatory capital US$	Total equity US$
FBC Bank Limited	RBZ	25 000 000	30 668 972	33 264 921
FBC Building Society	RBZ	20 000 000	29 702 581	29 752 809
FBC Reinsurance Limited	IPEC	3 000 000	10 272 398	10 272 398
FBC Securities (Private) Limited	SECZ	1 500 000	237 308	237 308
Eagle Insurance Company Limited	IPEC	1 500 000	4 664 093	4 664 093
Microplan Financial Services (Private) Limited	RBZ	10 000	3 353 009	3 353 009
As at 31 December 2013				
FBC Bank Limited	RBZ	25 000 000	32 900 390	39 031 433
FBC Building Society	RBZ	20 000 000	22 789 212	25 810 051
FBC Reinsurance Limited	IPEC	3 000 000	8 743 519	8 743 519
FBC Securities (Private) Limited	SECZ	1 500 000	272 408	272 408
Eagle Insurance Company Limited	IPEC	1 500 000	3 556 694	3 556 694
Microplan Financial Services (Private) Limited	RBZ	10 000	1 968 212	1 968 212

Directors' Report *(CONTINUED)*

At 31 December 2014, the banking subsidiary's capital adequacy ratio computed under the Reserve Bank of Zimbabwe regulations was 16% and that of the building society was 40%, against the statutory minimum ratios of 12%. The respective capital adequacy ratios are determined as illustrated below.

	31-Dec-14 US$	31-Dec-13 US$
FBC Bank Limited capital adequacy ratio		
Ordinary share capital	18 500 000	18 500 000
Retained profits	12 479 003	19 835 745
General reserve	660 244	660 244
Capital allocated for market and operational risk	(4 035 797)	(2 853 472)
Advances to insiders	(2 595 950)	(6 131 043)
Tier 1 capital	25 007 500	30 011 474
Other reserves	1 625 675	980 070
General provisions	-	(944 626)
Tier 1 and 2 capital	26 633 175	30 046 918
Tier 3 capital allocated for market and operational risk	4 035 797	2 853 472
	30 668 972	32 900 390
Risk weighted assets	194 870 201	215 450 041
Tier 1 ratio (%)	13%	14%
Tier 2 ratio (%)	1%	0%
Tier 3 ratio (%)	2%	1%
Capital adequacy ratio (%)	16%	15%
Minimum Statutory Capital adequacy ratio	12%	12%

FBC Building Society capital adequacy ratio	31-Dec-14 US$	31-Dec-13 US$
Share capital and share premium	11 266 599	11 266 599
Accumulated surplus	18 392 295	12 415 506
Capital allocated for market and operational risk	(1 650 312)	(1 517 765)
Advances to insiders	(50 228)	(917 016)
Tier 1 capital	27 958 354	21 247 324
Non distributable reserves	-	-
Revaluation reserves	93 915	24 123
Tier 1 and 2 capital	28 052 269	21 271 447
Tier 3 capital allocated for market and operational risk	1 650 312	1 517 765
	29 702 581	22 789 212
Risk weighted assets	73 516 267	54 547 119
Tier 1 ratio (%)	38%	39%
Tier 2 ratio (%)	0%	0%
Tier 3 ratio (%)	2%	3%
Capital adequacy ratio (%)	40%	42%
Minimum Statutory Capital adequacy ratio	12%	12%

Directors' Report *(CONTINUED)*

7. DIVIDEND

A dividend in specie comprising 262 063 155 ordinary shares in Turnall Holdings Limited was distributed as a specific payment to FBC Holdings Shareholders registered as such on the record date of the transaction of 17 October 2014. The transaction was valued at US$7 861 815 on its effective date of 25 August 2014. A fair value loss of US$3 930 948 was recognized on the value distributed due to a drop in Turnall Holdings Limited's share price from the date of dividend declaration (effective date) to the record date of 17 October 2014.

In view of the uncertain economic environment and the need to comply with regulatory capital levels, Directors are recommending that a final dividend for the period under review be passed.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and the integrity of the financial statements that fairly present the state of the affairs of the Group as at the end of the financial year, the statement of comprehensive income, changes in equity and cash flows for the year and other information contained in this report. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and in the manner required by the Zimbabwe Companies Act (Chapter 24.03), and the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96. The financial statements are based on statutory records that are maintained under the historical cost convention as modified by the revaluation of property, plant and equipment, investment property and financial assets at fair value through profit or loss.

9. INDEPENDENT AUDITOR

Messrs. PricewaterhouseCoopers Chartered Accountants (Zimbabwe) have retired as auditor of the Company in compliance with section 41(4) of the Banking Act (Chapter 24:20).

Messrs. Deloitte and Touche Chartered Accountants (Zimbabwe) have been nominated as auditor of the Company for the ensuing year and shareholders will be asked to confirm their appointment at the forthcoming annual general meeting.

By order of the Board

Tichaona K. Mabeza
SECRETARY
30 March 2015

Board of Directors

HERBERT NKALA
B.Sc. Hons, MBA
(CHAIRMAN)

Appointed to the First Banking Corporation Limited Board in February 1997. He is a Chairman and director of several other companies, which are listed on the Zimbabwe Stock Exchange.

JOHN MUSHAYAVANHU
AIBZ, DIP MANAGEMENT, MBA
(GROUP CHIEF EXECUTIVE)

John is an Associate of the Institute of Bankers in Zimbabwe ("AIBZ"), and holds a Diploma in Management from Henley Management College, United Kingdom, as well as a Masters degree in Business Administration from Brunel University, United Kingdom. A career banker, John has over 27 years in the financial services sector. He has previously held senior positions in corporate and retail banking with a local multinational bank. John is a former President of Bankers Association of Zimbabwe ("BAZ"). John joined FBC Bank as an Executive Director in the Corporate Banking division in October 1997. He became Managing Director in 2004 and was appointed the Chief Executive of the FBC Group on the 1st of June 2011.

KENZIAS CHIBOTA
B.Acc (Hons), CA(Z)
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in August 2004. He is the Chief Executive Officer of Destiny Electronics (Private) Limited and director of several other companies.

GERTRUDE SIYAYI CHIKWAVA
MSc Strategic Management, AIBZ
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in December 2009. She is a director of several other companies.

PHILIP MHARIDZO CHIRADZA (MSC Strategic Management), Dip (Gen Management)
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in June 2005. He is the former Managing Director of Beverley Building Society and is also a director of several other companies.

TRYNOS KUFAZVINEI
B Acc (Hons), CA(Z), MBA
(GROUP FINANCE DIRECTOR)

Trynos is a Chartered Accountant (Zimbabwe) who completed his articles with Pricewaterhouse and holds a Masters degree in Business Administration from University of Manchester, United Kingdom. Trynos is responsible for the finance and administration matters of FBC Holdings Limited. He has over 23 years experience in finance and administration. Trynos joined FBC Bank Limited in January 1998 as Head of Finance and Administration and was appointed to the board in October 2003. He became Group Finance Director in 2004 following the consolidation of the FBC Group and was appointed the Deputy Chief Executive Officer of the FBC Group on the 1st of June 2011.

JAMES MWAIYAPO MATIZA
MSc - Social Protection and Financing, MBA (UZ), FCIS and Dip Business Studies (UZ)
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in September 2009. He is the General Manager of National Social Security Authority and holds directorships in a number of other companies.

JOHNSON REX MAWERE
B.A Public Administration and Economics, MSc - Administrative Sciences (Business management)
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of FBC Holdings Limited in August 2004. He is the former Mayor of the City of Kwekwe and is a director of several other companies.

GODFREY GAVIRO NHEMACHENA
BSc. Soc
(NON-EXECUTIVE DIRECTOR)

Appointed to the Board of Directors of First Banking Corporation Limited in June 2002 and to the Board of FBC Holdings in August 2004. He holds directorships in a number of other companies. He is the former Town Clerk for the City of Gweru and is the past Chairman of the Local Authorities Pension Fund.

Board of Directors *(CONTINUED)*

FELIX GWANDEKWANDE
AIBZ, MBA in Accounting, Banking and Economics (UK) - (EXECUTIVE DIRECTOR)

Felix was appointed Managing Director of FBC Building Society on the 1st of June 2011. A career banker, chartered marketer, and a holder of an Masters in Business Administration from Nottingham Trent University, Felix has over 28 years experience in the financial services industry encompassing most aspects of banking. He joined FBC Bank in 1998, rising through branch management and heading the Bank's Retail Operations.

WEBSTER RUSERE – AIBZ, MBA
(EXECUTIVE DIRECTOR)

Webster commenced his banking career in 1982 and rose through the corporate and retail banking ranks to become Head of Global Trade Finance and Cash Management Services in 1995 of a local multinational bank. He also served in other senior positions covering Local and Foreign Treasury Management, International Trade Finance, Correspondent Banking and Fund Management. He joined FBC Bank Limited in March 2000 as Project Manager and rose to become Managing Director of FBC Bank Limited Congo Sarl in November 2000. After the expiry of the DRC management contract in 2004, he was appointed Head of Retail Banking Division. He held the position of Managing Director at FBC Building Society for four years and was appointed Managing Director for FBC Bank Limited on the 1st of June 2011.

CANADA MALUNGA
B.Acc (Hons), CA(Z)
(NON-EXECUTIVE DIRECTOR)

Canada, a Chartered Accountant (Zimbabwe) by training who completed his articles with Pricewaterhouse, has wide experience in various sectors of commerce and industry in Zimbabwe. He is the former Managing Director of Murray & Roberts Zimbabwe Limited. He was appointed to the Board of FBC Holdings Limited on the 8th of June 2011.

KLETO CHIKETSANI
Bachelor of Business Studies (Honours) (UZ), AIISA
(NON EXECUTIVE DIRECTOR)

Kleto has 21 years experience in reinsurance gathered with two leading reinsurers in Zimbabwe. He is a founder member of FBC Reinsurance Limited, having joined the company (then Southern Africa Reinsurance Company Limited) on 1 January 1995 as Senior Underwriter and rose through the ranks to become Executive Director, Operations of FBC Reinsurance Limited in 2006. He holds a Bachelor of Business Studies (Honours) Degree from the University of Zimbabwe and is also an Associate of the Insurance Institute of South Africa. He was appointed Managing Director for FBC Reinsurance Limited on 1 March 2012.

CHIPO MTASA
B.Acc (Hons), CA(Z)
(NON-EXECUTIVE DIRECTOR)

Chipo, is a Chartered Accountant (Zimbabwe) who completed her articles with Coopers & Lybrand. She has wide experience in various sectors of commerce and industry in Zimbabwe. She is the former Group Chief Executive for the Rainbow Tourism Group and is currently the Managing Director of Telone and director of several other companies. She was appointed to the Board of FBC Holdings Limited on the 3rd of July 2012.

FRANKLIN HUGH KENNEDY
Business Administration (Honours)
(NON EXECUTIVE DIRECTOR)

Franklin is currently the President of Equator Capital Partners LLC and is director of several other companies. He is a holder of a Bachelor of Business Administration (Honours) degree from the University of Western Ontario, Canada. He was appointed to the Board of FBC Holdings Limited on 18 December 2013.

Corporate Governance

The Board is committed to the principles of openness, integrity and accountability. It recognises the developing nature of corporate governance and assesses its compliance with local and international generally accepted corporate governance practices on an ongoing basis through its various subcommittees.

Guidelines issued by the Reserve Bank of Zimbabwe from time to time are strictly adhered to and compliance check lists are continuously reviewed. The Board of Directors comprises of five executive directors and nine non-executive directors.

The composition of the Board of FBC Holdings Limited shows a good mix of skill, experience as well as succession planning. The Group derives tremendous benefit from the diverse level of skills and experience of its Board of Directors.

The Board is responsible to the shareholders for setting the direction of the Group through the establishment of strategies, objectives and key policies. The Board monitors the implementation of these policies through a structured approach to reporting and accountability.

Board Attendance

Board member	Main board				Board Audit				Board HR				Board Finance & Strategy				Board Risk & Compliance				Board Marketing & PR			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Godfrey G Nhemachena	√	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A
Kenzias Chibota	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A
Philip M Chiradza	√	√	√	x	√	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A
Kleto Chiketsani	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	√	√	√	√	√
John Mushayavanhu	√	√	√	√	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	√	√	√	√	√	√	x	√	√
Webster Rusere	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	x	√	√	√	x	√	x	√	x	√	√
Chipo Mtasa	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A
Gertrude S Chikwava	√	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A	x	√	√	√	N/A	N/A	N/A	N/A	√	√	√	√
Trynos Kufazvinei	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James M Matiza	√	√	√	x	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	x	√	x	N/A	N/A	N/A	N/A	√	√	√	√
Johnson R Mawere	√	√	√	√	√	√	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Herbert Nkala	√	√	√	√	N/A	N/A	N/A	N/A	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada Malunga	√	x	√	√	√	x	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Felix Gwandekwande	√	√	x	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	√	√	√	√	√	√	√	√	√	√	√	√
Franklin H Kennedy	√	√	x	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Legend

Not a member : N/A   Attended : √   Apologies : x   Quarter : Q   Meeting postponed : P

The Board meets regularly, with a minimum of four scheduled meetings annually. To assist the Board in the discharge of its responsibilities a number of committees have been established, of which the following are the most significant:

Board Finance and Strategy Committee

Members

K. Chibota (Chairman)
T. Kufazvinei
J. Mushayavanhu
W. Rusere
J. M. Matiza
F Gwandekwande
G. Chikwava
K. Chiketsani

The Board Finance and Strategy Committee has written terms of reference. This committee is constituted at Group level and oversees the subsidiary companies. It is chaired by a non-executive director. Meetings of the Committee are attended by invitation, by other senior executives.

The committee meets at least four times a year to review the following amongst other activities:

- The Group's financial statements, and accounting policies,
- The Group's strategy and budget,
- The Group's performance against agreed benchmarks and
- The adequacy of the Group's management information systems.

Corporate Governance *(CONTINUED)*

Board Human Resources and Remuneration Committee

Members
H. Nkala (Chairman)
J. Mushayavanhu
P.M. Chiradza
J.R. Mawere

The Committee is chaired by a non-executive director and comprises mainly non-executive directors. This Committee is constituted at Group level and oversees the subsidiary companies. Meetings of the committee are attended by invitation by the Divisional Director of Human Resources.

The Committee's primary objective is to ensure that the right calibre of management is attracted and retained. To achieve this it ensures that the directors, senior managers and staff are appropriately rewarded for their contributions to the Group's performance.

The Committee is also responsible for the Group's Human Resources Policy issues, terms and conditions of service.

Non-executive directors are remunerated by fees and do not participate in any performance-related incentive schemes.

Board Audit Committee

Members
P.M. Chiradza (Chairman)
J.R. Mawere
G.G. Nhemachena
C. Malunga
C. Mtasa

The Committee is chaired by a non-executive director and comprises of non-executive directors only. The Divisional Director of Internal Audit, the Group Chief Executive, the Group Finance Director and other executives attend the committee by invitation. The Committee is constituted at Group level and oversees subsidiary companies.

The Committee meets regularly to:

• Review compliance with statutory regulations,
• Review the effectiveness of internal controls,
• Review and approve the financial statements and
• Review reports of both internal and external auditors' findings, instituting special investigations where necessary.

Board Risk and Compliance Committee

Members
G.G. Nhemachena (Chairman)
K. Chibota
J. Mushayavanhu
W. Rusere
P.M. Chiradza
F. Gwandekwande
K. Chiketsani
C. Mtasa

The Committee is constituted at Group level and is responsible for the group risk management function. It is chaired by a non executive director. The Committee's primary objective is to maintain oversight of the Group's risk and regulatory compliance processes and procedures and monitor their effectiveness. The Committee keeps under review, developments and prospective changes in the regulatory environment and monitors significant risk and regulatory issues affecting the Group, noting any material compliance/ regulatory breaches and monitoring resolution of any such breaches.

Board Credit Committee

Members
G.R. Bera (Chairman)
D.W. Birch
T. Mazoyo
W. Rusere

This committee falls directly under the Bank. It sets the Bank's credit policy and also approves credit applications above management's discretionary limits. The committee is responsible for the overall quality of the Bank's credit portfolio. The committee is chaired by a non-executive director. The Heads of Credit and Risk Management attend the committee meetings by invitation.

Board Loans Review Committee

Members
T. Mutunhu
S. Mutangadura (resigned 31 July 2014)
M. Ndoro

The committee falls directly under the Bank, has terms of reference and comprises non-executive directors only.

Meetings of the committee are attended by invitation, by the Managing Director of the Bank, the Head of Credit and Risk and the Group Chief Executive.

Corporate Governance *(CONTINUED)*

The committee is responsible for ensuring that the Bank's loan portfolio and lending activities abide by the Bank's credit policy as approved by the Board of Directors and is in compliance with RBZ requirements. It also ensures that problem loans are properly identified, classified and placed on non-accrual in accordance with the Reserve Bank guidelines. The committee also ensures that adequate impairment allowances are made for potential losses and write-offs of losses identified are made in the correct period.

Board Assets and Liabilities Committee

Members

D.W. Birch (Chairman)
G. Bera
T. Mazoyo
J. Mushayavanhu
S. Mutangadura (resigned 31 July 2014)
T. Mutunhu
W. Rusere

The committee falls directly under the Bank, draws its members from the Bank's Board and is chaired by a non executive director. It is responsible for the continuous monitoring of the Bank's assets and liabilities.

Internal Controls

The Directors are responsible for the Group's internal control system, which incorporates procedures that have been designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliably reported.

The key procedures which the Board considers essential to provide effective control include:

i) Decentralized organisational structure with strong management working within defined limits of responsibility and authority.
ii) An annual budgeting process with quarterly re-forecasts to reflect changing circumstances, and the identification of key risks and opportunities.
iii) Detailed monthly management accounts with comparisons against budget through a comprehensive variance analysis.

Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these internal control procedures and systems has occurred during the year under review.

Executive Committee

The operational management of the Group is delegated to the executive committee, which is chaired by the Group Chief Executive. The executive committee is the chief operating decision maker for the Group.

The executive committee comprises:

The Group Chief Executive
Managing Director (FBC Bank Limited)
Managing Director (FBC Reinsurance Limited)
Managing Director (FBC Building Society)
Managing Director (FBC Securities (Private) Limited)
Managing Director (Eagle Insurance Company (Private) Limited)
Group Finance Director
Group Company Secretary
Divisional Director Human Resources

It meets fortnightly or more frequently if necessary and acts on behalf of the Board.

Internal Audit

The internal audit department examines and evaluates the Group's activities with the aim of assisting management with the effective discharge of their responsibilities. It reviews the reliability and integrity of financial and operating information, the systems of internal control, the efficient management of the Group's resources, the conduct of operations and the means of safeguarding assets. The Divisional Director of Internal Audit reports to the Chairman of the Audit Committee.

Risk Management and Control

Introduction and overview

Managing risk effectively in a diverse and complex institution requires a comprehensive risk management governance structure that promotes the following elements of a sound risk management framework:

- Sound board and senior management oversight,
- Adequate policies, procedures and limits,
- Adequate risk monitoring and management information systems ("MIS"), and
- Adequate internal controls.

FBC Holdings Limited manages risk through a comprehensive framework of risk principles, organisational structure and risk processes that are closely aligned with the activities of the entities in the Group.

Corporate Governance (CONTINUED)

The most important risks that the Group is exposed to are listed below:

- Credit risk,
- Market risk,
- Liquidity risk,
- Reputational risk,
- Strategic risk,
- Operational risk and
- Compliance risk.

In addition to the above, there are also specific business risks that arise from the Group's reinsurance and insurance subsidiaries' core activities.

Risk management framework

In line with the Group's risk strategy, size and complexity of its activities, the Board established a risk governance structure and responsibilities that are adequate to meet the requirements of a sound risk management framework.

The Group's Board of Directors has the ultimate responsibility for ensuring that an adequate and effective system of internal controls is established and maintained. The Board delegates its responsibilities to the following Committees through its respective Board Committees:

- Group Risk and Compliance Committee,
- Group Audit Committee,
- Group Human Resources and Remuneration Committee,
- Group Finance and Strategy Committee,
- Credit Committees for the Bank and Building Society,
- Loans Review Committees for the Bank and Building Society and
- Assets and Liabilities Committees ("ALCO") for the Bank and Building Society.

The specific duties delegated to each committee of the Board and its respective Management Committee are outlined in the terms of reference for the specific committees.

In addition to the above Committees, the following three risk related functions are directly involved in Group-wide risk management:

- Group Risk Management,
- Group Internal Audit and
- Group Compliance.

Group Risk Management Division assumes a central role in oversight and management of all risks that the Group is exposed to in its various activities. The Head of Group Risk Management is responsible for recommending to the Group Risk and Compliance Committee and the Board Risk and Compliance Committee a framework that ensures the effective management and alignment of risk within the Group. The Head of Group Risk Management is responsible for the process of identifying, quantifying, communicating, mitigating and monitoring risk.

Group compliance is an independent compliance management activity that is headed by the Group Compliance Manager who reports administratively to the Group Chief Executive and directly to the Group Risk and Compliance Committee. The Group Compliance Manager has unrestricted access to the Chairman of the Group Risk and Compliance Committee.

Group Internal Audit independently audits the adequacy and effectiveness of the Group's risk management, control and governance processes. The Divisional Director of Group Internal Audit who reports administratively to the Group Chief Executive and functionally to the Chairman of the Audit Committee, provides independent assurance to the Group Audit Committee and has unrestricted access to the Chairman of the Group Board Audit Committee.

The principal risks to which the Group is exposed to and which it continues to manage are detailed in note 43 under Financial Risk Management.

Operational risk is the risk of loss arising from the potential that inadequate information system, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses. Operational risk exists in all products and business activities.

Corporate Governance *(CONTINUED)*

Group's approach to managing operational risk

The Group's approach is that business activities are undertaken in accordance with fundamental control principles of operational risk identification, clear documentation of control procedures, segregation of duties, authorization, close monitoring of risk limits, monitoring of assets use, reconciliation of transactions and compliance.

Operational risk framework and governance

The Board has ultimate responsibility for ensuring effective management of operational risk. This function is implemented through the Board Risk and Compliance Committee at Group level which meets on a quarterly basis to review all major risks including operational risks. This Committee serves as the oversight body in the application of the Group's operational risk management framework, including business continuity management. Subsidiaries have board committees responsible for ensuring robust operational risk management frameworks. Other Group management committees which report to Group Executive Committee include the Group New Product Committee, Group IT Steering Committee and Group Business Continuity Committee.

The management and measurement of operational risk

The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the appropriate risk committees which include the Group Risk and Compliance Committee and Group New Product Committee.

The Group conducts Operational Risk Assessments in line with the Group's risk strategy. These assessments cover causes and events that have, or might result in losses, as well as monitor overall effectiveness of controls and whether prescribed controls are being followed or need correction. Key Risk Indicators ("KRIs") which are statistical data relating to a business or operations unit are monitored on an ongoing basis. The Group also maintains a record of loss events that occur in the Group in line with Basel II requirements. These are used to measure the Group's exposure to the respective losses. Risk limits are used to measure and monitor the Group's operational risk exposures. These include branch cash holding limits, teller transaction limits, transfer limits and write off limits which are approved by management and the Board. In addition, the Group also uses risk mitigation mechanisms such as insurance programmes to transfer risks. The Group maintains adequate insurance to cover key operational and other risks.

Business continuity management

To ensure that essential functions of the Group are able to continue in the event of adverse circumstances, the Group Business Continuity Plan is reviewed annually and approved by the Board. The Group Management Business Continuity Committee is responsible for ensuring that all units and branches conduct tests half yearly in line with the Group policy. The Group continues to conduct its business continuity tests in the second and fourth quarters of each year and all the processes are well documented.

Compliance risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

The Compliance function assesses the conformity of codes of conduct, instructions, procedures and organizations in relation to the rules of integrity in financial services activities. These rules are those which arise from the Group's own integrity policy as well as those which are directly provided by its legal status and other legal and regulatory provisions applicable to the financial services sector.

Management is also accountable to the Board for designing, implementing and monitoring the process of compliance risk management and integrating it with the day to day activities of the Group.

Corporate Governance *(CONTINUED)*

Statement of Compliance

The Group complied with the following statutes inter alia:-

The Banking Act (Chapter 24:20) and Banking Regulations, Statutory Instrument 205 of 2000; Money Laundering and Proceeds of Crime Act (Chapter 9:24); Exchange Control Act (Chapter 22:05); the National Payments Systems Act (Chapter 24:23) and The Companies Act (Chapter - 24:03), the relevant Statutory Instruments ("SI") SI 33/99 and SI 62/96, The Income Tax Act (Chapter 23:06), The Capital Gains Act (Chapter 23:01) and the Value Added Tax Act (Chapter 23:12).

In addition, the Group also complied with the Reserve Bank of Zimbabwe's directives on liquidity management, capital adequacy, corporate governance and risk management as well as prudential lending guidelines.

International credit ratings

The banking and insurance subsidiaries have their credit ratings reviewed annually by an international credit rating agency, Global Credit Rating. All subsidiaries have maintained their investor grade ratings as illustrated below.

Subsidiary	2014	2013	2012	2011
FBC Bank Limited	A-	A-	A-	A-
FBC Reinsurance Limited	A-	A-	A-	A-
FBC Building Society	BBB-	BBB-	BBB-	BBB-
Eagle Insurance Company Limited	BBB	BBB-	BB+	BB

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Group Company Secretary)

FBC Holdings Limited
strength • diversity • service

Financial Statements

Independent auditor's report

to the shareholders of

FBC HOLDINGS LIMITED

We have audited the consolidated financial statements of FBC Holdings Limited and its subsidiaries ("the Group"), and the statement of financial position of FBC Holdings Limited (the "Company"), standing alone, (together the "consolidated financial statements") which comprise the consolidated and separate statements of financial position as at 31 December 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information set out on pages 33 to 118.

Directors' Responsibility for the consolidated financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zimbabwe (Chapter 24:03) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 consolidated and separate financial positions of the Group and the Company as at 31 December 2014, and the Group's consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zimbabwe (Chapter 24:03).

Pricewaterhousecoopers

PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)

Harare **29 May 2015**

Consolidated Statement of Financial Position

As at 31 December 2014

	Note	31-Dec-14 US$	31-Dec-13 Restated US$	01-Jan-2013 Restated US$
ASSETS				
Balances with other banks and cash	4.1	110 965 506	69 386 905	82 415 090
Loans and advances to customers	5.1	314 421 853	265 760 858	190 592 547
Trade and other receivables including insurance receivables	5.2	6 382 407	26 137 993	25 968 625
Debentures	6	2 768 518	2 664 279	-
Financial assets at fair value through profit or loss	7	1 349 039	1 495 227	2 932 818
Available for sale financial assets	8	407 764	-	-
Inventory	9	4 464 350	14 987 618	16 996 626
Prepayments and other assets	10	6 095 286	7 541 727	6 921 582
Income tax asset		197 042	844 192	-
Deferred income tax assets	18.3	4 274 800	2 428 213	1 664 338
Investment property	11	1 693 000	25 000	25 000
Intangible asset	12	1 212 593	1 276 109	1 457 875
Property, plant and equipment	13	23 115 845	59 798 711	57 310 267
Total assets		**477 348 003**	**452 346 832**	**386 284 768**
EQUITY AND LIABILITIES				
Liabilities				
Deposits from customers	14.1	217 117 952	153 004 772	128 101 881
Deposits from other financial institutions	14.2	65 333 257	75 931 501	84 389 793
Borrowings	15	82 416 654	70 808 097	41 566 592
Insurance liabilities	16	7 278 048	11 635 967	10 976 731
Trade and other payables	17	15 343 915	36 881 309	31 790 060
Current income tax liability		1 095 584	1 789 455	1 712 581
Deferred income tax liability	18.3	545 697	4 613 262	5 642 084
Total liabilities		**389 131 107**	**354 664 363**	**304 179 722**
Equity				
Capital and reserves attributable to equity holders of the parent entity				
Share capital and share premium	19.3	14 089 892	14 089 892	7 681 908
Other reserves	20	39 486 008	41 492 189	34 616 972
Retained profits		34 432 803	32 413 981	21 188 583
		88 008 703	87 996 062	63 487 463
Non controlling interest in equity		208 193	9 686 407	18 617 583
Total equity		**88 216 896**	**97 682 469**	**82 105 046**
Total equity and liabilities		**477 348 003**	**452 346 832**	**386 284 768**

The consolidated financial statements on pages 33 to 118 were authorised for issue by the board of directors on 30 March 2015 and were signed on its behalf.

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

Company Statement of Financial Position
As at 31 December 2014

	Note	31-Dec-2014 US$	31-Dec-2013 US$
ASSETS			
Amounts due from related parties	23	7 752 346	12 425 949
Available for sale financial assets	24	407 764	2 568 992
Investments in subsidiaries	25.1	46 286 321	46 648 586
Time - share asset	26	67 500	78 750
Deferred income tax asset		1 164 980	-
Total assets		**55 678 911**	**61 722 277**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to related parties	27	1 410 744	1 417 202
Other liabilities		452 242	415 964
		1 862 986	1 833 166
Equity			
Share capital and premium	19.3	14 089 892	14 089 892
Other reserves	28	39 726 033	45 799 219
		53 815 925	59 889 111
Total equity and liabilities		**55 678 911**	**61 722 277**

Herbert Nkala
(Chairman)

John Mushayavanhu
(Group Chief Executive)

Tichaona K. Mabeza
(Company Secretary)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 US$	Restated 2013 US$
Continuing operations			
Interest income	29	57 285 218	43 742 060
Interest expense	29.1	(28 545 366)	(18 621 430)
Net interest income		**28 739 852**	**25 120 630**
Fee and commission income	30	25 328 870	22 310 748
Fee and commission expense	30.1	(67 270)	(21 558)
Net fee and commission income		**25 261 600**	**22 289 190**
Revenue	31	8 282 137	11 825 931
Cost of sales	31.1	(5 282 538)	(8 136 461)
Gross profit		**2 999 599**	**3 689 470**
Insurance premium revenue	32	31 067 431	27 825 380
Premium ceded to reinsurers and retrocessionaires		(11 777 515)	(11 145 316)
Net earned insurance premium		**19 289 916**	**16 680 064**
Net trading income		999 900	1 007 454
Net gains from financial assets at fair value through profit or loss	33	(335 862)	599 201
Other operating income	34	405 016	1 689 556
		1 069 054	**3 296 211**
Total net income		**77 360 021**	**71 075 565**
Impairment allowance on financial assets	5.4	(8 343 080)	(3 874 235)
Net insurance commission expense	35	(4 004 082)	(3 310 674)
Insurance claims and loss adjustment expenses	36	(7 580 228)	(6 270 029)
Administrative expenses	37	(40 337 235)	(39 070 462)
Profit before income tax		**17 095 396**	**18 550 165**
Income tax expense	38	(3 162 233)	(2 648 920)
Profit for the year from continuing operations		**13 933 163**	**15 901 245**
Discontinued operations			
Loss for the year from discontinued operations	39	(9 038 872)	(4 298 928)
Profit for the year		**4 894 291**	**11 602 317**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 US$	Restated 2013 US$
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains on property revaluation		1 222 154	-
Tax relating to other comprehensive income		(238 040)	-
		984 114	-
Items that may be subsequently reclassified to profit or loss			
Available for sale reserve		(31 125)	-
Tax		311	-
		(30 814)	-
Other comprehensive income, net income tax		**953 300**	**-**
Total comprehensive income for the year		**5 847 591**	**11 602 317**
Profit attributable to:			
Equity holders of the parent		4 838 405	12 226 603
Non - controlling interest		55 886	(624 286)
Profit for the year		**4 894 291**	**11 602 317**
Profit attributable to equity shareholders arises from:			
Continuing operations:		13 877 277	14 733 738
Discontinued operations:		(9 038 872)	(2 507 135)
		4 838 405	**12 226 603**
Total comprehensive income attributable to:			
Equity holders of the parent		5 779 344	12 226 603
Non - controlling interest		68 247	(624 286)
Total comprehensive income for the year		**5 847 591**	**11 602 317**
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations:		14 818 216	14 733 738
Discontinued operations:		(9 038 872)	(2 507 135)
		5 779 344	**12 226 603**
Earnings per share (US cents)			
Basic earnings/(loss) per share	42.1		
From continuing operations		2.09	2.45
From discontinued operations		(1.36)	(0.42)
		0.73	2.03
Diluted earnings/(loss) per share	42.2		
From continuing operations		2.09	2.45
From discontinued operations		(1.36)	(0.42)
		0.73	2.03

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital US$	Share premium US$	Retained profits US$	Share option reserve US$	Treasury shares US$	Non distributable reserve US$	Revaluation reserve US$	Available for sale reserve US$	Regulatory reserve US$	Changes in ownership US$	Total US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2013													
as previously stated	5 918	7 675 990	24 738 249	110 716	(2 757 535)	33 659 224	3 191 743	-	627 590	(214 766)	67 037 129	21 115 504	88 152 633
Prior year adjustments relating													
to Turnall and FBC Building													
Society (note 21)	-	-	(3 549 666)	-	-	-	-	-	-	-	(3 549 666)	(2 497 921)	(6 047 587)
Balance as at 1 January													
2013, as restated	5 918	7 675 990	21 188 583	110 716	(2 757 535)	33 659 224	3 191 743	-	627 590	(214 766)	63 487 463	18 617 583	82 105 046
Profit for the year	-	-	12 226 603	-	-	-	-	-	-	-	12 226 603	(624 286)	11 602 317
Other comprehensive income;	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other comprehensive													
income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	12 226 603	-	-	-	-	-	-	-	12 226 603	(624 286)	11 602 317
Transaction with owners:													
Dividend declared and paid	-	-	(1 001 205)	-	-	-	-	-	-	-	(1 001 205)	(5 111)	(1 006 316)
Increase in ownership interest	801	6 407 183	-	-	-	-	-	-	-	1 893 795	8 301 779	(8 301 779)	-
Treasury share purchase	-	-	-	-	(100 015)	-	-	-	-	-	(100 015)	-	(100 015)
Treasury share disposal	-	-	-	-	2 518 400	2 563 037	-	-	-	-	5 081 437	-	5 081 437
Total transactions with owners													
recognised directly in equity	801	6 407 183	(1 001 205)	-	2 418 385	2 563 037	-	-	-	1 893 795	12 281 996	(8 306 890)	3 975 106
Balance as at 31 December													
2013, as restated	6 719	14 083 173	32 413 981	110 716	(339 150)	36 222 261	3 191 743	-	627 590	1 679 029	87 996 062	9 686 407	97 682 469
Balance as at 1 January													
2014, as restated	6 719	14 083 173	32 413 981	110 716	(339 150)	36 222 261	3 191 743	-	627 590	1 679 029	87 996 062	9 686 407	97 682 469
Profit for the year	-	-	4 838 405	-	-	-	-	-	-	-	4 838 405	55 886	4 894 291
Other comprehensive income													
Gain on revaluation of property, plant													
and equipment, net of tax	-	-	-	-	-	-	971 753	-	-	-	971 753	12 361	984 114
Available for sale reserve	-	-	-	-	-	-	-	(30 814)	-	-	(30 814)	-	(30 814)
Total other comprehensive													
income	-	-	-	-	-	-	971 753	(30 814)	-	-	940 939	12 361	953 300
Total comprehensive income	-	-	4 838 405	-	-	-	971 753	(30 814)	-	-	5 779 344	68 247	5 847 591
Transaction with owners:													
Dividend declared and paid	-	-	(1 001 205)	-	-	-	-	-	-	-	(1 001 205)	(16 510)	(1 017 715)
Dividend in specie	-	-	(3 930 947)	-	-	-	-	-	-	-	(3 930 947)	-	(3 930 947)
Disposal of interest in subsidiary	-	-	2 001 853	-	-	-	(1 993 495)	-	-	(8 358)	-	(9 529 951)	(9 529 951)
Realisation of reserve	-	-	110 716	(110 716)	-	-	-	-	-	-	-	-	-
Treasury share purchase	-	-	-	-	(834 551)	-	-	-	-	-	(834 551)	-	(834 551)
Total transactions with owners													
recognised directly in equity	-	-	(2 819 583)	(110 716)	(834 551)	-	(1 993 495)	-	-	(8 358)	(5 766 703)	(9 546 461)	(15 313 164)
Balance as at													
31 December 2014	6 719	14 083 173	34 432 803	-	(1 173 701)	36 222 261	2 170 001	(30 814)	627 590	1 670 671	88 008 703	208 193	88 216 896

Consolidated Statement of Cash Flows
Year Ended 31 December 2014

	Note	2014 US$	Restated 2013 US$
Cash flow from operating activities			
Profit before income tax		17 095 396	18 550 165
Adjustments for:			
Discontinued operations		-	(5 417 271)
Depreciation	13	1 633 171	4 096 996
Amortisation charge	12	451 168	729 786
Impairment loss on loans and advances	5.4	8 343 080	3 874 235
Impairment loss on property and equipment	13	346 845	-
Fair value adjustment on financial assets at fair value through profit or loss		335 862	(599 201)
Profit from disposal of property and equipment	34	(15 268)	(21 883)
Net cash generated before changes in operating assets and liabilities		**28 190 254**	**21 212 827**
Increase in loans and advances		(57 004 075)	(79 042 546)
Decrease/(increase) in trade and other receivables		4 542 557	(169 368)
Increase in debentures		(104 239)	(2 664 279)
(Increase)/decrease in financial assets at fair value through profit or loss		(213 701)	2 036 792
Increase in available for sale financial assets		(407 764)	-
(Increase)/decrease in inventory		(306 276)	2 009 008
Decrease/(increase) in prepayments and other assets		390 361	(620 145)
Increase in investment property		(648 000)	-
Increase in deposits from customers		64 113 180	24 902 891
Decrease in deposits from other banks		(10 598 244)	(8 458 292)
(Decrease)/increase in insurance liabilities		(4 357 919)	695 500
Increase in trade and other payables		3 649 800	5 091 249
		27 245 934	(35 006 363)
Income tax paid		(2 907 837)	(4 090 593)
Net cash generated from / (used in) operating activities		**24 338 097**	**(39 096 956)**
Cash flows from investing activities			
Purchases of intangible assets	12	(302 816)	(548 020)
Purchase of property, plant and equipment	13	(1 312 671)	(6 668 505)
Proceeds from sale of property, plant and equipment		15 989	104 948
Net cash used in investing activities		**(1 599 498)**	**(7 111 577)**
Cash flows from financing activities			
Proceeds from loans and borrowings		39 987 316	53 513 012
Repayment of loans and borrowings		(18 836 406)	(24 271 507)
Dividend paid to company's shareholders		(1 001 205)	(1 001 205)
Dividends paid to non-controlling interests		(16 510)	(5 111)
Sale of treasury shares		-	5 081 437
Purchase of treasury shares		(834 551)	(100 015)
Net cash generated from financing activities		**19 298 644**	**33 216 611**
Net increase/(decrease) in cash and cash equivalents		42 037 243	(12 991 922)
Cash and cash equivalents at beginning of the year		68 928 263	81 920 185
Cash and cash equivalents at the end of year	4.2	**110 965 506**	**68 928 263**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1 GENERAL INFORMATION

FBC Holdings Limited ("the Company") and its subsidiaries (together "the Group") provide a wide range of commercial banking, mortgage financing, micro lending, reinsurance, short-term insurance, and stockbrocking services. During the year, the Group disposed of Turnall Holdings Limited, its manufacturing subsidiary.

The Company is a limited liability company, which is listed on the Zimbabwe Stock Exchange. The Company and its subsidiaries are incorporated and domiciled in Zimbabwe.

These consolidated financial statements were approved for issue by the Board of Directors on 30 March 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and International Financial Reporting Standards Interpretations Committee, ("IFRS IC") interpretations and requirements of the Companies Act of Zimbabwe (Chapter 24:03). The consolidated financial statements have been prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, available for sale financial assets, investment property and property, plant and equipment.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.2 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations, effective on or after 1 January 2014

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2014 and are relevant to the Group;

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
Amendments to IFRS 10, 12 and International Accounting Standard ("IAS") 27	Consolidation for investment entities	1 January 2014
IAS 32 (amendment)	Asset and liability offsetting	1 January 2014
IAS 36 (amendment)	Disclosure	1 January 2014
IFRS IC 21 (new)	Accounting for levies	1 January 2014

Amendments to IFRS 10, consolidated financial statements', IFRS 12 and IAS 27 for investment entities. The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

IAS 32 (amendment) 'Financial instruments: presentation'. This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

IAS 36 (amendments) 'Impairment of assets'. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

IFRS IC 21 (new) 'Levies'. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

These new standards, amendments and interpretations do not have a material impact on the Group's consolidated financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. The following, set out below, are expected to have an effect on the consolidated financial statements of the Group;

Standard / Interpretation	Content	Applicable for financial years beginning on/ after
IFRS 9 (new)	Financial instruments	1 January 2018
IFRS 8 (amendment)	Operating segments	1 July 2014
IFRS 14 (new)	Regulatory deferral accounts	1 January 2016
IFRS 15 (new)	Revenue from contracts with customers	1 January 2017
IAS 19 (amendment)	Defined benefit plan	1 July 2014
IFRS 1 (new)	First time adoption of International Financial Reporting Standards	1 July 2014
IFRS 13 (amendment)	Fair value measurement	1 July 2014
IAS 16 (amendment)	Property, plant and equipment	1 July 2014
IAS 24 (amendment)	Related party disclosures	1 July 2014
IAS 40 (amendment)	Investment property	1 July 2014
IAS 16 and IAS 38 (amendment)	Property, plant and equipment and Intangible assets	1 January 2016
IFRS 10 and IAS 28 (amendment)	Sale or contribution of assets	1 January 2016
IAS 27 (amendment)	Separate financial statements	1 January 2016
IFRS 5 (amendment)	Non-current assets held for sale	1 July 2016
IFRS 7 (amendment)	Financial instruments disclosure	1 July 2016
IAS 19 (amendment)	Discount rate	1 July 2016
IAS 34 (amendment)	Interim financial reporting	1 July 2016
IFRS 13 (amendment)	Fair value measurement	1 July 2014
IFRS 11 (amendment)	Joint arrangements	1 January 2016
IFRS 3 (amendment)	Business combinations	1 July 2014
IFRS 2 (amendment)	Share based payments	1 July 2014

IFRS 9, 'Financial instruments', addresses the classification, measurement and 'recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit and loss (P&L). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

Amendment to IFRS 8, 'Operating segments' effective 1 July 2014 - The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

The IASB has issued IFRS 14, 'Regulatory deferral accounts' ('IFRS 14'), effective 1 January 2016, an interim standard on the accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

IFRS 15 - Revenue from contracts with customers - effective 1 January 2017 - Establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Amendment to IAS 19 regarding Defined benefit plan effective 1 July 2014 - These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

IFRS 1 ' First time adoption of International Financial Reporting Standards' effective 1 July 2014. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods relevant.

Amendment to IFRS 13, 'Fair value' effective 1 July 2014, which amended the basis on conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38 'Intangible assets' effective 1 July 2014, are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

Amendment to IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the "management entity"). Disclosure of the amounts charged to the reporting entity is required.

Amendment to IAS 40, 'Investment property' effective 1 July 2014 is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property.

Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation effective 1 January 2016. The amendment clarifies that the use of revenue based method to calculate depreciation of an asset is not appropriate.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Amendments to IFRS 10 and IAS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture effective 1 January 2016. These amendments address an inconsistency between IFRS10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.

Amendments to IAS 27 ' Separate financial statements' regarding the equity method effective 1 January 2016. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendments to IFRS 5' Non-current assets held for sale and discontinued operations' effective 1 July 2016. The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. The amendment also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'.

IFRS 7, 'Financial instruments: disclosures' effective 1 July 2016 outlines two amendments: Servicing contracts – If an entity transfers a financial asset to third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets.

IAS 19, 'Emplyee benefits' – The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.

IAS 34, 'Interim financial statements' effective 1 July 2016, the amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods unless required by IAS 34. This amendment is retrospective.

IFRS 13, 'Fair value measurement' effective 1 July 2014. The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation effective 1 January 2016 -The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

IFRS 3, 'Business combinations' effective 1 July 2014. The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangememt itself. In addition, as part of the IASB annual improvement process, the standard was amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, Financial instruments: presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit or loss.

Amendment to IFRS 2, 'Share based payments' effective 1 July 2014 - The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

The Group is considering the implications of these new standards, amendments and interpretations, their impact on the Group and the timing of their adoption.

(c) New standards, amendments and interpretations effective for accounting periods beginning on or after 1 January 2014 and not relevant to the Group

The following new standards, amendments and interpretations have been issued and are effective but are not relevant to the Group:

Standard/ Interpretation	Content	Applicable for financial years beginning on/ after
IAS 39 (amendment)	Novation of derivatives	1 January 2014

IAS 39, 'Financial instruments: recognition and measurement' (amendment). This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

2.1.3 Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2 Basis of consolidation

(a) Subsidiaries

The consolidated financial statements combine the financial statements of FBC Holdings Limited ("the Company") and all its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or loses arising from such remeasurement are recognised through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised profits or losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity within "changes in ownership reserve". Gains or losses on disposals to non-controlling interests are also recorded in equity within "changes in ownership reserve".

(c) Disposal of subsidiaries
When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Separate financial statements of the Company
The Company recognises investments in subsidiaries at cost, less accumulated impairment allowances in the separate financial statements of the Company.

2.3 Segment reporting
An operating segment is a distinguishable component of the Group that is engaged in business activities from which it earns revenues and incurs expenses (including revenues and expenses relating to transactions with other components of the entity); whose operating results are reviewed regularly by the entity's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance; and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee that makes strategic decisions.

The Group's operating segments have been aggregated based on the nature of the products and services on offer and the nature of the regulatory environment. The CODM is responsible for allocating resources and assessing performance of the operating segments. In accordance with IFRS 8, Operating segments, the Group has the following business segments: commercial banking, microlending, mortgage financing, reinsurance, short-term insurance, stockbroking and manufacturing (up to date of disposal).

2.3.1 Commercial banking
The principal activities of this segment consist of dealing in the money and foreign exchange markets, retail, corporate and international banking and corporate finance.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

2.3.2 Microlending

The principal activities of this segment consist of short-term lending to the informal market.

2.3.3 Mortgage financing

The principal activities of this segment consist of housing development, mortgage lending, savings deposit accounts and other money market investment products.

2.3.4 Reinsurance

The principal activities of this segment consist of underwriting the following classes of reinsurance business; fire, engineering, motor, miscellaneous accident classes and marine.

2.3.5 Short - term insurance

The principal activities of this segment consist of underwriting the following classes of insurance business; fire, engineering, motor, miscellaneous accident classes and marine.

2.3.6 Stockbroking

The principal activities of this segment consist of dealing in the equities market and offering advisory services.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the United States of America dollar ("US$"), which is the Group's presentation currency. All the Group's subsidiaries operate in Zimbabwe and have the United States of America dollar ('US$') as their functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains or 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 except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains or losses are presented in the statement of comprehensive income within 'net trading income'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

2.5 Financial assets and liabilities

2.5.1 Categories of financial instruments

Category (as defined by IAS 39) Financial instruments: recognition and measurement		**Class (as determined by the Group)**		**Subclasses**	
Financial assets	Financial assets at fair value through profit or loss	Financial assets held for trading		Equity securities (listed on the Zimbabwe Stock Exchange)	
	Available for sale			Equity securities (listed on the Zimbabwe Stock Exchange)	
	Loans and receivables	Loans and advances to other banks		Placements	
		Trade receivables		Large corporate customers	
				Retail customers	
		Loans and advances to customers	Loans to individuals	Mortgages	
				Term loans	
				Overdrafts	
			Loans to corporate entities	Large corporate customers	Bankers acceptances, Mortgages, Term loans, Overdrafts
				SMEs	
				Other	
Financial liabilities	Financial liabilities at amortised cost	Deposits from other banks			
		Lines of credit			
		Deposits from customers		Large corporate customers	Call deposits Time deposits Current accounts
				SMEs	
				Individuals	
		Other borrowings			
Contingent liabilities and commitments	Loan commitments				
	Guarantees and letters of credit				

2.5.2 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains or losses arising from a group of similar transactions such as in the Group's trading activity.

2.5.3 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available for sale and loans and receivables. 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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified

Notes to the Consolidated Financial Statements (CONTINUED)

For the year ended 31 December 2014

in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term. The Group's loans and receivables comprise 'balances with banks and cash', 'loans and advances to customers', 'debentures', and 'trade and other receivables including insurance receivables' on the statement of financial position.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed within administrative expenses 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 Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

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 in the period in which they arise. Dividend income from financial assets at fair value through profit or loss and available-for-sale financial assets is recognised in the statement of comprehensive income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When these financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains or losses from investment securities'.

The fair values of quoted investments are based on current bid prices. If the market for a financial (and for unlisted securities) is not available, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Loans and receivables are stated net of impairment allowances.

The Group classifies the financial instruments into classes that reflect the nature of information and takes into account characteristics of those financial instruments. The classification made can be seen in section 2.5.1.

(d) Financial liabilities

The Group's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include deposits from other banks and customers, borrowings, certain insurance liabilities and trade and other liabilities. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

2.5.4 Impairment of financial assets

Assets carried at amortised cost
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Objective evidence that a financial asset or a group of financial assets is impaired includes observable data that comes to the attention of the Group about the following loss events:
(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as default or delinquency in interest or principal payments;
(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group including:
- adverse changes in the payment status of borrowers in a group; or
- national or local economic conditions that correlate with defaults on the assets in a group.

If there is objective evidence that a loss event (or events) on loans and receivables carried at amortised cost has occurred, the amount of the allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the allowance is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring an impairment loss is the current effective interest rate determined under the contract.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in the statement of comprehensive income.

Impairment losses on loans and advances
Impairment losses are held in respect of loans and advances to customers. The level of impairment is determined in accordance with the provisions, set out in International Accounting Standard, ("IAS"), 39, 'Financial instruments: recognition and measurement'.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loans and advances. The amount of the allowance is the difference between the carrying amount and the recoverable amount. The loan loss allowance also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the statement of financial position date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related allowance for the impairment. Subsequent recoveries are credited to the statement of comprehensive income.

Specific impairment for non-performing loans, covering identified impaired loans, are based on periodic evaluations of the loans and advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure. Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Specific impairment against loans and advances is based on an appraisal of the loan portfolio, and is made where the repayment of identified loans is in doubt. Portfolio impairment is made in relation to losses which, although not separately identified, are known from experience to exist in any loan portfolio.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

The Banking Regulations issued by the Reserve Bank of Zimbabwe also give guidance on provisioning for doubtful debts and stipulate certain minimum percentages to be applied to the respective categories of the loan book.

In order to comply with both prescriptions, the Directors have taken the view that where the IAS 39 charge is less than the amount provided for in the Banking Regulations, the difference is effectively an appropriation charged against equity and where it is more, the full amount will be charged to the statement of comprehensive income.

Impairment allowances are applied to write-off advances when all security has been realised and further recoveries are considered to be unlikely. Recoveries of bad debts that would have been written off are shown as other income in the financial statements and where the bad debts are still part of an impairment allowance in the financial statements they are shown as a recovery in the statement of financial position.

Renegotiated loans
Loans that are either subject to collective impairment assessment or individually significant and whose repayment terms have been renegotiated are no longer considered to be past due but are reset to performing loans status. These loans are subject to ongoing review to determine whether they are considered impaired or past due.

Non-performing loans
Interest on loans and advances is accrued to income until such time as reasonable doubt exists about its collectability, thereafter and until all or part of the loan is written-off, interest continues to accrue on customers' account but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position.

2.5.5 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests any remaining control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished. Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a portion of the risks.

2.5.6 Customer deposits

Customer deposits are recognized initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised costs using the effective interest method.

2.5.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.5.8 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

2.5.9 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment, (when a payment under the guarantee has become probable).

2.6 Balances with other banks and cash

Cash and bank balances comprise cash on hand, deposits held at call with other banks, and cash and balances with the Central Bank.

2.6.1 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with other banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown as liabilities.

2.7 Trade and other receivables including insurance receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.8 Insurance contracts

Classification of insurance contracts

Contracts under which the Group accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder or other beneficiary in the event of loss are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

Recognition and measurement

Revenue

Gross premiums written reflect business written during the year, and exclude any taxes or duties charged on premiums. Premiums written include estimates for 'pipeline' premiums and adjustments to estimates of premiums written in previous years.

The earned proportion of premiums is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risks underwritten.

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

Unearned premium provision
The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the subsequent financial year, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims
Claims incurred comprise the settlement and handling costs paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims' provisions.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all the claims incurred but unpaid at the statement of financial position date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Unexpired risk provision
Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision of unexpired risk is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provision.

Reinsurance assets
The reinsurance subsidiary cedes reinsurance to another reinsurer (hereafter a retrocessonaire) and the short-term insurance subsidiary cedes insurance risk to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense of the related insurance contract because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contract. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in the reinsurance assets.

The net amounts paid to the reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Group in respect of rights under contracts. Any difference between the premium due to the reinsurer and the reinsurance asset recognized is included in the statement of comprehensive income in the period in which the reinsurance premium is due.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as loans and receivables and are included within trade and other receivables in the statement of financial position.

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

Reinsurance assets are assessed for impairment at each statement of financial position date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the retrocessionaire.

Reinsurance liabilities
Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised when the obligation arises.

Deferred acquisition costs
Costs incurred in acquiring insurance contracts are deferred to the extent that they are recoverable out of future margins. Acquisitions costs include direct cost such as commission and indirect costs such as administrative expenses connected with the processing of proposals and issuing of policies.

Deferred acquisition costs are amortised over the period in which the costs are expected to be recoverable out of future margins in the revenue from the related contracts.

For insurance contracts the deferred acquisition cost represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written which is unearned at the statement of financial position date.

2.9 Inventory
Inventory is stated at the lower of cost and net realisable value. Cost is determined using the first in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Investment property
Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the investment property will flow to the Group and the cost of the property can be reliably measured. Investment property is initially measured at cost and subsequently measured at fair value.

Investment property is property held to earn rentals and/or for capital appreciation. It is stated at its fair value at the reporting date as determined by independent professional valuers. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise. The fair value of investment property is based on the nature, location and condition of the asset. The fair value is calculated by reference to market evidence of most recent proceeds achieved in arms length transactions of similar properties.

Transfers from investment property are made when there is a change in use, evidenced by commencement of owner- occupation for a transfer from investment property to owner-occupied property. The property's deemed cost for subsequent accounting is its fair value at the date of change in use.

Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses from disposal is determined as the difference between the net proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of disposal.

2.11 Intangible assets

2.11.1 Goodwill
Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets of the non-controlling interest in the acquiree.

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each cash generating unit or group of cash generating units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of the acquisition. Negative goodwill is immediately recognised in the statement of comprehensive income.

2.11.2 Software licences

Separately acquired software licences are at historical cost less accumulated amortisation. Licences acquired in a business combination are recognised at fair value at the acquisition date. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives not exceeding 5 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives ranging from three to five years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.12 Property, plant and equipment

(a) Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset if, and only if; it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Land and buildings comprise mainly retail banking branches and offices occupied by the Group. Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent accumulated depreciation for buildings and subsequent accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing working condition for its intended use, the cost of dismantling the asset and removing items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property or equipment have different useful lives, they are accounted for (major components) as separate property, plant and equipment.

(b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income within 'administrative expenses' during the financial period in which they are incurred. Subsequent costs can also be recognised as separate assets.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. The revaluation surplus is transferred from 'revaluation reserve' to 'retained profits' on disposal of the revalued asset.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold premises	50 years
Plant and machinery	5 - 13 years
Computer equipment	3 - 5 years
Motor vehicles	5 years
Office equipment	5 - 10 years
Furniture and fittings	10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income within other 'operating income'.

The carrying amounts of the Group's items of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment allowance is recognised whenever the carrying amount exceeds its recoverable amount.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than the estimated recoverable amount (note 2.14)

(c) Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

2.13 Time - share asset

The time - share asset comprises a house boat jointly owned with external entities and the Group has a majority share. The boat is recognised as an asset for owner use. The boat is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the Time - share asset.

Depreciation is calculated using the straight-line method to allocate the cost or to the residual values over the estimated useful life of 10 years.

2.14 Impairment of non-financial assets

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 allowance is recognised for the amount by which the asset's carrying amount exceeds its 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 inflows or cash generating units ("CGUs"). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation; and the amount can be 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 expenditures 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 to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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.

2.18 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds. Repurchase of share capital ("treasury shares"), where any group company purchases the Company's share capital ("treasury shares"), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Notes to the Consolidated Financial Statements (CONTINUED)

For the year ended 31 December 2014

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are declared by the Company's directors.

2.20 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 the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in the statement of comprehensive income within 'other operating income' on a straight-line basis over the lease term

2.21 Revenue recognition

Revenue is derived substantially from the business of banking and related activities and provision of insurance services. Revenue is measured at the fair value of the consideration received or receivable. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, measurement of the associated costs incurred to earn the revenue or the possible return of the goods. Revenue is recognised as follows; for the manufacturing subsidiary, revenue represents amounts invoiced to customers for goods supplied and services rendered, net of value added tax and allowances for defective goods.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

From the business of banking and related services; revenue comprises interest income, fees and commission income, net trading income and dividend income.

2.21.1 Interest income and interest expense

Interest income and interest expense are recognised in the statement of comprehensive income for all interest instruments on an accrual basis using the effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Interest income excludes fair value adjustments on interest-bearing financial instruments. Fair value adjustments are reported under other income.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

2.21.2 Fee and commission income

Fee and commission income is generally recognised on an accrual basis when the service has been provided. Loan commitment fees ("establishment fees") for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate of the loan.

Commission and fee income arising in the negotiations or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Other management advisory and service fees are recognised based on an accrual basis.

2.21.3 Net trading income

Net trading and dealing income includes gains or losses arising from disposals and changes in fair values of financial assets and liabilities held for trading. Net trading income also includes gains or losses arising from changes in foreign currency exchange rates.

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

Income from equity investments and other non-fixed income investments is recognised as income on an accrual basis.

2.21.4 Dividend income
Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

2.21.5 Sale of goods - property sales
The Group is involved in the construction of houses for sale through a structured mortgage transaction as part of its trading activities. The Group recognises revenue from sale of houses using the stage of completion method . Revenue on the land portion is recognized in full on execution of the sale agreement.

Revenue from sale of properties in the ordinary course of business is measured at fair value of the consideration received or receivable. Revenue is recognised when persuasive evidence exists usually in the form of an executed sale agreement, that the significant risk and rewards of ownership have been transferred to the buyer.

2.21.6 Insurance premium (including reinsurance premiums)
Premiums written comprise the premiums on insurance contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission to intermediaries and exclude taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business. An estimate is made at the statement of financial position date to recognise retrospective adjustments to premiums or commissions.

The earned portion of premiums received, including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. A portion of outwards reinsurance premiums are treated as prepayments.

2.22 Employee benefits

(i) Termination benefits
Termination benefits are benefits payable as a result of the Group's decision to terminate employment before the normal retirement date (or contractual date) or whenever an employee accepts voluntary redundancy in exchange of those benefits. Termination benefits are recognised as an expense at the earlier of the following dates : (a) when the Group can no longer withdraw the offer for these benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, contingent liabilities and contingent assets' and involves the payment of terminal benefits. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(ii) Short term employee benefits
Short-term employee benefits are employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render service. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(iii) Post employment benefits
Post employment benefits are employee benefits (other than termination benefits) which are payable after completion of employment. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Pension obligation

The Group provides for retirement benefit obligation in respect of its employees as follows;

- FBCH Pension Fund - Defined Contribution Fund,
- Eagle Insurance Pension Fund (for the short-term insurance subsidiary employees) - Defined Contribution Fund,
- National Social Security Authority ("NSSA") - a Statutory Defined Benefit Fund. Contributions to NSSA are made in terms of statutory regulations and are charged against income as incurred.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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.

(iv) Profit sharing and bonus plans

The Group recognises a liability and an expense for profit sharing and bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after an independent audit. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Share-based payment transactions

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs within operating expenses in the statement of comprehensive income.

2.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company, held as treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and then dividing by the weighted average number of outstanding shares during the year excluding ordinary shares purchased by the Company, held as treasury shares but taking into consideration, for the effects of all potential dilutive factors.

2.24 Headline earnings per share

The Group presents headline earnings per share ("HEPS") for its ordinary shares. Headline earnings are calculated by excluding the following from the profit or loss attributable to ordinary shareholders of the Company; impairment/ subsequent reversal of impairment of property, plant and equipment and intangible assets; gains or losses on disposal of such assets; any remeasurements of investment property; remeasurement of goodwill impairment; the recognised gain on bargain purchase; gains or losses on disposals of financial assets classified as available for sale or associates and gains or losses in the loss of control or a subsidiary.

These adjusted earnings are then divided by the weighted average number of ordinary shares during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

2.25 Dividend in specie

The Group measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group reviews and adjusts the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution. When the Group settles the dividend payable, it recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable in profit or loss. Where the distribution constitutes a business, and the shares relating to the business are quoted on an active market, the liability is measured at the fair value of the shares to be distributed using the quoted price.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of the preparation of the financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

3.1 Impairment allowances on loans and advances

Collective impairment

The Group assesses its loan portfolios for impairment at least monthly. In determining whether an impairment allowance should be recorded in the statement of comprehensive income, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing and past due but not impaired loans is calculated on a portfolio basis based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated emergence period. At year end, the Group applied the following loss emergence periods:

	Average loss emergence period 2014 Months	Sensitivity 2014 US$	Average loss emergence period 2013 Months	Sensitivity 2013 US$
Loans and advances	3	164 632	3	138 608

Sensitivity is based on the effect of a one month increase in the emergence period on the value of impairment

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Specific loan impairments

Non-performing loans include those for which the Group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for long periods. Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Recoveries of individual loans as a percentage of the outstanding balances are estimated as follows;

	Impairment loss Sensitivity 2014 US$	Expected time to recovery 2013 Months	Expected recoveries as a percentage of impaired loans 2013 %	Impairment loss Sensitivity 201 US$
Personal loans	38 004	12	11%	34 758
Corporate loans	136 905	24	83%	109 461

Sensitivity is based on the effect of a one percentage point increase in the value of the estimated recovery on the value of the specific impairment.

3.2 Income taxes

The Group is subject to income tax in Zimbabwe except for one subsidiary, FBC Building Society which is exempt from income tax. Significant judgement is required in determining the income tax payable. There are many transactions and calculations for which ultimate tax determination during the ordinary course of business is estimated. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from amounts that were initially recognised, such differences will impact the income and deferred income tax liabilities in the period in which such determination is made. Additional information is disclosed in note 18 and 38.

3.3 Claims

The Group's estimates for reported and unreported losses and establishing provisions are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of comprehensive income. The process is based on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Additional information is disclosed in note 16.

3.4 Inventory valuation

The process for evaluating inventory obsolescence or market value often requires the Group to make subjective judgments and estimates concerning future sales levels, quantities and prices at which such inventory will be sold in the normal course of business. The Group adjusts the inventory by the difference between the estimated market value and the actual cost of the inventory to arrive at net realizable value. The Group's estimates for market value are reviewed at least annually and updated. Any write down resulting from this review is reflected in the statement of comprehensive income in 'cost of sales'.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

		31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
4	**BALANCES WITH BANKS AND CASH**			
4.1	**Balances with Reserve Bank of Zimbabwe ("RBZ")**			
	Current account balances	63 395 624	32 781 621	50 701 657
	Balances with banks and cash			
	Notes and coins	26 585 721	23 319 109	23 907 633
	Other bank balances	20 984 161	13 286 175	7 805 800
		47 569 882	36 605 284	31 713 433
	Balances with banks and cash (excluding bank overdrafts)	**110 965 506**	**69 386 905**	**82 415 090**
	Current	110 965 506	69 386 905	82 415 090
	Non-current	-	-	-
	Total	**110 965 506**	**69 386 905**	**82 415 090**

		31-Dec-14 US$	31-Dec-13 US$
4.2	**Cash and cash equivalents**		
	Cash and cash equivalents include the following for the purposes of the statement of cash flows;		
	Current account balance at Reserve Bank of Zimbabwe ("RBZ") (note 4.1)	63 395 624	32 781 621
	Balances with banks and cash (note 4.1)	47 569 882	36 605 284
	Bank overdrafts	-	(458 642)
		110 965 506	**68 928 263**
	Per cash flow statement	**110 965 506**	**68 928 263**

		31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
5	**LOANS AND RECEIVABLES**			
5.1	**Loans and advances to customers**			
	Loans and advance maturities			
	Maturing within 1 year	105 242 184	136 266 134	144 452 501
	Maturing after 1 year	231 877 324	143 715 897	55 928 410
	Gross carrying amount	**337 119 508**	**279 982 031**	**200 380 911**
	Impairment allowance	(22 697 655)	(14 221 173)	(9 788 364)
		314 421 853	**265 760 858**	**190 592 547**

The maturity analysis of loans and receivables is based on contractual maturity from year end. Assets with a value of US$20 775 151 (2013 - US$57 637 340) were pledged as collateral on deposits from customers.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Reconciliation of impairment allowance by nature of advance	Mortgages US$	Personal loans US$	Corporate loans US$	Total US$
As at 1 January 2013	468 209	2 916 722	6 403 433	9 788 364
Charge for the year	486 738	368 499	2 909 034	3 764 271
Increase in impairment allowances	486 738	360 272	2 909 034	3 756 044
Adjustment to impairment	-	8 227	-	8 227
Interest in suspense	-	105 470	1 412 578	1 518 048
Amount written off during the year and uncollectable	(45 401)	(804 109)	-	(849 510)
As at 31 December 2013	**909 546**	**2 586 582**	**10 725 045**	**14 221 173**
As at 1 January 2014	909 546	2 586 582	10 725 045	14 221 173
Charge for the year	848 059	895 482	6 350 989	8 094 530
Increase in impairment allowances	848 059	895 482	6 350 989	8 094 530
Reversal of impairment	-	-	-	-
Interest in suspense	31 141	205 166	3 243 874	3 480 181
Amount written off during the year and uncollectable	(301 004)	-	(2 797 225)	(3 098 229)
As at 31 December 2014	**1 487 742**	**3 687 230**	**17 522 683**	**22 697 655**

The specific allowance is arrived at after discounting the expected cash flows either from repayment or realisation of registered bond values of security held. The collective allowance has been determined using the Group's historical loss experience.

	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
5.2 Trade and other receivables			
Wholesale trade receivables	-	18 925 611	16 198 830
Insurance receivables;			
- Due by insurance clients and insurance brokers	5 909 664	6 429 247	4 807 101
- Due by reinsurers	758 769	714 504	492 749
- Due by retrocessionaires	110 716	4 216 799	4 497 710
Gross carrying amount	**6 779 149**	**30 286 161**	**25 996 390**
Impairment allowance	(396 742)	(4 148 168)	(27 765)
	6 382 407	26 137 993	25 968 625
Current	6 382 407	24 962 800	25 968 625
Non-current	-	1 175 193	-
Total	**6 382 407**	**26 137 993**	**25 968 625**

5.3 Irrevocable commitments

There are no irrevocable commitments to extend credit, which can expose the Group to penalties or disproportionate expense.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

		Loans and advances US$	Trade and other receivables US$	Total US$
5.4	**Allowance for impairment**			
	Balance as at 1 January 2013	9 788 364	27 765	9 816 129
	Impairment allowance through statement of comprehensive income	3 756 044	118 191	3 874 235
	Impairment allowance for discontinued operations	-	3 302 153	3 302 153
	Reversal of impairment	8 227	-	8 227
	Amounts written off during the year as uncollectible	(849 510)	-	(849 510)
	Interest in suspense	1 518 048	700 059	2 218 107
	Balance as at 31 December 2013	**14 221 173**	**4 148 168**	**18 369 341**
	Balance as at 1 January 2014	14 221 173	4 148 168	18 369 341
	Impairment allowance through statement of comprehensive income	8 094 530	248 550	8 343 080
	Reversal of impairment (disposal of subsidiary)	-	(3 999 976)	(3 999 976)
	Amounts written off during the year as uncollectible	(3 098 229)	-	(3 098 229)
	Interest in suspense	3 480 181	-	3 480 181
	Balance as at 31 December 2014	**22 697 655**	**396 742**	**23 094 397**

		31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
6	**DEBENTURES**			
	Maturing after 1 year but within 5 years	2 768 518	2 664 279	-
	Current	-	-	-
	Non-current	2 768 518	2 664 279	-
	Total	**2 768 518**	**2 664 279**	**-**

Debentures have a fixed interest rate of 7% and 10% and mature on 9 March 2018

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Listed securities at market value	1 349 039	1 495 227	2 932 818
Current	1 349 039	1 495 227	2 932 818
Non-current	-	-	-
Total	**1 349 039**	**1 495 227**	**2 932 818**

8 AVAILABLE FOR SALE FINANCIAL ASSETS

Listed securities at market value	407 764	-	-
Current	407 764	-	-
Non-current	-	-	-
Total	**407 764**	**-**	**-**

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

9 INVENTORY

	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
Consumables	-	2 234 140	1 508 735
Raw materials	90 285	3 300 632	4 334 764
Work in progress	2 569 611	2 676 770	3 854 289
Finished goods	1 804 454	6 776 076	7 298 838
	4 464 350	**14 987 618**	**16 996 626**
Current	4 464 350	14 987 618	16 996 626
Non-current	-	-	-
Total	**4 464 350**	**14 987 618**	**16 996 626**

Included in work in progress is US$ 2 569 611 (2013: US$2 493 898) relating to residential properties for sale which are under construction. The cost of inventory recognised as an expense and included in the cost of sales amounted to US$ 5 282 538 (2013: US$8 544 309).

10 PREPAYMENTS AND OTHER ASSETS

	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
Prepayments	1 973 657	3 464 921	2 385 095
Deferred acquisition costs	964 674	1 041 220	848 404
Recoveries	-	-	276 898
Commission receivable	1 711 043	1 711 042	1 474 367
Refundable deposits for Mastercard and Visa transactions	631 793	285 674	198 697
Stationery stock and other consumables	45 359	26 858	76 228
Time - share asset	67 500	78 750	90 000
Other	701 260	933 262	1 571 893
	6 095 286	**7 541 727**	**6 921 582**
Current	4 316 743	5 751 935	5 357 215
Non-current	1 778 543	1 789 792	1 564 367
Total	**6 095 286**	**7 541 727**	**6 921 582**

11 INVESTMENT PROPERTY

	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
Balance as at 1 January	25 000	25 000	25 000
Additions	648 000	-	
Transfer from property, plant and equipment (note 13)	1 020 000	-	-
Balance as at 31 December	**1 693 000**	**25 000**	**25 000**
Non-current	1 693 000	25 000	25 000
Total	**1 693 000**	**25 000**	**25 000**
Investment property comprises the following:			
Residential house, Victoria Falls	25 000	25 000	25 000
Residential houses, Harare	1 620 000	-	-
Residential stand, Seke	48 000	-	-
	1 693 000	**25 000**	**25 000**

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

The fair value of the investment property as at 31 December 2014 was arrived at on the basis of a valuation carried out by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued using the open market value method. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. No liabilities are guaranteed by investment property. Refer to note 44 for fair value disclosures on investment property.

Included in other operating income is rental income of US$117 690 (2013: US$2 400) relating to investment property.

12 INTANGIBLE ASSETS

	Software US$
Year ended 31 December 2013	
Opening net book amount	1 457 875
Additions	548 020
Amortisation charge	(729 786)
Closing net book amount	**1 276 109**
As at 31 December 2013	
Cost	3 797 593
Accumulated amortisation	(2 521 484)
Net book amount	**1 276 109**
Year ended 31 December 2014	
Opening net book amount	1 276 109
Additions	302 816
Transfer from property, plant and equipment	84 836
Amortisation charge	(451 168)
Closing net book amount	**1 212 593**
As at 31 December 2014	
Cost	4 233 573
Accumulated amortisation	(3 020 980)
Net book amount	**1 212 593**

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$	Plant and machinery US$	Computer equipment US$	Furniture and office equipment US$	Motor vehicles US$	Total US$
Year ended 31 December 2013						
Opening net book amount	28 083 296	23 394 626	1 213 594	3 362 664	1 256 087	57 310 267
Additions	836 144	3 675 885	263 923	1 506 975	385 578	6 668 505
Disposals	(8 000)	-	(1 310)	(9 446)	(64 309)	(83 065)
Depreciation	(582 708)	(2 111 351)	(521 390)	(444 670)	(436 877)	(4 096 996)
Closing net book amount	**28 328 732**	**24 959 160**	**954 817**	**4 415 523**	**1 140 479**	**59 798 711**
As at 31 December 2013						
Cost or valuation	31 048 229	31 728 147	2 893 212	6 169 007	3 517 244	75 355 839
Accumulated depreciation	(2 664 949)	(6 768 987)	(1 938 395)	(1 753 484)	(2 125 214)	(15 251 029)
Accumulated impairment	(54 548)	-	-	-	(251 551)	(306 099)
Net book amount	**28 328 732**	**24 959 160**	**954 817**	**4 415 523**	**1 140 479**	**59 798 711**
Year ended 31 December 2014						
Opening net book amount	28 328 732	24 959 160	954 817	4 415 523	1 140 479	59 798 711
Additions	21 000	3 199	160 551	655 972	471 949	1 312 671
Revaluation of property	1 124 419	-	-	-	-	1 124 419
Transfer to intangible property	-	-	(84 836)	-	-	(84 836)
Impairment loss	(338 963)	-	-	(7 882)	-	(346 845)
Adjustment to cost	(500)		65 108	(1 622)	(146 984)	(83 998)
Transfer to investment property	(1 020 000)	-	-	-	-	(1 020 000)
Disposals	-	-	-	(721)	-	(721)
Disposal of a subsidiary	(10 386 462)	(24 932 017)	(149 019)	(135 700)	(347 187)	(35 950 385)
Depreciation	(349 614)	(17 770)	(447 437)	(605 492)	(212 858)	(1 633 171)
Closing net book amount	**17 378 612**	**12 572**	**499 184**	**4 320 078**	**905 399**	**23 115 845**
As at 31 December 2014						
Cost or valuation	17 378 612	196 995	2 634 302	6 612 226	2 629 691	29 451 826
Accumulated depreciation	-	(184 423)	(2 135 118)	(2 284 266)	(1 472 741)	(6 076 548)
Accumulated impairment	-	-	-	(7 882)	(251 551)	(259 433)
Net book amount	**17 378 612**	**12 572**	**499 184**	**4 320 078**	**905 399**	**23 115 845**

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Property, plant and equipment disposed on disposal of a subsidiary relates to assets at Turnall Holdings Limited which was disposed off during the year. See note 22 for further details regarding the disposal of the subsidiary.

The impairment loss has been recognised in the statement of comprehensive income as a result of decreases in fair value of properties in certain areas. No borrowing costs were capitalised (2013: US$ nil). Depreciation expense of US$1 633 171 (2013: US$1 539 247) has been charged to 'administrative expenses' in note 37. The remaining depreciation for 2013 of US$2 557 749 was charged to discontinued operations.

	31-Dec-14 US$	31-Dec-13 US$
If land and buildings were stated on historical cost basis, the amount would be as follows;		
Cost	17 348 978	25 714 687
Accumulated depreciation	(2 431 855)	(2 082 241)
Net book amount	14 917 123	23 632 446

Fair values of land and buildings

An independent valuation of the Group's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2014. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserves' in shareholders equity. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Fair value measurements at 31 December 2014 using

Recurring fair value measurements for land and buildings	Observable inputs Level 2 US$	Unobservable inputs Level 3 US$	Total US$
- Office buildings	-	16 408 835	16 408 835
- Land and residential properties	-	969 777	969 777
	-	17 378 612	17 378 612

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurements at 31 December 2013 using

Recurring fair value measurements	Observable inputs Level 2 US$	Unobservable inputs Level 3 US$	Total US$
Land and buildings			
- Office buildings	-	26 510 885	26 510 885
- Land and residential properties	-	1 817 847	1 817 847
	-	28 328 732	28 328 732

There are no level 1 assets or transfers between levels 1 and 2 during 2014 or 2013.

Valuation techniques used to derive fair values
The valuation technique for the office buildings is the investment approach as the highest and best use of these properties was for office space. The following key inputs were used to determine the fair value;
- Rental rates in price per square metre. These were obtained by comparison of rates for similar properties in similar locations.
- Void rates as a percentage. This is the level of unoccupied space and was based on rates published by listed property companies.
- Capitalisation rate. This is what investors expect to earn as a percentage of their investment on an annual basis. The basis of these rates are actual transactions that transpired during the year.

The valuation of land and residential properties have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

	Office buildings		Land and residential properties	
Land and buildings	**2014 US$**	**2013 US$**	**2014 US$**	**2013 US$**
Opening balance	26 510 885	26 860 664	1 817 847	1 222 632
Depreciation recognised	(320 533)	(563 113)	(29 081)	(19 595)
Revaluation gains recognised	944 408	-	180 011	-
Impairment recognised in profit or loss	(338 963)	-	-	-
Disposal of a susidiary	(10 386 462)	-	-	-
Adjustment to cost	(500)			
Additions	-	221 334	21 000	614 810
Disposals	-	(8 000)	-	-
Transfer to investment property			(1 020 000)	
Transfers to / (from) level 3	-	-	-	-
Closing balance	16 408 835	26 510 885	969 777	1 817 847

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Valuation processes of the Group

On an three year basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings. As at 31 December 2014, the fair values of the land and buildings have been determined by Bard Real Estate (Private) Limited. The external valuations of the level 3 land and buildings have been performed using an investment approach, unlike the level 2 land and buildings which used the sales comparison approach. There have been a limited number of sales in the market for commercial property and therefore the valuations have been performed using unobservable inputs. The external valuers has determined these inputs based onthe size, age and condition of the land and buildings, the state of the local economy and comparable rental rates.

Information about fair value measurements using significant unobservable inputs (Level 3)

31 December 2014 Description	Fair value US$	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability to weighted average)	Relationship of unobservable inputs to fair value
Office buildings	16 408 835	Investment approach	Rental rate per square meter	US$7 - US$12	The higher the price per square metre, the higher the fair value
			Void rate as a percentage	10%	The higher the void rate, the lower the fair value
			Capitalisation rate as a percentage	10% - 12%	The higher the capitalisation rate the lower the fair value
Land and residential properties	969 777	Sales comparison approach	Price per square meter	US$ 200 - 400	The higher the price per square metre, the higher the fair value

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

14 DEPOSITS

	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
14.1 Deposits from customers			
Demand deposits	110 892 109	90 517 914	91 944 231
Promissory notes	58 897 901	48 518 105	30 007 720
Other time deposits	47 327 942	13 968 753	6 149 930
	217 117 952	**153 004 772**	**128 101 881**
Current	212 699 581	149 441 562	128 101 881
Non-current	4 418 371	3 563 210	-
Total	**217 117 952**	**153 004 772**	**128 101 881**
14.2 Deposits from other financial institutions			
Money market deposits	65 333 257	75 931 501	84 389 793
Current	65 333 257	75 931 501	84 389 793
Non-current	-	-	-
Total	**65 333 257**	**75 931 501**	**84 389 793**

14.3 Deposit concentration

	31-Dec-14 US$	%	31-Dec-13 US$	%
Agriculture	9 142 298	3%	5 601 111	2%
Construction	3 643 352	1%	4 515 344	2%
Wholesale and retail trade	72 563 290	26%	31 409 246	14%
Public sector	21 095 274	7%	19 684 382	9%
Manufacturing	26 508 214	9%	10 941 874	5%
Telecommunication	8 292 349	3%	2 801 024	1%
Transport	3 606 035	1%	4 193 781	2%
Individuals	41 761 899	15%	36 899 939	16%
Financial services	65 333 257	23%	75 931 501	33%
Mining	21 760 305	8%	13 461 905	6%
Other	8 744 936	3%	23 496 166	10%
	282 451 209	**100%**	**228 936 273**	**100%**

Deposits are classified as financial liabilities at amortised cost. Deposits due to customers primarily comprise amounts payable on demand.

15 BORROWINGS

	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
Bank borrowings	-	4 448 043	7 789 365
Foreign lines of credit	81 518 286	66 360 054	33 777 227
Other borrowings	898 368	-	-
	82 416 654	**70 808 097**	**41 566 592**
Current	12 038 989	65 883 734	37 449 753
Non-current	70 377 665	4 924 363	4 116 839
Total	**82 416 654**	**70 808 097**	**41 566 592**

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

These loans are analysed as follows:

African Export-Import Bank ("Afreximbank") - US$60 million three year long term loan facility to be repaid in full on 31 July 2017. The loan is secured by Corporate Guarantee by the Company and bears interest at 8.5% per annum.

African Export-Import Bank ("Afreximbank") - US$15 million facility currently not utilised as at 31 December 2014. The facility is available from 31 December 2014 for three years subject to annual review, is unsecured and bears interest at LIBOR plus 4.5% per annum.

African Export-Import Bank ("Afreximbank") through Zimbabwe Economic and Trade Revival Facility ("Zetref") - US$15 million to be repaid on maturity after 3 years ending 31 December 2015. The loan is unsecured and bears interest at a rate of LIBOR plus 5% per annum.

The Zimbabwe Agriculture Development Trust ("ZADT") - US$1.247 million facility matures on 31 December 2015. The credit facility has a tenor of 12 months and bears interest at 6.5% per annum.

Eastern and Southern African Trade and Development Bank ("PTA Bank") - A loan of US$10 000 000 was secured from PTA in June 2014. The loan has a tenure of one year and matures on 14 June 2015. Security provided is corporate guarantee by FBC Bank Limited and bears interest at 9.5% per annum.

Shelter Afrique - US$5 000 000 to be repaid quarterly over 10 years ending 31 December 2022, 2 years capital repayment grace period and bears interest at a rate of 11% per annum.

The carrying amount of the Group's borrowings are denominated in US$.

		31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
16	**INSURANCE LIABILITIES**			
	Gross outstanding claims	3 054 196	7 192 096	7 336 142
	Liability for unearned premium	4 223 852	4 443 871	3 640 589
		7 278 048	**11 635 967**	**10 976 731**
	Current	7 278 048	11 635 967	10 976 731
	Non-current	-	-	-
	Total	**7 278 048**	**11 635 967**	**10 976 731**
16.1	**Gross outstanding claims**			
	Gross outstanding claims at the beginning of the year	7 192 096	7 334 299	5 918 568
	Reinsurer's share of technical liabilities	(4 216 799)	(4 497 710)	(4 026 380)
	Net outstanding claims at the beginning of the year	2 975 297	2 836 589	1 892 188
	Change in liability for claims	(106 950)	54 697	796 729
	Reinsurer's share of technical liabilities at the end of the year	185 849	4 300 810	4 647 225
	Gross outstanding claims at the end of the year	**3 054 196**	**7 192 096**	**7 336 142**
16.2	**Liability for unearned premium**			
	Gross liability for unearned premium	6 082 464	5 670 300	4 622 793
	Reinsurer's share of the provision for unearned premium	(1 858 612)	(1 226 429)	(982 204)
	Balance at end of the year	**4 223 852**	**4 443 871**	**3 640 589**

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

Assumptions and sensitivities for general insurance liabilities
The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is more emphasis on current trends, and where in early years there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The liabilities are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The impact of many of the items affecting the ultimate costs of the loss are difficult to estimate. The provision estimation difficulties also differ by class of business due to a difference in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which if identified, can be allowed for by modifying the methods. Such reasons include:
- changes in processes that affect the development/recording of claims paid and incurred;
- economic, legal, political and social trends;
- changes in mix of business;
- random fluctuations, including the impact of large losses.

Gross outstanding claims includes incurred but not yet reported ("IBNR") losses and is provided for at 7% (2013: 7%) of net written premium for the reinsurance subsidiary and 5% (2013: 5%) of net written premium for the insurance subsidiary. The 7% and 5% were arrived at after consideration of past experience. A separate calculation is carried out to estimate the size of reinsurance recoveries. The Group is covered by a variety of excess of loss reinsurance programmes with sufficiently high retentions for only relatively few, large claims to be recoverable. The method used by the Group takes historical data, IBNR estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. The Group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

The table below summarises the impact of increases or decreases of percentages used to estimate IBNR on the Group's post-tax profit for the year. The analysis is based on the assumption that the percentages have increased or decreased by 10% with all other variables held constant.

Impact of 10% increase in the percentage used to estimate IBNR	2014 US$	2013 US$
Incurred but not yet reported ("IBNR") losses	125 337	112 031

17 TRADE AND OTHER PAYABLES

	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
Trade and other payables	9 497 907	29 070 888	23 154 774
Deferred income	3 373 928	3 136 683	1 122 067
Other liabilities	2 472 080	4 673 738	7 513 219
	15 343 915	**36 881 309**	**31 790 060**
Current	14 490 450	36 153 944	31 790 060
Non-current	853 465	727 365	-
Total	**15 343 915**	**36 881 309**	**31 790 060**

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

18 DEFERRED INCOME TAX ASSET AND LIABILITY

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority. Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25.75% (2013: 25.75%).

The movement on the deferred income tax account is as follows:	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
As at 1 January	2 185 049	3 977 746	7 582 334
Statement of comprehensive income charge (note 38)	(1 626 862)	(674 355)	(3 604 588)
Tax charge relating to components of other comprehensive income	237 729	-	-
Tax charge relating to discontinued operations	(874 432)	(1 118 342)	-
Disposal of a subsidiary	(3 650 587)	-	-
As at 31 December	**(3 729 103)**	**2 185 049**	**3 977 746**

18.1 Analysis of charge in the statement of comprehensive income

The deferred income tax charge in the statement of comprehensive income comprises the following temporary differences:	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
Allowance for loan impairment	(1 526 340)	241 690	(2 789 941)
Property, plant and equipment allowances	426 267	(487 564)	(514 541)
Unrealised gains on foreign exchange and equities	137 201	(111 489)	(883 273)
Available for sale financial assets	(49 135)	-	(68 135)
Accrual for leave pay	-	81 523	48 970
Deferred acquisition costs	59 125	49 651	582 805
Unearned premium reserve and deferred income	83 127	(505 394)	237 468
Prepayments and other assets	374 686	(2 936)	25 316
Assessable tax loss	(1 115 845)	94 061	(243 257)
Net outstanding claims	(15 948)	(33 897)	-
Total	**(1 626 862)**	**(674 355)**	**(3 604 588)**

18.2 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are attributable to the following items:	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
Allowance for loan impairment	(6 717 459)	(5 191 119)	(3 980 337)
Available for sale financial assets	(49 135)	-	
Property, plant and equipment allowances	4 244 643	8 343 395	8 466 486
Unrealised gains on foreign exchange and equities	350 335	(24 595)	89 272
Accrual for leave pay	(10 109)	(10 109)	(91 632)
Deferred acquisition costs	327 239	268 114	218 463
Unearned premium reserve and deferred income	(482 831)	(565 958)	(60 564)
Prepayments and other assets	686 049	311 363	314 299
Assessable tax loss	(1 425 473)	(309 628)	(375 724)
Net outstanding claims	(652 362)	(636 414)	(602 517)
	(3 729 103)	**2 185 049**	**3 977 746**

18.3 Timing of reversal temporary differences

	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
Deferred income tax assets			
- Deferred income tax asset to be recovered after more than 12 months	4 274 800	2 428 213	1 664 338
Total	**4 274 800**	**2 428 213**	**1 664 338**
Deferred income tax liabilities			
- Deferred income tax liability to be recovered after more than 12 months	545 697	4 613 262	5 642 084
Net deferred income tax liability	**(3 729 103)**	**2 185 049**	**3 977 746**

The deferred income tax arising from property, plant and equipment allowances has been determined using income tax values that the Group has ascertained with the aid of guidance issued by the Zimbabwe Revenue Authority ("ZIMRA"). The Group is awaiting ZIMRA's approval for these income tax values following its submissions.

Deferred income tax assets arise from allowances for loan impairments which are non-deductible for tax purposes. Deduction for loans written off are allowable for tax purposes.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

19 SHARE CAPITAL AND SHARE PREMIUM

	31-Dec-14	31-Dec-13	01-Jan-13
19.1 Authorised			
Number of ordinary shares, with a nominal value of US$0,00001	800 000 000	800 000 000	800 000 000
19.2 Issued and fully paid			
Number of ordinary shares, with a nominal value of US$0,00001	671 949 927	671 949 927	591 850 127

19.3 Share capital movement

	Number of Shares	Share Capital US$	Share Premium US$	Total US$
As at 1 January 2013	**591 850 127**	**5 918**	**7 675 990**	**7 681 908**
Share issue	80 099 800	801	6 407 183	6 407 984
As at 31 December 2013	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**
As at 31 December 2014	**671 949 927**	**6 719**	**14 083 173**	**14 089 892**

The unissued share capital is under the control of the directors subject to the restrictions imposed by the Zimbabwe Companies Act (Chapter 24:03), Zimbabwe Stock Exchange Listing Requirements and the Articles and Memorandum of Association of the Company.

20 OTHER RESERVES

	31-Dec-14 US$	31-Dec-13 US$	01-Jan-13 US$
Share option reserves	-	110 716	110 716
Revaluation reserves	2 170 001	3 191 743	3 191 743
Non distributable reserves	36 222 261	36 222 261	33 659 224
Regulatory reserves	627 590	627 590	627 590
Available for sale reserves	(30 814)	-	-
Treasury shares reserves	(1 173 701)	(339 150)	(2 757 535)
Changes in ownership reserve	1 670 671	1 679 029	(214 766)
	39 486 008	**41 492 189**	**34 616 972**

The definitions of the reserves are as follows;

The share option reserve is a reserve for the expected cost of issuing shares to employees that exercise options.

The revaluation reserve consists of increases in the value of land and buildings on revaluation.

Non-distributable reserves are the net result of the restatement of assets and liabilities that could be recovered or settled in a currency other than the Zimbabwe dollar ("ZW$") or could be reasonably translated into a currency other than the ZW$ as at 1 January 2009, less deferred income tax and net of amounts subsequently transfered to share capital and share premium.

Regulatory reserves are impairment allowances, the Group is legally required to maintain on its statement of financial position that are over and above those required by IFRS.

Available for sale reserve comprises the changes in the fair value of available-for-sale financial assets, net of tax.
Treasury share reserve represents shares the Group has issued and subsequently reacquired.
Change in ownership reserve represents the net expense or gain resulting in a step acquisition of a subsidiary.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

21 CORRECTION OF PRIOR PERIOD ERRORS

During the financial year, Turnall Holdings Limited "Turnall", a former subsidiary of the Group identified errors in the opening balances of carrying amounts of their inventory, their trade and other receivables and their trade and other payables. These amounts were used in consolidation for group reporting.

The prior period errors arose as a result of the following:
- Systems deficiencies in the processing and posting of production orders within the manufacturing module. This error became apparent after a systems upgrade was done. The effect of this was a duplication of inventory values;
- Unaccrued expenditure that was erroneously omitted from the cost of purchase of raw materials;
- Duplication in the processing of a purchase of raw materials;
- Deficiencies in the setting up of the manufacturing accounting module for Nutech product at inception. This resulted in the overcapitalisation of costs to inventories; and
- Deficiencies in the internal control processes around investigation of sales returns and processing of related credit notes.

Correction relating to FBC Building Society
The financial results have been restated for prior period error relating to a value added tax liability on the property sales and related expenses for the Building Society.

These errors were corrected by way of restatement of the 2013 comparatives included in these financial results.

The effect of this restatement of the 2013 Group financial results is shown below;

Consolidated financial statements **ASSETS**	**Trade and other receivables including insurace receivables US$**	**Inventory US$**
Balance as at 31 December 2013, as previously reported	27 393 114	22 163 975
Correction of inventory overstatements from Turnall Holdings Limited	-	(7 176 357)
Correction of trade and other receivables from Turnall Holdings Limited	(1 255 121)	-
Balance as at 31 December 2013, as restated	**26 137 993**	**14 987 618**

EQUITY AND LIABILITIES	**Trade and other payables US$**	**Deferred income tax liability US$**	**Retained profits US$**	**Non controlling interest in equity US$**	**Change in ownership interest US$**
Balance as at 31 December 2013, as previously reported	34 550 076	6 842 926	37 575 558	12 366 171	2 370 735
Correction of trade and other payables from Turnall Holdings Limited	227 410	-	-	-	-
Increase in provisions from FBC Building Society	2 103 823	-	-	-	-
Impact on deferred income tax liability arising from correction of errors	-	(2 229 664)	-	-	-
Impact on retained earnings arising from correction of errors	-	-	(5 161 577)	-	-
Impact on non controlling interest in equity	-	-	-	(2 679 764)	-
Reduction in gain on acquisition of additional interest in FBC Building Society	-	-	-	-	(691 706)
Balance as at 31 December 2013, as restated	**36 881 309**	**4 613 262**	**32 413 981**	**9 686 407**	**1 679 029**
Adjustment against retained profits at 1 January 2013 (US$)					(3 549 666)
Decrease in earnings per shares (US cents)					(0.59)

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

22 DISPOSAL OF PORTION OF INTEREST IN SUBSIDIARY

During the year a portion of the interest in subsidiary Turnall Holdings Limited was disposed of, as a distribution to the shareholders of FBC Holdings Limited through a dividend in specie resulting in the 5% interest in Turnall Holdings Limited being reclassified as available for sale financial assets. The consolidated carrying amount of assets and liabilities disposed of were as follows:

	US$
Property, plant and equipment	33 504 876
Inventory	10 104 786
Trade and other receivables including insurance receivables	4 379 502
Borrowings	(7 149 415)
Trade and other payables	(20 910 279)
Current income tax liability	(1 488 266)
Deferred income tax liability	(2 981 536)
Net assets disposed of	**15 459 668**
Non-controlling interests	(6 436 307)
Fair value of retained investment	(382 097)
Deemed consideration : dividend in specie	(3 930 947)
Total loss on disposal	**4 710 317**
Net cash inflow	-

The net loss consolidated in the Group's financial instruments for the period in which Turnall was a subsidiary is disclosed under discontinued operations (note 39).

Notes 23 - 28 related to the FBC Holdings Limited (the "Company") separate statement of financial position

23 AMOUNTS DUE FROM RELATED PARTIES

	31-Dec-14 US$	31-Dec-13 US$
Share option balances due from subsidiaries	82 926	82 926
Other intercompany receivables	7 669 420	12 343 023
	7 752 346	**12 425 949**
Current	7 752 346	12 425 949
Non-current	-	-
Total	**7 752 346**	**12 425 949**

Amounts receivable from group companies were not considered impaired at year end.

24 AVAILABLE FOR SALE FINANCIAL ASSETS

	31-Dec-14 US$	31-Dec-13 US$
As at 1 January	2 568 992	2 825 891
Dividend in specie received from another subsidiary	7 084 694	-
Disposal through dividend in specie	(7 861 895)	-
Acquisition	56 792	-
Net fair value loss transfer to equity	(1 058 722)	(256 899)
Impairment	(382 097)	-
As at 31 December	**407 764**	**2 568 992**

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

The available-for-sale financial assets include Zimbabwe Stock Exchange listed shares denominated in the United States of America dollar. During the year, a dividend in specie was declared by one of the Company's subsidiary's consisting of their entire holding in Turnall Holdings Limited. In turn, the Company disposed of a portion of the shares through a dividend in specie. The intercompany transaction was fully eliminated in the consolidated financial statements. An impairment loss was recognised on the remaining shares as the persistent decline in share price was an indicator of impairement. Refer to note 44 for fair value disclosures.

The remaining interest represents 5% of Turnall Holdings Limited. The fair value loss was US$ 343 888 for these shares for the year.

25 INVESTMENT IN SUBSIDIARIES

25.1 Investment in subsidiaries

	Equity interest 2014	Equity interest 2013	31-Dec-14 US$	31-Dec-13 US$
FBC Bank Limited	100%	100%	25 924 911	25 924 911
FBC Building Society	100%	100%	12 996 785	12 996 785
FBC Reinsurance Limited	100%	100%	5 995 330	5 995 330
FBC Securities (Private) Limited	100%	100%	237 308	599 573
Eagle Insurance Company Limited	95.4%	95.4%	1 126 987	1 126 987
Microplan Financial Services (Private) Limited	100%	100%	5 000	5 000
			46 286 321	**46 648 586**

25.2 Movement analysis - investment in subsidiaries

	US$
Year ended 31 December 2013	
Balance as at 1 January 2013	**40 240 602**
Group restructuring	
Purchase of 40% interest in FBC Building Society	6 407 984
Balance as at 31 December 2013	**46 648 586**
Year ended 31 December 2014	
Balance as at 1 January 2014	**46 648 586**
Impairment of investment in FBC Securities (Private) Limited	(362 265)
Balance as at 31 December 2014	**46 286 321**

26 TIME - SHARE ASSET

The Company has a 45% share in a houseboat for use by the Company's employees. The value stated is the value of the share held according to a directors valuation performed on recognition.

	31-Dec-14 US$	31-Dec-13 US$
Balance at 1 January	78 750	90 000
Depreciation	(11 250)	(11 250)
Balance as at 31 December	**67 500**	**78 750**

The time - share asset is included in prepayments and other assets on the consolidated statement of financial position.

27 AMOUNTS DUE TO RELATED PARTIES

	31-Dec-14 US$	31-Dec-13 US$
Short term loan liability	1 410 744	1 417 202

The liability relates to an amount payable to FBC Reinsurance Limited by the holding Company following purchase of Eagle Insurance Company Limited in 2011. The loan attracts interest of 14% per annum.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

28 OTHER RESERVES

The Company's analysis of other reserves is as follows:

	Share option reserves US$	Revaluation reserves US$	Non distributable reserves US$	Treasury share reserves US$	Available for sale ("AFS") reserves US$	Retained profits US$	Total US$
At 1 January 2013	110 726	112 500	33 546 724	(2 354 535)	432 792	9 439 193	41 287 400
AFS revaluation loss	-	-	-	-	(256 899)	-	(256 899)
Deferred tax on AFS revaluation loss	-	-	-	-	25 690	-	25 690
Profit for the year	-	-	-	-	-	1 067 668	1 067 668
Sale of treasury shares			2 322 030	2 354 535	-	-	4 676 565
Dividend declared and paid	-	-	-	-	-	(1 001 205)	(1 001 205)
Balance at 31 December 2013	**110 726**	**112 500**	**35 868 754**	**-**	**201 583**	**9 505 656**	**45 799 219**
AFS revaluation loss	-	-	-	-	(1 058 722)	-	(1 058 722)
Deferred tax on AFS	-	-	-	-		-	-
revaluation loss	-	-	-	-	10 586	-	10 586
Profit for the year	-	-	-	-	-	337 225	337 225
Realisation of available for sale reserve	-	-	-	-	411 311	(411 311)	-
Realisation of share option reserve	(110 726)	-	-	-	-	110 726	-
Transfer to profit or loss	-	-	-	-	404 428	-	404 428
Purchase of treasury shares	-	-	-	(834 551)	-	-	(834 551)
Dividend declared and paid	-	-	-	-	-	(4 932 152)	(4 932 152)
Balance at 31 December 2014	**-**	**112 500**	**35 868 754**	**(834 551)**	**(30 814)**	**4 610 144**	**39 726 033**

The definitions of the reserves are as follows;
The share option reserve is a reserve for the expected cost of issuing shares to employees that exercise options.

The revaluation reserve consists of increases in the value of the time - share asset on initial valuation. Non-distributable reserves are the net result of the restatement of assets and liabilities that could be recovered or settled in a currency other than the Zimbabwe dollar ("ZW$") or could be reasonably translated into a currency other than the ZW$ as at 1 January 2009, less deferred income tax and net of amounts subsequently transfered to share capital and share premium.

Treasury shares reserves represent shares the Company has issued and subsequently reacquired.

Available for sale reserve comprises the changes in the fair value of available-for-sale financial assets, net of tax.

Retained profits are Company profits not distributed to shareholders.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

		31-Dec-14 US$	31-Dec-13 US$
29	**INTEREST INCOME**		
	Cash and cash equivalents	1 602 707	2 939 633
	Loans and advances to other banks	2 177 173	1 497 933
	Loans and advances to customers	50 242 107	35 004 133
	Banker's acceptances and tradable bills	1 519 224	4 070 546
	Other interest income	1 744 007	229 815
		57 285 218	**43 742 060**
29.1	**INTEREST EXPENSE**		
	Deposit from other banks	12 559 651	7 230 405
	Demand deposits	609 577	422 180
	Afreximbank and PTA Bank	7 430 371	54 176
	Time deposits	7 945 767	10 914 669
		28 545 366	**18 621 430**
30	**FEE AND COMMISSION INCOME**		
	Retail service fees	20 307 612	16 587 820
	Credit related fees	4 760 671	4 598 723
	Investment banking fees	16 064	489 556
	Brokerage commission	238 279	363 636
	Financial guarantee contract commission	6 244	271 013
		25 328 870	**22 310 748**
30.1	**FEE AND COMMISSION EXPENSE**		
	Brokerage	67 270	21 558
31	**REVENUE**		
	Property sales	8 282 137	11 825 931
31.1	**COST OF SALES**		
	Raw materials	5 282 538	8 136 461
32	**INSURANCE PREMIUM REVENUE**		
	Gross premium written	30 847 414	28 628 662
	Change in unearned premium reserve ("UPR")	220 017	(803 282)
		31 067 431	**27 825 380**
33	**NET GAINS FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**		
	Financial assets at fair value through profit or loss (note 7), fair value gains	(335 862)	599 201

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

34 OTHER OPERATING INCOME

	31-Dec-14 US$	31-Dec-13 US$
Rental income	318 655	289 727
Profit from disposal of property, plant and equipment	15 268	21 883
Sundry income	71 093	1 377 946
	405 016	**1 689 556**

Rental income is earned from owner occupied properties.
Included in rental income is US$117 690 earned from investment property.

35 NET INSURANCE COMMISSION EXPENSE

	31-Dec-14 US$	31-Dec-13 US$
Commissions paid	5 312 373	4 210 301
Commission received	(1 404 122)	(732 577)
Change in technical provisions	95 831	(167 050)
	4 004 082	**3 310 674**

36 INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	Gross US$	Reinsurance US$	Net US$
Year ended 31 December 2014			
Claims and loss adjustment expenses	7 591 850	-	7 591 850
Change in technical provisions	(11 622)	-	(11 622)
Total claims	**7 580 228**	**-**	**7 580 228**
Year ended 31 December 2013			
Claims and loss adjustment expenses	6 260 828	-	6 260 828
Change in technical provisions	9 201	-	9 201
Total claims	**6 270 029**	**-**	**6 270 029**

37 ADMINISTRATIVE EXPENSES

	31-Dec-14 US$	31-Dec-13 US$
Marketing	1 657 085	1 266 893
Premises	1 409 787	2 139 126
Computer	2 229 686	1 964 561
Insurance	405 769	1 413 308
Travel	2 353 730	1 714 707
Security	1 707 419	1 712 623
Communication	383 388	848 169
Donations	138 157	377 494
Subscriptions	326 823	463 704
Operational losses	238 689	-
Mastercard and Visa expenses	1 185 887	-
Other administration expenses	3 228 006	2 668 156
Staff costs (note 37.1)	17 882 262	17 272 407
Directors' remuneration (note 37.2)	3 481 265	3 667 149
Audit fees:		
- Current year fees	269 530	446 663
- Prior year fees	146 221	101 004
- Other services	-	-
Depreciation	1 633 171	1 539 247
Impairment of property and equipment	346 845	-
Amortisation (note 12)	451 168	729 786
Operating lease payment	862 347	745 465
	40 337 235	**39 070 462**

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

		31-Dec-14 US$	31-Dec-13 US$
37.1	**Staff costs**		
	Salaries and allowances	16 313 766	15 849 453
	Social security	330 448	257 407
	Pension contribution	1 238 048	1 165 547
		17 882 262	**17 272 407**
37.2	**Director's remuneration**		
	Board fees	579 952	494 680
	For services as management	2 901 313	3 172 469
		3 481 265	**3 667 149**
37.3	**Operating leases**		
	Non - cancellable operating lease rentals are payable as follows:		
	Up to one year	1 724 656	640 914
	One to two years	417 039	166 546
		2 141 695	**807 460**

The Group leases some of its properties under operating leases. The leases typically run for a period of 1 year, with an option to renew the lease after that date. Lease payments are reviewed in line with prevailing market conditions on an annual basis to align them to market rentals. The leases provide for additional rent payments that are based on changes in the local price index.

During the year ended 31 December 2014, US$862 347 (2013: US$745 465) was recognised as an expense in the statement of comprehensive Income.

38 INCOME TAX EXPENSE

		31-Dec-14 US$	31-Dec-13 US$
38.1	**Charge for the year**		
	Current income tax on income for the reporting year	3 634 706	2 518 114
	Prior year under provision	1 154 389	805 161
	Deferred income tax	(1 626 862)	(674 355)
	Income tax expense	**3 162 233**	**2 648 920**

The income tax rate applicable to the Group`s taxable income for the year ended 31 December 2014 is 25.75% (2013: 25.75%).

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

38.2 Reconciliation of income tax expense

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the principal tax rate of 25.75% (2013: 25.75%) as follows;

	31-Dec-14 US$	31-Dec-13 US$
Profit before income tax	17 095 396	18 550 165
Income tax charged based on profit for the year at 25.75% (2013:25.75%)	4 402 064	4 776 668
Tax effect of:		
Exempt income	(4 858 865)	(2 171 737)
Additional/(savings) tax resulting from permanent differences	-	7 421
Income subject to tax at lower rates	278 821	-
Impairment allowance	-	(1 341 854)
Expenses not deductible for tax purposes	1 541 782	573 261
Prior year under provision	1 154 389	805 161
Other	644 042	-
Income tax expense	**3 162 233**	**2 648 920**
Effective rate	**18%**	**14%**

39 DISCONTINUED OPERATIONS

Turnall Holdings Limited was disposed off on the 17th of October 2014. Analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets is as follows;

	31-Dec-14 US$	31-Dec-13 US$
Revenue	26 478 307	42 704 035
Expenses	(34 774 937)	(48 121 306)
Loss before tax of discontinued operations	(8 296 630)	(5 417 270)
Tax	874 432	1 118 342
Loss after tax of discontinued operations	**(7 422 198)**	**(4 298 928)**
Loss attributable to equity holders of the parent	(4 328 555)	(2 507 135)
Pre-tax loss recognised on the re-measurement of assets of the discontinued operation	(4 710 317)	-
Tax	-	-
Loss for the year from discontinued operations	**(9 038 872)**	**(2 507 135)**

40 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its shareholders who own, directly or indirectly, 10% or more of its share capital or those shareholders who control in any manner, the election of the majority of the Directors of the Company or have the power to exercise controlling influence over the management or financial and operating

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

policies of the Group. The Group carried out banking and investments related transactions with various companies related to its shareholders, all of which were undertaken in compliance with the relevant banking regulations. The following is a list of related parties to the Group and transactions with them:

Key management

Name	Position
John Mushayavanhu	Group Chief Executive
Trynos Kufazvinei	Group Finance Director and Deputy Group Chief Executive
Kleto Chiketsani	Managing Director (FBC Reinsurance Limited)
Webster Rusere	Managing Director (FBC Bank Limited)
Felix Gwandekwande	Managing Director (FBC Building Society)
Tichaona Mabeza	Group Company Secretary
Israel Murefu	Divisional Director Human Resources
Barnabas Vera	Divisional Director Internal Audit
Benson Gasura	Managing Director (FBC Securities (Private) Limited)
Musa Bako	Managing Director (Eagle Insurance Company Limited)
Patrick Mangwendeza	General Manager (Microplan Financial Services (Private) Limited)

The following are companies related to directors, key management and the Group:

Arena Investments (Private) Limited (owned by FBC Holdings Limited board member)
Cotition Investments (Private) Limited (owned by FBC Bank Limited board member)
Fonrel Investments (Private) Limited (owned by FBC Holdings Limited board member)
Wedgeport Investments (Private) Limited (owned by FBC Holdings Limited board member)
Dinkrain Investments (Private) Limited (owned by FBC Bank Limited board member)
Tirent Investments (Private) Limited (owned by FBC Bank Limited board member)
Fleetwood Investments (Private) Limited (owned by FBC Holdings Limited board member)
Rus Enterprises (Private) Limited (owned by FBC Holdings Limited board member)
Defined Wear (PBC) (Private) Limited (owned by FBC Building Society board member)
Codchem (Private) Limited (owned by FBC Building Society board member)
Destiny Electronics (Private) Limited (owned by FBC Holdings Limited board member)
J Med Supplies (Private) Limited (owned by FBC Building Society board member)
Altiwave Investments (Private) Limited (related to FBC Bank Limited)
Mapani Hardware (Private) Limited (related to FBC Bank Limited)

Below are the companies related to directors, key senior management and Group and their loan balances as at 31 December 2014.

	31-Dec-14 US$	31-Dec-13 US$
Arena Investments (Private) Limited	69 846	249 825
J Med Supplies (Private) Limited	-	63 058
Altiwave Investments (Private) Limited	-	134 876
Destiny Electronics (Private) Limited	184 953	230 602
Mapani Hardware (Private) Limited	6 439	-
Defined Wear (PBC) (Private) Limited	60 235	49 606
	321 473	**727 967**

Notes to the Consolidated Financial Statements (CONTINUED)

For the year ended 31 December 2014

	31-Dec-14 US$	31-Dec-13 US$
Loans to non executive directors		
Balance as at 1 January	353 021	229 359
Advances during the year	6 439	271 356
Transfer to ordinary loans after director resignation	(70 150)	-
Interest charged	88 577	74 660
Repayments made during the year	(60 814)	(222 354)
Balance as at 31 December	**317 073**	**353 021**
Loans to executive directors		
Balance as at 1 January	2 095 717	1 947 842
Advances during the year	540 350	296 952
Interest charged	93 415	93 386
Repayments made during the year	(1 365 209)	(242 463)
Balance as at 31 December	**1 364 273**	**2 095 717**

The loans advanced to directors and officers of the Group have, along with other loans been subjected to impairment procedures with the impairment allowance. No allowance for impairment is provided against loans from related parties (2012: US$ nil).

	31-Dec-14 US$	31-Dec-13 US$
Compensation for key management		
Short term employee benefits	2 988 608	4 631 248
Post- employment benefits	351 154	270 832
Termination benefits	-	-
	3 339 762	**4 902 080**
Income from loans to executive directors		
Income from loans to executive directors	33 821	93 386
Income from loans to non-executive directors		
Income from loans to non-executive directors	88 577	74 660

Group entities	Equity interest 2014	Equity interest 2013
FBC Bank Limited	100%	100%
FBC Building Society	100%	100%
FBC Reinsurance Limited	100%	100%
FBC Securities (Private) Limited	100%	100%
Turnall Holdings Limited, derecognised as a subsidiary on 17 October 2014	-	58.32%
Microplan Financial Services (Private) Limited	100%	100%
Eagle Insurance Company Limited	95.4%	95.4%

Other related party transactions

Other related party transactions include contributions to FBC Holdings Limited Pension Fund, a self administered post employment benefit fund. Details of these transactions are disclosed in note 49.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

41 PRINCIPAL SUBSIDIARIES

The Group had the following subsidiaries at 31 December 2014

Group and Company

Name	Nature of business	Proportion of ordinary shares directly held by the parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
FBC Bank Limited	Commercial banking	100	100	-
FBC Building Society	"Mortgage financing"	100	100	-
FBC Reinsurance Limited	"Short term reinsurance"	100	100	-
FBC Securities (Private) Limited	Stockbroking	100	100	-
Eagle Insurance Company Limited	Short term insurance	72	95	5
Microplan Financial Services (Private) Limited	Microlending	100	100	-

All subsidiaries were incorporated in Zimbabwe, which is also their place of business.

FBC Reinsurance Limited holds 23% of Eagle Insurance Company Limited, acquired from external parties in previous years.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The total non-controlling interest for the period is US$ 208 193 and it is attributed to Eagle Insurance Company Limited.

Significant restrictions

There are no material restrictions with regards to any of the subsidiaries' ability to access or use assets, and settle liabilities of the Group.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

42 EARNINGS PER SHARE

42.1 Basic earnings

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue excluding ordinary shares purchased by the Company and held as treasury shares.

	31-Dec-14 US$	31-Dec-13 US$
Profit from continuing operations attributable to equity holders of the parent	13 877 277	14 733 738
Loss from discontinued operations attributable to equity holders of the parent	(9 038 872)	(2 507 135)
Total	**4 838 405**	**12 226 603**
Basic earnings per share		
Basic earnings per share for continuing operations (US cents)	2.09	2.45
Basic loss per share from discontinued operations (US cents)	(1.36)	(0.42)
	0.73	2.03

Year ended 31 December 2014	Shares issued	Treasury shares	Shares outstanding	Weighted
Weighted average number of ordinary shares	671 949 927	(5 681 675)	666 268 252	666 268 252
Treasury shares purchased	-	(834 551)	(834 551)	(486 821)
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**(6 516 226)**	**665 433 701**	**665 781 431**
Year ended 31 December 2013				
Weighted average number of ordinary shares				
Issued ordinary shares as at 1 January 2013	591 850 127	(56 291 799)	535 558 328	535 558 328
Treasury shares purchased	-	(967 661)	(967 661)	(725 746)
Treasury shares sold	-	51 577 785	51 577 785	25 788 893
New share issue	80 099 800	-	80 099 800	40 049 900
Weighted average number of ordinary shares as at 31 December	**671 949 927**	**(5 681 675)**	**666 268 252**	**600 671 375**

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

42.2 Diluted earnings

Diluted earnings per share is calculated after adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company does not have dilutive ordinary shares.

	31-Dec-14 US$	31-Dec-13 US$
Earnings		
Profit from continuing operations attributable to equity holders of the parent	13 877 277	14 733 738
Loss from discontinued operations attributable to equity holders of the parent	(9 038 872)	(2 507 135)
Total	**4 838 405**	**12 226 603**
Weighted average number of ordinary shares at 31 December	**665 781 431**	**600 671 375**
Diluted earnings per share		
Diluted earnings per share for continuing operations (US cents)	2.09	2.45
Diluted loss per share from discontinued operations (US cents)	(1.36)	(0.42)
	0.73	**2.03**

42.3 Headline earnings per share

Headline earnings is calculated by starting with the basic earnings number and then excluding the following re-measurements;

- Gains/losses on the loss of control of a subsidiary
- Impairment/subsequent reversal of impairment of all assets
- Disposal gains/losses of all assets
- Compensation from third parties for assets that were impaired or lost
- The reclassification of all other remeasurements from other comprehensive income to profit or loss
- The reclassification of gains and losses on available-for-sale financial assets upon impairment or disposal and subsequent impairment losses
- The post-tax gain or loss on the disposal of assets or a disposal group constituting discontinued operations

	31-Dec-14 US$	31-Dec-13 US$
Profit attributable to equity holders	4 838 405	12 226 603
Adjusted for excluded remeasurements		
Profit from the disposal of property, plant and equipment (note 34)	(15 268)	(21 883)
Loss on the loss of control of Turnall Holdings Limited (note 39)	4 710 272	-
Impairment of property, plant and equipment (note 13)	346 845	-
Headline earnings	**9 880 254**	**12 204 720**
Weighted average number of ordinary shares at 31 December	**665 781 431**	**600 671 375**
Headline earnings per share (US cents)	**1.48**	**2.03**

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

43 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from financial instruments:
(a) Credit risk
(b) Market risk
(b.i) Interest rate risk,
(b.ii) Currency risk, and
(b.iii) Price risk
(c) Liquidity risk
(d) Settlement risk
(e) Capital risk

The Group seeks to control these risks by diversifying its exposures and activities among products, clients, and by limiting its positions in various instruments and investments.

43.1 Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet their obligations as and when they fall due. Credit risk arises from lending, trading, insurance products and investment activities and products. Credit risk and exposure to loss are inherent parts of the Group's business.

The Group manages, limits and controls concentration of credit risk in respect of individual counterparties and groups. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty or group of counterparties and to industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent reviews, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors of the subsidiary companies.

The Board Credit Committees of the Bank, Microplan and the Building Society periodically review and approve policies and procedures to define, measure and monitor the credit and settlement risks arising from their activities. Limits are established to control these risks. Any facility exceeding established limits of the subsidiary Management Credit Committee must be approved by the subsidiary Board Credit Committees.

The Group Credit Management Department evaluates the credit exposures and assures ongoing credit quality by reviewing individual credit quality and concentration and monitoring of corrective action.

The Group Credit Management Department periodically prepares detailed reports on the quality of the customers for review by the Board Loans Review Committees of the subsidiary companies and assesses the adequacy of the impairment allowance. Any loan or portion thereof which is classified as a 'loss' is written off. To maintain an adequate allowance for credit losses, the Group generally provides for a loan or a portion thereof, when a loss is probable.

Credit policies, procedures and limits

The Group has sound and well-defined policies, procedures and limits which are reviewed annually and approved by the subsidiary companies Board of Directors and strictly implemented by management. Credit risk limits include delegated approval and write-off limits to advances managers, management, board credit committees and the Boards of the subsidiary companies. In addition there are counterparty limits, individual account limits, group limits and concentration limits.

Credit risk mitigation and hedging

As part of the Group's credit risk mitigation and hedging strategy, various types of collateral is taken by the banking subsidiaries. These include mortgage bonds over residential, commercial and industrial properties, cession of book debts and the underlying moveable assets financed. In addition, a guarantee is often required particularly in support of a credit facility granted to a counterparty. Generally, guarantor counterparties include parent companies and shareholders. Creditworthiness for the guarantor is established in line with the credit policy.

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

Credit risk stress testing
The Group recognises the possible events or future changes that could have a negative impact on the credit portfolios which could affect the Group's ability to generate more business. To mitigate this risk, the Group has put in place a stress testing framework that guides the Group in conducting credit stress tests.

Impairments
An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Credit terms:

Default
This is failure by a borrower to comply with the terms and conditions of a loan facility as set out in the facility offer letter or loan contract. Default occurs when a debtor is either unwilling or unable to repay a loan.

Past due loans
These are loans whereby the debtor is in default by exceeding the loan tenure or expiry date as expressly set out in the loan contract i.e. the debtor fails to repay the loan by a specific given date.

Impaired loans
The Group's policy regarding impaired/ doubtful loans is all loans where the degree of default becomes extensive such that the Group no longer has reasonable assurance of collection of the full outstanding amount of principal and interest. All such loans are classified in the 8, 9 and 10 under the Basel II ten tier grading system.

Provisioning policy and write offs
Determination of general and specific provisions

The Group complies with the following Reserve Bank of Zimbabwe provisioning requirements:

Rating	Descriptive classification	Risk level	Level of allowance	Old five grade/ tier system	2012 Grading and level of allowance	Type of allowance
1	Prime grade	Insignificant	1%	Pass	A (1%)	General
2	Strong	Modest	1%			
3	Satisfactory	Average	2%			
4	Moderate	Acceptable	3%	Special Mention	B (3%)	
5	Fair	Acceptable with care	4%			
6	Speculative	Management attention	5%			
7	Speculative	Special mention	10%			
8	Substandard	Vulnerable	20%	Substandard	C (20%)	Specific
9	Doubtful	High default	50%	Doubtful	D (50%)	
10	Loss	Bankrupt	100%	Loss	E (100%)	

General allowance for impairment

Prime to highly speculative grades "1 to 7"
General allowance for impairment for facilities in this category are maintained at the percentage (detailed in table above) of total customer account outstanding balances and off balance sheet (i.e. contingent) risks for regulatory purposes.

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

Specific allowance for impairment

Sub-standard to loss grades "8 to 10" - Timely repayment and/or settlement may be at risk
Specific allowance for impairment for facilities in this category are currently maintained at the percentages (detailed above) of total customer outstanding balances and off balance sheet (i.e. contingent) risks less the value of tangible security held for regulatory purposes.

Credit risk and Basel II
The Group applied Credit Risk Basel II standards in line with the regulatory authority's approach. Internal processes were revamped in an effort to comply with the requirements. Policies and procedure manuals have been realigned to comply with the minimum requirements of Basel II.

43.1.1 Exposure to credit risk

	31-Dec-14 US$	31-Dec-13 US$
Loans and advances		
Past due and impaired		
Grade 8: Impaired	29 608 779	11 514 185
Grade 9: Impaired	5 062 713	4 875 240
Grade 10: Impaired	17 615 392	7 629 635
Gross amount, past due and impaired	**52 286 884**	**24 019 060**
Allowance for impairment	(18 169 753)	(10 551 613)
Carrying amount, past due and impaired	**34 117 131**	**13 467 447**
Past due but not impaired		
Grade 4 - 7:	70 254 017	33 800 247
Neither past due nor impaired		
Grade 1 - 3:	214 578 607	222 162 724
Gross amount, not impaired	**284 832 624**	**255 962 971**
Allowance for impairment	(4 527 902)	(3 669 560)
Carrying amount, not impaired	**280 304 722**	**252 293 411**
Total carrying amount	**314 421 853**	**265 760 858**

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Loans and advances neither past due nor impaired

Loans and advances neither past due nor impaired and which are not part of renegotiated loans are considered to be within the grade 1 to 3 category. Past due loans and advances are those whereby the debtor is in default by exceeding the loan tenure or expiry date as expressly set out in the loan contract i.e. the debtor fails to repay the loan by a specific given date.

Loans and advances past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross loans and advances to customers by class that were past due but not impaired were as follows;

	Personal loans US$	Corporate loans US$	Mortgages US$	Total US$
As at 31 December 2014				
Past due up to 1 month	4 565 050	-	-	4 565 050
Past due 1-3 months	809 579	58 231 646	6 647 742	65 688 967
Past due 3-6 months	-	-	-	-
Past due 6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	**5 374 629**	**58 231 646**	**6 647 742**	**70 254 017**
Value of collateral	820 042	42 441 500	7 100 161	50 361 703
Amount of (under)/over collateralisation	(4 554 587)	(15 790 146)	452 419	(19 892 314)
As at 31 December 2013				
Past due up to 1 month	4 710 211	-	-	4 710 211
Past due 1-3 months	273 276	21 160 711	7 656 049	29 090 036
Past due 3-6 months	-	-	-	-
Past due 6-12 months	-	-	-	-
Over 12 months	-	-	-	-
Total	**4 983 487**	**21 160 711**	**7 656 049**	**33 800 247**
Value of collateral	2 677 865	11 483 747	8 126 616	22 288 228
Amount of (under)/over collateralisation	(2 305 622)	(9 676 964)	470 567	(11 512 019)

Loans and advances past due and impaired

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is US$52 286 884 (2013: US$24 019 060) The breakdown of the fair value of related collateral held by the Group as security, are as follows;

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

	Personal loans US$	Corporate loans US$	Total US$
As at 31 December 2014			
Gross carrying amount	46 263 331	6 023 553	52 286 884
Less allowance for impairment	(5 086 143)	(13 083 610)	(18 169 753)
Net carrying amount	**41 177 188**	**(7 060 057)**	**34 117 131**
Value of collateral	**4 995 073**	**30 757 923**	**35 752 996**
As at 31 December 2013			
Gross carrying amount	9 547 828	14 471 232	24 019 060
Less allowance for impairment	(2 272 139)	(8 279 474)	(10 551 613)
Net carrying amount	**7 275 689**	**6 191 758**	**13 467 447**
Value of collateral	**5 505 833**	**3 800 125**	**9 305 958**

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These loans are kept under continuous review.

	31-Dec-14 US$	31-Dec-13 US$
Renegotiated loans and advances to customers -		
- Continuing to be impaired after restructuring	25 314 899	-
- Non-impaired after restructuring – would otherwise have been impaired	1 380 685	3 730 861
- Non-impaired after restructuring – would otherwise not have been impaired	-	-
Total	**26 695 584**	**3 730 861**

43.1.1 Exposure to credit risk

Repossessed collateral

During the year ended 31 December 2014 the Group repossessed collateral valued at US$886 536 (2013 - US$ nil).

Sectorial analysis of utilizations of loans and advances to customers

	2014 US$	2014 %	2013 US$	2013 %
Mining	15 964 985	5%	14 742 602	5%
Manufacturing	65 919 412	20%	53 956 109	19%
Wholesale	28 247 266	8%	14 902 784	5%
Distribution	33 520 369	10%	13 254 595	5%
Individuals	129 005 232	38%	114 526 676	41%
Agriculture	18 049 431	5%	15 022 935	5%
Communication	7 735 468	2%	5 788 924	2%
Construction	2 578 490	1%	3 364 914	1%
Local authorities	23 206 410	7%	21 210 917	8%
Other services	12 892 445	4%	23 211 575	9%
	337 119 508	**100%**	**279 982 031**	**100%**

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Risk concentrations

There are material concentrations of loans and advances to the following sectors; individuals 38% (2013: 41%), manufacturing 20% (2013: 19%) and distribution 10% (2013: 5%).

Analysis of credit quality by sector - loans and advances to customers

As at 31 December 2014

Sector	Grades 1 to 3 US$	Grades 4 to 7 US$	Grade 8 US$	Grade 9 US$	Grade 10 US$	Total US$
Manufacturing	31 019 943	16 657 544	14 911 672	-	3 330 253	65 919 412
Wholesale	18 065 143	10 182 057	66	-	-	28 247 266
Individuals	104 716 276	9 010 406	5 516 665	3 484 482	6 277 403	129 005 232
Agriculture	5 316 387	6 243 762	5 729 585	360 615	399 082	18 049 431
Distribution and other services	33 272 011	3 538 402	2 913 207	1 196 814	5 492 380	46 412 814
Construction	1 978 596	13	448 612	20 802	130 467	2 578 490
Communication	3 087 538	4 647 726	204	-	-	7 735 468
Local Authorities	3 284 910	17 846 925	88 768	-	1 985 807	23 206 410
Mining	13 837 803	2 127 182	-	-	-	15 964 985
	214 578 607	**70 254 017**	**29 608 779**	**5 062 713**	**17 615 392**	**337 119 508**
Percentage of total loans	**63%**	**21%**	**9%**	**2%**	**5%**	**100%**

As at 31 December 2013

Sector	Grades 1 to 3 US$	Grades 4 to 7 US$	Grade 8 US$	Grade 9 US$	Grade 10 US$	Total US$
Manufacturing	35 409 894	6 626 218	8 051 160	120 790	3 748 047	53 956 109
Wholesale	14 832 730	69 655	-	399	-	14 902 784
Individuals	96 217 702	11 648 002	2 343 357	1 962 733	2 354 882	114 526 676
Agriculture	10 057 690	4 752 850	2 363	66 664	143 368	15 022 935
Distribution and other services	25 852 060	5 644 155	1 113 370	2 654 041	1 202 544	36 466 170
Construction	3 002 127	343 518	3 935	-	15 334	3 364 914
Communication	5 552 798	53	-	70 613	165 460	5 788 924
Local Authorities	19 589 081	1 621 836	-	-	-	21 210 917
Mining	11 648 642	3 093 960	-	-	-	14 742 602
	222 162 724	**33 800 247**	**11 514 185**	**4 875 240**	**7 629 635**	**279 982 031**
Percentage of total loans	**79%**	**12%**	**4%**	**2%**	**3%**	**100%**

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

Reconciliation of allowance for impairment for loans and advances

Allowances for impairment	31 December 2014 Specific allowance US$	Collective allowance US$	Total US$	31 December 2013 Specific allowance US$	Collective allowance US$	Total US$
Balance at 1 January	10 551 613	3 669 560	14 221 173	7 633 643	2 154 721	9 788 364
Increase in impairment allowance	7 236 188	858 342	8 094 530	2 249 432	1 506 612	3 756 044
Impairment reversal	-	-	-	-	8 227	8 227
Write off	(3 098 229)	-	(3 098 229)	(849 510)	-	(849 510)
Interest in suspense	3 480 181	-	3 480 181	1 518 048	-	1 518 048
	18 169 753	**4 527 902**	**22 697 655**	**10 551 613**	**3 669 560**	**14 221 173**

43.1.2 Trade and other receivables including insurance receivables

	31-Dec-14 US$	31-Dec-13 US$
Past due and impaired	396 742	11 326 021
Allowance for impairment	(396 742)	(4 148 168)
Carrying amount	-	7 177 853
Past due but not impaired	-	3 847 946
Neither past due nor impaired	6 382 407	15 112 194
Gross amount, not impaired	6 382 407	18 960 140
Allowance for impairment	-	-
Carrying amount, not impaired	6 382 407	18 960 140
Total carrying amount	**6 382 407**	**26 137 993**

As at 31 December 2014, trade receivables amounting to US$nil (2013 : US$3 847 946) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Up to 3 months	-	3 513 727
3 to 6 months	-	334 219
	-	**3 847 946**

As at 31 December 2014 trade receivables amounting to US$396 742 (2013: US$11 326 021) were impaired. The amount of the allowance was US$396 742 as at 31 December 2014 (2013: US$4 148 168) The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

Over 6 months	396 742	11 326 021

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

	31-Dec-14 US$	31-Dec-13 US$
Reconciliation of the allowance for impairment of trade receivables including insurance receivables		
Allowances for impairment		
Balance as at 1 January	4 148 168	27 765
Allowance for trade receivables including insurance receivables' impairment	248 550	3 420 344
Receivables written off during the year as uncollectible	-	-
Elimination of impairment on disposal of subsidiary	(3 999 976)	-
Interest in suspense	-	700 059
Balance as at 31 December	**396 742**	**4 148 168**

The allowance amount of US$396 742 relates to insurance receivables in the Group's insurance subsidiaries.

Maximum exposure to credit risk before collateral held or other credit enhancement

Credit risk exposures relating to on-balance sheet assets are as follows;

	31-Dec-14 US$	31-Dec-13 US$
Loans and advances to customers;		
- Individuals	129 005 232	114 526 676
- Corporates	208 114 276	165 455 355
	337 119 508	279 982 031
Debentures	2 768 518	2 664 279
Commission receivable	1 711 043	1 711 042
Trade and other receivables including insurance receivables	6 779 149	30 286 161
Total on balance sheet	**348 378 218**	**314 643 513**
Off balance sheet credit exposure		
- Financial guarantees and letters of credit	6 898 941	6 498 133
- Loan commitments	9 773 788	-
Total off balance sheet credit exposure	**16 672 729**	**6 498 133**
Total credit exposure	**365 050 947**	**321 141 646**

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2014, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Credit quality of balances with other banks and cash

Counterparties with external credit rating

Rating	Agency	2014 US$	2013 US$
A	Fitch	4 820 543	2 325 691
AA	Moody's	374 599	424 723
AA	Fitch	420 233	444 233
AA-	Fitch	5 850 742	3 855 309
AAA	Moody's	663 942	1 205 210
AAA	Fitch	81 475	35 717
BBB-	GCR	8 772 627	4 995 292
		20 984 161	**13 286 175**

Notes to the Consolidated Financial Statements (CONTINUED)

For the year ended 31 December 2014

Balances with the Reserve Bank of Zimbabwe
Balances with the RBZ represent amounts in current accounts available for daily transactional use. As at the reporting date, the amount has been considered to be recoverable in full.

Write-off policy
The Group writes off an irrecoverable debt when the Board Credit Committee of the subsidiary determines that the debt is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances and standardised loans, write off decisions are generally based on a product specific past due status.

Exposure to credit risk is also managed through regular analysis of the ability of debtors to meet interest and capital payment obligations and by changes to these lending limits where appropriate.

43.2 Liquidity risk

Liquidity risk is the risk of not being able to generate sufficient cash to meet financial commitments to extend credit, meet deposit maturities, settle claims and other unexpected demands for cash. Liquidity risk arises when assets and liabilities have differing maturities.

Management of liquidity risk
The Group does not treat liquidity risk in isolation as it is often triggered by consequences of other financial risks such as credit risk and market risk. The Group's liquidity risk management framework is therefore designed to ensure that its subsidiaries have adequate liquidity to withstand any stressed conditions. To achieve this objective, the Board of Directors of the subsidiary companies through the Board Asset Liability Committees of the Bank, Microplan and the Building Society and their Board Risk and Compliance Committees is ultimately responsible for liquidity risk management. The responsibility for managing the daily funding requirements is delegated to the Heads of Treasury Divisions for banking entities and Finance Managers for non-banking entities with independent day to day monitoring being provided by Group Risk Management.

Liquidity and funding management
The Group's management of liquidity and funding is decentralised and each entity is required to fully adopt the liquidity policy approved by the Board with independent monitoring being provided by the Group Risk Management Department. The Group uses concentration risk limits to ensure that funding diversification is maintained across the products, counterparties and sectors. Major sources of funding are in the form of deposits across a spectrum of retail and wholesale clients for banking subsidiaries.

Cash flow and maturity profile analysis
The Group uses the cash flow and maturity mismatch analysis on both contractual and behavioural basis to assess their ability to meet immediate liquidity requirements and plan for their medium to long term liquidity profile.

Liquidity contingency plans
In line with the Group's liquidity policy, liquidity contingency plans are in place for the subsidiaries in order to ensure a positive outcome in the event of a liquidity crisis. The plans clearly outline early warning indicators which are supported by clear and decisive crisis response strategies. The crisis response strategies are created around the relevant crisis management structures and address both specific and market crises.

Liquidity stress testing
It is the Group's policy that each entity conducts stress tests on a regular basis to ensure that they have adequate liquidity to withstand stressed conditions. In this regard, anticipated on-and-off balance sheet cash flows are subjected to a variety of specific and systemic stress scenarios during the period in an effort to evaluate the impact of unlikely events on liquidity positions. The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Contractual maturity analysis On balance sheet items as at 31 December 2014	Up to 3 months US$	3 months to 1 year US$	Over 1 year US$	Total US$
Liabilities				
Deposits from customers	196 263 136	16 436 445	4 418 371	217 117 952
Deposits from other banks	65 333 257	-	-	65 333 257
Borrowings	1 551 515	13 140 189	67 724 950	82 416 654
Insurance liabilities	-	2 447 245	4 830 803	7 278 048
Current income tax liabilities	-	1 095 584	-	1 095 584
Trade and other liabilities	7 075 618	7 534 555	733 742	15 343 915
Total liabilities - (contractual maturity)	270 223 526	40 654 018	77 707 866	388 585 410
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	110 965 506	-	-	110 965 506
Loans and advances to customers	39 973 493	95 324 452	179 123 908	314 421 853
Debentures	-	-	2 768 518	2 768 518
Trade and other receivables including insurance receivables	-	6 382 407	-	6 382 407
Financial assets at fair value through profit or loss	1 349 039	-	-	1 349 039
Available for sale financial assets	407 764	-	-	407 764
Prepayments and other assets	827 810	2 143 204	1 150 615	4 121 629
	153 523 612	103 850 063	183 043 041	440 416 716
Liquidity gap	(116 699 914)	63 196 045	105 335 175	51 831 306
Cumulative liquidity gap - on balance sheet	(116 699 914)	(53 503 869)	51 831 306	-
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	-	6 898 941	-	6 898 941
Commitments to lend	9 773 788	-	-	9 773 788
Total liabilities	9 773 788	6 898 941	-	16 672 729
Liquidity gap	(9 773 788)	(6 898 941)	-	35 158 577
Cumulative liquidity gap - on and off balance sheet	(126 473 702)	(70 176 598)	35 158 577	-

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

Contractual maturity analysis On balance sheet items as at 31 December 2013	**Up to 3 months US$**	**3 months to 1 year US$**	**Over 1 year US$**	**Total US$**
Liabilities				
Deposits from customers	138 714 686	10 678 086	3 612 000	153 004 772
Deposits from other banks	72 055 536	3 875 965	-	75 931 501
Borrowings	39 998 971	23 668 500	7 140 626	70 808 097
Insurance liabilities	-	1 944 582	9 691 385	11 635 967
Current income tax liabilities	-	1 789 455	-	1 789 455
Trade and other liabilities	10 106 815	10 587 225	13 856 036	34 550 076
Total liabilities - (contractual maturity)	260 876 008	52 543 813	34 300 047	347 719 868
Assets held for managing liquidity risk (contractual maturity dates)				
Balances with banks and cash	53 816 658	15 570 247	-	69 386 905
Loans and advances to customers	85 976 887	75 515 452	104 268 521	265 760 860
Trade and other receivables including insurance receivables	-	18 341 130	7 796 863	26 137 993
Financial assets at fair value through profit or loss	1 495 227	-	-	1 495 227
Prepayments and other assets	-	4 076 806	-	4 076 806
	141 288 772	113 503 635	112 065 384	366 857 791
Liquidity gap	(119 587 236)	60 959 822	77 765 337	19 137 923
Cumulative liquidity gap - on balance sheet	(119 587 236)	(58 627 414)	19 137 923	-
Off balance sheet items				
Liabilities				
Guarantees and letters of credit	6 498 133	-	-	6 498 133
Commitments to lend	4 965 854	-	-	4 965 854
Total liabilities	11 463 987	-	-	11 463 987
Liquidity gap	(11 463 987)	-	-	7 673 936
Cumulative liquidity gap - on and off balance sheet	(131 051 223)	(70 091 401)	7 673 936	-

The Group determines ideal weights for maturity buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through the tenor of new advances and the profile of time deposits.

Management of liquidity gap on short-term maturities

The cash flows presented above reflect the cash flows that will be contractually payable over the residual maturity of the instruments. In practice, however, certain liability instruments behave differently from their contractual terms and typically, for short-term customer accounts, extend to a longer period than their contractual maturity. The Group therefore seeks to manage its liabilities both on a contractual and behavioral basis. The Group prescribes various liquidity stress scenarios as part of stress testing that include accelerated withdrawal of deposits over a period of time and prescribed measures are in place to ensure that cash inflows exceed outflows under such scenarios.

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

43.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The market risk for the trading portfolio is managed and monitored based on a collection of risk management methodologies to assess market risk including Value-at-Risk ("VaR") methodology that reflects the interdependency between risk variables, stress testing, loss triggers and traditional risk management measures. Non–trading positions are managed and monitored using other sensitivity analysis. The market risk for the non-trading portfolio is managed as detailed in notes 43.3.1 to 43.3.3.

43.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate risk profile is assessed regularly based on the fundamental trends in interest rates, economic developments and technical analysis. The Group's policy is to monitor positions on a daily basis to ensure positions are maintained within the established limits.

Interest rate risk exposure stems from assets and liabilities maturing or being repriced at different times. For example:

i) Liabilities may mature before assets, necessitating the rollover of such liabilities until sufficient quantity of assets mature to repay the liabilities. The risk lies in that interest rates may rise and that expensive funds may have to be used to fund assets that are yielding lower returns.

ii) Assets may mature before liabilities do, in which case they have to be reinvested until they are needed to repay the liabilities. If interest rates fall the re-investment may be made at rates below those being paid on the liabilities waiting to be retired.

This risk is managed by ALCO through the analysis of interest rate sensitive assets and liabilities, using such models as Value at Risk ("VAR"), Scenario Analysis and control and management of the gap analysis.

Scenario analysis of net interest income

The Group's trading book is affected by interest rate movements on net interest income. The desired interest rate risk profile is achieved through effective management of the statement of financial position composition. When analyzing the impact of a shift in the yield curve on the Group's interest income, the Group recognizes that the sensitivity of changes in the interest rate environment varies by asset and liability class. Scenarios are defined by the magnitude of the yield curve shift assumed. Analysis of the various scenarios is then conducted to give an appreciation of the distribution of future net interest income and economic value of equity as well as their respective expected values.

Scenario:

5% increase in interest rates	2014 US$	2014 US$	2013 US$	2013 US$
Assets	353 086 341	2 924 071	452 346 832	1 893 597
Liabilities	273 122 218	(1 068 383)	354 664 363	(875 569)
Net effect		1 855 688		1 018 028

In calculating the sensitivity, shocks are defined in terms of simple interest rate. The analysis assumes a static portfolio, that there will be no defaults, prepayments or early withdrawals and the analysis is limited to a 30 day period.

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

43.3.1 Interest Rate Risk (continued)

INTEREST RATE REPRICING AND GAP ANALYSIS
Total position as at 31 December 2014

	0 - 30 days US$	31 - 90 days US$	91-180 days US$	181-365 days US$	Over 365 days US$	Non-interest bearing US$	Total US$
Assets							
Balances with other banks and cash	5 828 405	7 369 910	-	-	-	97 767 191	110 965 506
Loans and advances to customers	113 245 606	19 554 604	11 206 118	66 411 277	126 701 903	(22 697 655)	314 421 853
Trade and other receivables including insurance receivables	-	-	-	-	-	6 382 407	6 382 407
Debentures	-	-	-	-	2 768 518	-	2 768 518
Financial assets at fair value	-	-	-	-	-	1 349 039	1 349 039
Available for sale financial assets	-	-	-	-	-	407 764	407 764
Inventory	-	-	-	-	-	4 464 350	4 464 350
Prepayments and other assets	-	-	-	-	-	6 095 286	6 095 286
Income tax asset	-	-	-	-	-	197 042	197 042
Deferred income tax assets	-	-	-	-	-	4 274 800	4 274 800
Investment property	-	-	-	-	-	1 693 000	1 693 000
Intangible asset	-	-	-	-	-	1 212 593	1 212 593
Property, plant and equipment	-	-	-	-	-	23 115 845	23 115 845
Total assets	**119 074 011**	**26 924 514**	**11 206 118**	**66 411 277**	**129 470 421**	**124 261 662**	**477 348 003**
Liabilities							
Deposits from customers	76 552 736	33 759 883	5 504 157	9 555 531	-	91 745 645	217 117 952
Deposits from other banks	41 651 055	23 333 218	348 984	-	-	-	65 333 257
Borrowings	4 825 682	900 000	-	12 399 930	64 291 042	-	82 416 654
Insurance liabilities	-	-	-	-	-	7 278 048	7 278 048
Trade and other payables	-	-	-	-	-	15 343 915	15 343 915
Current income tax liabilities	-	-	-	-	-	1 095 584	1 095 584
Deferred income tax liabilities	-	-	-	-	-	545 697	545 697
Shareholder equity	-	-	-	-	-	88 216 896	88 216 896
Total liabilities	**123 029 473**	**57 993 101**	**5 853 141**	**21 955 461**	**64 291 042**	**204 225 785**	**477 348 003**
Interest rate repricing gap	(3 955 462)	(31 068 587)	5 352 977	44 455 816	65 179 379	(79 964 123)	-
Cumulative gap interest rate repricing gap	(3 955 462)	(35 024 049)	(29 671 072)	14 784 744	79 964 123	-	

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

43.3.1 Interest Rate Risk (continued)

INTEREST RATE REPRICING AND GAP ANALYSIS
Total position as at 31 December 2013

	0 - 30 days US$	31 - 90 days US$	91-180 days US$	181-365 days US$	Over 365 days US$	Non-interest bearing US$	Total US$
Assets							
Balances with other banks and cash	24 073 127	-	-	-	-	45 313 778	69 386 905
Loans and advances to customers	93 486 151	30 049 090	24 037 525	44 722 031	87 687 234	(14 221 173)	265 760 858
Trade and other receivables including insurance receivables	-	-	-	-	-	26 137 993	26 137 993
Debentures	-	-	-	-	2 664 279	-	2 664 279
Financial assets at fair value	-	-	-	-	-	1 495 227	1 495 227
Inventory	-	-	-	-	-	14 987 618	14 987 618
Prepayments and other assets	-	-	-	-	-	7 541 727	7 541 727
Income tax asset	-	-	-	-	-	844 192	844 192
Deferred income tax assets	-	-	-	-	-	2 428 213	2 428 213
Investment property	-	-	-	-	-	25 000	25 000
Intangible asset	-	-	-	-	-	1 276 109	1 276 109
Property, plant and equipment	-	-	-	-	-	59 798 711	59 798 711
Total assets	**117 559 278**	**30 049 090**	**24 037 525**	**44 722 031**	**90 351 513**	**145 627 395**	**452 346 832**
Liabilities							
Deposits from customers	50 414 406	6 567 684	3 078 562	5 569 383	3 612 001	83 762 736	153 004 772
Deposits from other banks	49 101 996	22 261 448	2 646 430	1 921 627	-	-	75 931 501
Borrowings	38 712 123	1 286 848	15 291 428	6 026 197	9 491 501	-	70 808 097
Insurance liabilities	-	-	-	-	-	11 635 967	11 635 967
Trade and other payables	-	-	-	-	-	36 881 309	36 881 309
Current income tax liabilities	-	-	-	-	-	1 789 455	1 789 455
Deferred income tax liabilities	-	-	-	-	-	4 613 262	4 613 262
Shareholder equity	-	-	-	-	-	97 682 469	97 682 469
Total liabilities	**138 228 525**	**30 115 980**	**21 016 420**	**13 517 207**	**13 103 502**	**236 365 198**	**452 346 832**
Interest rate repricing gap	(20 669 247)	(66 890)	3 021 105	31 204 824	77 248 011	(90 737 803)	-
Cumulative gap interest rate repricing gap	(20 669 247)	(20 736 137)	(17 715 032)	13 489 792	90 737 803	-	

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

43.3.2 Currency risk

The Group operates locally and the majority of its customers transact in US$, the functional currency of the Group and its subsidiaries. The Group is exposed to various currency exposures primarily with respect to the South African rand, Botswana pula, British pound and the Euro, mainly due to the cash holding and switch transactions in the banking subsidiary.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. This is the risk from movement in the relative rates of exchange between currencies. The risk is controlled through control of open position as per ALCO directives, Reserve Bank of Zimbabwe requirements and analysis of the market. The Group manages this risk through monitoring long and short positions and assessing the likely impact of forecast movements in exchange rates on the Group's profitability.

The table below indicates the extend to which the Group was exposed to currency risk.

Foreign exchange gap analysis as at 31 December 2014

Base currency	ZAR US$ equivalent	EUR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	TOTAL US$ equivalent
Assets					
Balances with other banks and cash	2 181 103	381 522	173 040	579 642	3 315 307
Trade and other receivables	-	-	-	-	-
Loans and advances to customers	81 153	1 612	440	305	83 510
Total assets	**2 262 256**	**383 134**	**173 480**	**579 947**	**3 398 817**
Liabilities					
Deposits from customers	1 901 080	319 966	91 448	92 668	2 405 162
Trade and other payables	4 714	11 694	43	104	16 555
Total liabilities	**1 905 794**	**331 660**	**91 491**	**92 772**	**2 421 717**
Net currency position	**356 462**	**51 474**	**81 989**	**487 175**	**977 100**

Foreign exchange gap analysis as at 31 December 2013

Base currency	ZAR US$ equivalent	EUR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	TOTAL US$ equivalent
Assets					
Balances with other banks and cash	2 250 840	389 665	248 018	1 589 170	4 477 693
Trade and other receivables	1 007 214	2	20 178	-	1 027 394
Loans and advances to customers	179 869	1 778	221	615	182 483
Total assets	**3 437 923**	**391 445**	**268 417**	**1 589 785**	**5 687 570**
Liabilities					
Deposits from customers	1 136 766	278 414	98 551	20 753	1 534 484
Trade and other payables	291 185	103 125	9 537	108	403 955
Total liabilities	**1 427 951**	**381 539**	**108 088**	**20 861**	**1 938 439**
Net currency position	**2 009 972**	**9 906**	**160 329**	**1 568 924**	**3 749 131**

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

Below are major cross rates to the US$ used by the Group as at 31 December:

Currency	2014 Cross rate	2013 Cross rate
British pound ("GBP")	0.642	0.619
SA rand ("ZAR")	11.579	8.476
Euro ("EUR")	0.822	0.758
Pula ("BWP")	9.506	7.874

The table below summarises the impact of increases or decreases of exchange rates on the Group's post-tax profit for the year. The analysis is based on the assumption that the exchange rates have increased or decreased by 10% with all other variables held constant.

Impact of 10% increase in exchange rates:	ZAR US$	EUR US$	BWP US$	GBP US$	TOTAL US$
For the year ended 31 December 2014					
Assets	226 226	38 313	17 348	57 995	339 882
Liabilities	(190 579)	(33 166)	(9 149)	(9 277)	(242 171)
Net position	**35 647**	**5 147**	**8 199**	**48 718**	**97 711**
For the year ended 31 December 2013					
Assets	343 792	39 145	26 842	158 979	568 758
Liabilities	(142 795)	(38 154)	(10 809)	(2 086)	(193 844)
Net position	**200 997**	**991**	**16 033**	**156 893**	**374 914**

43.3.3 Price risk

The Group is exposed to equity price risk because of investments held by the Group and classified on the consolidated statement of financial position as at fair value through profit or loss and available for sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The table below summarises the impact of increases or decreases of the Zimbabwe Stock Exchange ("ZSE") on the Group's total comprehensive income for the year. The analysis is based on the assumption that the equity index has increased or decreased by 25% with all other variables held constant and the Group's equity instruments moved according to the historical correlation with the index.

Impact of 25% equity index:	2014 US$	2014 US$
Financial assets at fair value through profit or loss	337 260	373 807
Available for sale financial assets	101 941	-

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

43.4 Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/ clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group Risk.

43.5 Capital risk

43.5.1 Regulatory Capital and Financial Risk Management

Capital risk refers to the risk of the Group's subsidiaries own capital resources being adversely affected by unfavourable external developments.

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:
- To comply with the capital requirements set by the regulators of the Group's subsidiaries;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its businesses.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Reserve Bank of Zimbabwe (the "RBZ"), for supervisory purposes for the banking subsidiaries. The required information is filed with the RBZ on a quarterly basis.

It is the intention of the Group to maintain a ratio of total regulatory capital to its risk-weighted assets (the "Capital Adequacy Ratio") above the minimum level set by the Reserve Bank of Zimbabwe which takes into account the risk profile of the Group.

The regulatory capital requirements are strictly observed when managing economic capital. The banking subsidiaries' regulatory capital is analysed into three tiers;
- **Tier 1** capital, which includes ordinary share capital and premium, retained profits, non distributable reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- **Tier 2** capital, which includes qualifying subordinated liabilities, revaluation reserve, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.
- **Tier 3** capital or market and operational risk capital includes market risk capital and operational risk capital. Operational risk includes legal risk. Market risk capital is allocated to the risk of losses in the on and off balance sheet position arising from movements in market prices.

Various limits are applied to elements of the capital base. The amount of capital qualifying for tier 2 capital cannot exceed tier 1 capital and the qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investment in the capital of other banks and certain other regulatory items. The Group's operations are categorised as either banking or trading book, and risk weighted assets are determined according to specified requirements that seek to reflect the varying levels or risk attached to assets and off balance sheet exposures.

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Overall, the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and its individually regulated operations have always complied with all externally imposed capital requirements throughout the period.

The Securities Commission of Zimbabwe ("SECZ") sets and monitors capital requirements for the stockbroking subsidiary and the Insurance and Pensions Commission ("IPEC") sets and monitors capital requirements for the insurance subsidiaries. The following subsidiaries have their capital regulated by the regulatory authorities:

Company	Regulatory authority	Minimum capital required US$	Net regulatory capital US$	Total equity US$
As at 31 December 2014				
FBC Bank Limited	RBZ	25 000 000	30 668 972	33 264 921
FBC Building Society	RBZ	20 000 000	29 702 581	29 752 809
FBC Reinsurance Limited	IPEC	3 000 000	10 272 398	10 272 398
FBC Securities (Private) Limited	SECZ	1 500 000	237 308	237 308
Eagle Insurance Company Limited	IPEC	1 500 000	4 664 093	4 664 093
Microplan Financial Services (Private) Limited	RBZ	10 000	3 353 009	3 353 009
As at 31 December 2013				
FBC Bank Limited	RBZ	25 000 000	32 900 390	39 031 433
FBC Building Society	RBZ	20 000 000	22 789 212	25 810 051
FBC Reinsurance Limited	IPEC	3 000 000	8 743 519	8 743 519
FBC Securities (Private) Limited	SECZ	1 500 000	272 408	272 408
Eagle Insurance Company Limited	IPEC	1 500 000	3 556 694	3 556 694
Microplan Financial Services (Private) Limited	RBZ	10 000	1 968 212	1 968 212

Capital adequacy ratios for banking subsidiaries	Regulatory requirement	31-Dec-14	31-Dec-13
FBC Bank Limited	12%	16%	15%
FBC Building Society	12%	40%	42%

43.5.2 Capital allocation

The allocation of capital between specific operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each subsidiary is firstly premised on minimum regulatory requirements. The process of allocating capital to specific operations and subsidiaries is undertaken independently of those responsible for the operations. The Assets and Liability Committee ("ALCO") at the banking subsidiaries set the Assets and Liability Management ("ALM") policies which determine the eventual asset allocation dependent on desired risk return profiles based on ALCO forecasts on the different markets the Group participates in and economic fundamentals. Group Risk monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through ALCO and various other credit committees.

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

43.5.2 Capital allocation (continued)
Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

43.5.2 Capital adequacy ratios for banking subsidiaries

FBC Bank Limited capital adequacy ratio	31-Dec-14 US$	31-Dec-13 US$
Ordinary share capital	18 500 000	18 500 000
Retained profits	12 479 003	19 835 745
General reserve	660 244	660 244
Capital allocated for market and operational risk	(4 035 797)	(2 853 472)
Advances to insiders	(2 595 950)	(6 131 043)
Tier 1 capital	25 007 500	30 011 474
Other reserves	1 625 675	980 070
General provisions	-	(944 626)
Tier 1 and 2 capital	26 633 175	30 046 918
Tier 3 capital allocated for market and operational risk	4 035 797	2 853 472
	30 668 972	32 900 390
Risk weighted assets	194 870 201	215 450 041
Tier 1 ratio (%)	13%	14%
Tier 2 ratio (%)	1%	0%
Tier 3 ratio (%)	2%	1%
Capital adequacy ratio (%)	16%	15%
Minimum Statutory Capital adequacy ratio	12%	12%

FBC Building Society capital adequacy ratio	31-Dec-14 US$	31-Dec-13 US$
Share capital and share premium	11 266 599	11 266 599
Accumulated surplus	18 392 295	12 415 506
Capital allocated for market and operational risk	(1 650 312)	(1 517 765)
Advances to insiders	(50 228)	(917 016)
Tier 1 capital	27 958 354	21 247 324
Non distributable reserves	-	-
Revaluation reserves	93 915	24 123
Tier 1 and 2 capital	28 052 269	21 271 447
Tier 3 capital allocated for market and operational risk	1 650 312	1 517 765
	29 702 581	22 789 212
Risk weighted assets	73 516 267	54 547 119
Tier 1 ratio (%)	38%	39%
Tier 2 ratio (%)	0%	0%
Tier 3 ratio (%)	2%	3%
Capital adequacy ratio (%)	40%	42%
Minimum Statutory Capital adequacy ratio	12%	12%

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

44 FAIR VALUE OF ASSETS AND LIABILITIES

IFRS 13 'Fair value measurement' requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are defined below.

Quoted market prices (level 1)
Assets and liabilities are classified as level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets of liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputes (level 2)
Assets and liabilities classified as level 2 have been valued using models whose inputs are observable in an active market either directly (that is, as prices) or indirectly (that is, derived from prices).

Valuation technique using significant and unobservable inputs (Level 3)
Assets and liabilities are classified as level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

The following table shows the Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy);

As at 31 December 2014	Quoted market prices Level 1 US$	Observable inputs Level 2 US$	Significant unobservable inputs Level 3 US$	Total US$
Assets				
Financial assets at fair value through profit or loss	1 349 039	-	-	1 349 039
Available for sale financial assets	407 764	-	-	407 764
Investment property	-	-	1 693 000	1 693 000
Land and buildings	-	-	17 378 612	17 378 612
Liabilities	-	-	-	-
As at 31 December 2013				
Assets				
Financial assets at fair value through profit or loss	1 495 227	-	-	1 495 227
Investment property	-	-	25 000	25 000
Land and buildings	-	-	28 328 732	28 328 732
Liabilities	-	-	-	-

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

Valuation techniques and sensitivity analysis
Sensitivity analysis is performed on valuations of assets and liabilities with significant unobservable inputs (level 3) to generate a range of reasonable possible alternative valuations, The sensitivity methodologies applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative methods.

Land and buildings under level 3 comprises commercial properties. Refer to property, plant and equipment note 13.

Investment property
The valuation approach taken for invesment property was a sales comparison approach being the market value of similar properties. In this approach, similar properties that had been recently sold or which are currently on sale and situated in comparable areas were utilised to derive the fair value. Market evidence from other estate agents and local press was also taken into consideration. The significant unobservable inputs were comparable rates per square meter.

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value
The carrying amounts of financial assets and liabilities held at amortised cost approximate fair values. The following methods and assmptions were used to estimate the fair values;

Loans and advances to customers
The fair value of loans and advances to customers, for the purposes of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Gross loan values are discounted at a rate of the Group's contractual margins depending on credit quality and period to maturity. As such Group product margins are deemed significant inputs in the fair value models for the purposes of this disclosure, the related balances are classified as level 3 since the inputs are unobservable.

Trade and other receivables
The fair value of trade and other receivables, for the purposes of this disclosure, is calculated by the use of discounted cash flow techniques where the gross receivables balance are discounted at the Group's borrowing rate. Significant inputs in the valuation model are unobservable and are thus classified as level 3 for purposes of this disclosure.

Deposits from banks and amounts due to customers
The fair value disclosed approximates carrying value because the instruments are short term in nature. The deposits from banks and customers are classified as level 2. There are no deposits with long term maturities.

Borrowings
The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant due to the market terms (rates and tenor) available. The fair value of the non current portion, for purposes of this disclosure are based on cash flows discounted using a rate based on the Group's incremental borrowing rate. Therefore borrowings are within level 3 of the fair value hierarchy. The carrying amount equals the carrying amounts for borrowings with longer term maturities as the discount rate approximates the liabilities' effective interest rates.

Insurance liabilities and trade and other payables
The fair value disclosed approximates carrying value because the instruments are short term in nature.

Guarantees, acceptances and other financial facilities
The fair value disclosed approximates carrying value because the instruments are short term in nature.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

45 FINANCIAL INSTRUMENTS

Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities

45.1 Position as at 31 December 2014

	Held for trading US$	Available for sale US$	Loans and receivables US$	Financial liabilities at amortised cost US$	Total carrying amount US$
Assets					
Balances with other banks and cash	-	-	110 965 506	-	110 965 506
Loans and advances to customers	-	-	314 421 853	-	314 421 853
Debentures	-	-	2 768 518	-	2 768 518
Trade and other receivables including insurance receivables	-	-	6 382 407	-	6 382 407
Financial assets at fair value through profit or loss	1 349 039	-	-	-	1 349 039
Available for sale financial assets	-	407 764			407 764
Total	**1 349 039**	**407 764**	**434 538 284**	**-**	**436 295 087**
Liabilities					
Deposits from other banks	-	-	-	217 117 952	217 117 952
Deposits from customers	-	-	-	65 333 257	65 333 257
Borrowings	-	-	-	82 416 654	82 416 654
Insurance liabilities	-	-	-	7 278 048	7 278 048
Trade and other liabilities	-	-	-	15 343 915	15 343 915
Total	**-**	**-**	**-**	**387 489 826**	**387 489 826**

45.2 Position as at 31 December 2013

	Held for trading US$	Available for sale US$	Loans and receivables US$	Financial liabilities at amortised cost US$	Total carrying amount US$
Assets					
Balances with other banks and cash	-	-	69 386 905	-	69 386 905
Loans and advances to customers	-	-	265 760 858	-	265 760 858
Debentures	-	-	2 664 279	-	2 664 279
Trade and other receivables including insurance receivables	-	-	26 137 993	-	26 137 993
Financial assets at fair value through profit or loss	1 495 227	-	-	-	1 495 227
Total	**1 495 227**	**-**	**363 950 035**	**-**	**365 544 262**
Liabilities					
Deposits from other banks	-	-	-	153 004 772	153 004 772
Deposits from customers	-	-	-	75 931 501	75 931 501
Borrowings	-	-	-	70 808 097	70 808 097
Insurance liabilities	-	-	-	11 635 967	11 635 967
Trade and other liabilities	-	-	-	36 881 309	36 881 309
Total	**-**	**-**	**-**	**348 261 646**	**348 261 646**

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

46 INSURANCE RISK MANAGEMENT

Insurance risk management specifically applies to the two subsidiaries; FBC Reinsurance Limited and Eagle Insurance Company Limited.

46.1 Risk management objectives and policies for mitigating risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The reinsurers and retrocessionaires that the Group transacted with for the year had the following ratings;

Year ended 31 December 2014

Ratings	Number of reinsurers and retrocessionaires
A	1
A-	2
B+	3
BB+	4
BB	1
BB-	1
Total	12

Year ended 31 December 2013

Ratings	Number of reinsurers and retrocessionaires
A	1
A-	2
B+	3
BB+	4
BB	1
BB-	1
Total	12

Notes to the Consolidated Financial Statements (CONTINUED)

For the year ended 31 December 2014

46.2 Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a geographical area, as such; it is believed that this reduces the variability of the outcome. The underwriting strategy is set out in an annual business plan that sets out the classes of business to be written, the regions in which business is to be written and the industry sectors to which the Group is prepared to expose itself. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by the size, and class of business in order to enforce appropriate risk selection within the portfolio. The underwriters have the right to refuse renewal or to change the terms and conditions of the contract with 60 days notice, as well as the right to reject the payment of a fraudulent claim.

Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (i.e., subrogation). Adherence to the underwriting authorities is measured through a series of exception reports that are run on a regular basis covering size of risk, class and industry.

46.3 Reinsurance strategy

The short-term insurance company reinsures all business in excess of its underwriting capacity as determined by the statement of financial position. The short-term insurance company utilises quota share, surplus, excess of loss and facultative reinsurance programmes with reputable reinsurers.

The treaties are a combination of proportional and non proportional in order to minimise the net exposure to the Group. The Group also participates in the facultative reinsurance in certain specified circumstances.

46.4 Retrocession strategy

The reinsurance company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The main classes covered include fire and engineering classes. The Group utilises international reinsurance brokers for the arrangement and placement of retrocession programmes with reputable reinsurers. This is led by Aon Sub Sahara Africa in South Africa and J B Boda Reinsurance Brokers (Pvt) Ltd of India. The treaties are a combination of proportional and non proportional treaties in order to minimise the net exposure to the company.

46.5 Terms and conditions of short- term insurance contracts

The terms and conditions of insurance contracts that are underwritten by the Group that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

i) The premium must be paid to the insurer before cover commences on direct clients and in the case of clients through intermediaries, payment should be made within a stipulated credit period;
ii) The Group shall not be liable under the contract for any claims which are notified after the expiry of three months from the date of loss; and
iii) Both parties to the contract shall give 30 days notice of cancellation of the policy.

Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks. The Group through its subsidiary, Eagle Insurance Company Limited, writes the following types of business within its Commercial and Personal Lines;

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2014

Products	Commercial	Personal Lines
Fire		
Assets all risks	*	*
House owners	*	*
Fire combined	*	*
Accident		
Money	*	x
Glass	*	x
Goods in transit	*	*
Theft	*	*
Personal all risks	*	*
Business all risks	*	x
Fidelity guarantee	*	x
Householders	*	*
Personal accident		
Group personal accident	*	x
Personal accident	*	*
Motor		
Private motor	*	*
Commercial motor	*	*
Motor cycle	*	*
Trailer	*	*
Motor fleet	*	*
Engineering		
Electronic equipment	*	x
Machinery breakdown	*	x
Machinery breakdown loss of profits	*	x
Contractors all risks	*	x
Erection all risks	*	x
Civil engineering completed risks	*	x
Plant all risks	*	x
Marine		
Marine cargo	*	*
Marine hull	*	*
Liability		
Public liability	*	*
Employers liability	*	x
Professional indemnity	*	x
Products liability	*	x
Directors and officer liability	*	x
Bonds and guarantees		
Court bond	*	x
Performance bond	*	x
Bid bond	*	x
Advance payment bond	*	x
Government/customs bonds	*	x

Legend
* class of business underwritten
x class of business not underwritten

Commercial department underwrites small to large business from companies. Personal department provides insurance to the general public in their personal capacities.

The following perils are covered under the different types of business:
- **Fire** – fire, storm, explosions, malicious and earthquake
- **Accident** – all risks of accidental loss or damage to property
- **Personal accident** – death, permanent disablement, total disablement and medical expenses
- **Motor** – private and commercial (comprehensive, full third party, fire and theft)
- **Engineering** – accidental physical loss or damage to machinery on an all risks basis

Notes to the Consolidated Financial Statements (CONTINUED)

For the year ended 31 December 2014

- **Marine** – loss or damage to cargo in transit or vessel
- **Liability** – legal liability following death or injury to third parties or damage to third party property
- **Bonds and guarantees** – guarantees that contractual obligations will be met in case of default

46.6 Terms and conditions of short- term reinsurance contracts

Nature of risks covered

The following gives an assessment of the Group's main products and the ways in which it manages the associated risks and the concentrations of these risks:

The Group, through its subsidiary, FBC Reinsurance Limited writes the following types of business within its Treaty and Facultative Departments;

Products	Treaty	Facultative
Fire	*	*
Miscellaneous accident	*	*
Motor	*	*
Engineering	*	*
Marine - hull and cargo	*	*
Aviation	*	*
Credit	*	*

* class of business underwritten
x class of business not underwritten

Both Treaty and Facultative Departments provide cover on commercial and personal lines basis. Commercial policies cover small to large business from companies. Personal lines policies cover the general public in their personal capacities. The following perils are covered under the different types of business;
- **Fire** - fire, storm, explosions, riot, malicious and earthquake.
- **Accident** - all risks of accidental loss or damage to property.
- **Personal accident** - death, permanent disablement, total disablement and medical expenses.
- **Motor** - private and commercial (comprehensive, full third party, fire and theft).
- **Engineering** - accidental physical loss or damage to machinery on an all risks basis.
- **Marine** - loss or damage to cargo in transit or vessel.
- **Liability** - legal liability following death or injury to third parties or damage to third party property.
- **Bonds and guarantees** - guarantees that contractual obligations will be met in case or default

The return to shareholders under these products arises from the total premiums charged to policyholders and investment returns less the amounts paid to cover commissions, retrocessions, claims and operating expenses incurred by the Group.

There is scope for the Group to earn investment income owing to the time delay between the receipt of premiums and the payment of claims.

The event giving rise to a claim usually occurs suddenly (such as a fire) and the cause is easily determinable. The claim will thus be notified promptly and can be settled without delay.

The key risks associated with these products for the Group are underwriting risk, competitive risk, and claims experience risk (including the variable incidence of natural disasters), as well as fraud risk.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the risk that they accept. The risk on any policy will vary according to factors such as location, safety measures in place, age of property etc. Calculating a premium commensurate with the risk for these policies will be subjective and risky. The risk is managed through pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Group monitors and reacts to changes in the environment in which they operate.

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

The Group is also exposed to the risk of false or invalid claims from the policyholders. External control systems and fraud detection measurements are in place to improve the Group's ability to proactively detect fraudulent claims.

46.7 Concentration of insurance risk

With the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentration may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Property is subject to a number of risks, including theft, fire, business interruption and weather. For property business there is risk that external factors such as adverse weather conditions may adversely impact upon a large proportion of a particular geographical portion of the property risks. Claim inducing perils such as storms, floods, subsidence, fires, explosions, and rising crime levels will occur on a regional basis, meaning that the Group has to manage its geographical risk dispersion very carefully.

For motor business the main risks relates mainly to losses arising from theft, fire, third party losses and accident. Claims including perils such as increase in crime levels, adverse weather and bad road networks will occur meaning that the Group has to ensure that all products are adequately priced and that salvage recovery is pursued in order to mitigate losses.

46.8 Claims development

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the contract term, subject to pre-determined time scales dependent on the nature of the insurance contract. The Group takes all reasonable steps to ensure that they have appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The claims liability comprises a provision for outstanding claims and a provision for claims incurred but not yet reported ("IBNR") at the balance sheet date.

In calculating the estimated cost of outstanding claims, the Group uses the estimates determined by external assessors who would have calculated the total estimated cost of the claim. The Group provides for IBNR at 7% (2013 - 7%) of net premium written for the reinsurance subsidiary and 5% (2013 - 5%) of net premium written for the short term insurance subsidiary based on past experience.

46.9 Management of risk relating to changes in underwriting variables

Profit or loss and equity are sensitive to changes in variables that have a material effect on them. These variables are mainly significant classes of transactions and their corresponding balances. These variables are gross premium written, commissions, IBNR and outstanding claims. The Group has put in place procedures to identify and control the impact of these variables on the profit or loss and equity through financial analysis which entails scrutiny of key performance indicators (includes ratio analysis) on a regular basis. The results of the financial information are taken into account when budgets are made and when pricing decisions for different types of policies is done to ensure that the companies are adequately pricing their insurance products to avoid future losses.

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

47 SEGMENT REPORTING

Segment information is presented in respect of business segments.

Segment revenue, expenses, results and assets are items that are directly attributable to the business segment or which can be allocated on a reasonable basis to a business segment.

The Group comprises seven business segments i.e. commercial banking, microlending, mortgage financing, short term reinsurance, short term insurance and stockbroking The manufacturing subsidiary was disposed off during the year Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group Executive Committee.

31 December 2014	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Consolidated US$
Total segment net income							
Interest income	39 783 729	7 454 419	11 847 226	1 107 819	305 925	133 262	60 632 380
Interest expense	(25 415 667)	(2 477 737)	(6 049 608)	-	-	-	(33 943 012)
Net interest income / loss	14 368 062	4 976 682	5 797 618	1 107 819	305 925	133 262	26 689 368
Turnover	-	-	8 282 137	-	-	-	8 282 137
Cost of sales	-	-	(5 282 538)	-	-	-	(5 282 538)
Gross profit	-	-	2 999 599	-	-	-	2 999 599
Net earned insurance premium	-	-	-	11 693 984	8 695 882	-	20 389 866
Net fee and commission income	19 788 925	400 312	5 100 395	-	-	240 440	25 530 072
Net trading income and other income	(3 453 846)	74 719	177 759	(459 771)	21 517	8 249	(3 631 373)
Total net income for reported segments	30 703 141	5 451 713	14 075 371	12 342 032	9 023 324	381 951	71 977 532
Intersegment revenue	(269 641)	-	(3 623 843)	(1 929 797)	(997 085)	(125 849)	(6 946 215)
Intersegment interest expense and commission	4 109 127	1 257 463	528 409	70 062	1 053 111	-	7 018 172
Net income from external customers	**34 542 627**	**6 709 176**	**10 979 937**	**10 482 297**	**9 079 350**	**256 102**	**72 049 489**
Segment profit before income tax	**2 196 040**	**2 060 767**	**6 767 000**	**2 668 021**	**1 763 452**	**(40 364)**	**15 414 916**
Impairment allowances on financial assets	6 350 988	895 482	848 059	-	248 551	-	8 343 080
Depreciation	1 248 126	13 308	188 741	25 503	135 097	22 396	1 633 171
Amortisation	282 628	-	58 236	26 634	83 670	-	451 168
Segment assets	**382 650 392**	**12 212 595**	**109 402 856**	**16 561 022**	**11 475 913**	**2 072 074**	**534 374 852**
Total assets includes :							
Additions to non-current assets	994 498	23 675	148 906	11 671	130 722	3 199	1 312 671
Investment in associates	-	-	-	491 139	-	-	-
Segment liabilities	**349 385 470**	**8 859 586**	**79 650 047**	**6 288 624**	**6 811 822**	**1 834 765**	**452 830 314**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing construction and sale of houses	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market dealing	

Notes to the Consolidated Financial Statements *(CONTINUED)*
For the year ended 31 December 2014

47 SEGMENT REPORTING (CONTINUED)

31 December 2013	Commercial banking US$	Microlending US$	Mortgage financing US$	Short term reinsurance US$	Short term insurance US$	Stockbroking US$	Manufacturing US$	Consolidated US$
Total segment net income								
Interest income	36 231 880	4 015 984	9 269 954	-	144 049	85 767	19 619	49 767 253
Interest expense	(19 274 829)	(1 916 176)	(4 379 362)	-	-	-	(3 222 760)	(28 793 127)
Net interest income / loss	16 957 051	2 099 808	4 890 592	-	144 049	85 767	(3 203 141)	20 974 126
Turnover	-	-	12 982 889	-	-	-	42 878 242	55 861 131
Cost of sales	-	-	(8 544 309)	-	-	-	(32 382 546)	(40 926 855)
Gross profit	-	-	4 438 580	-	-	-	10 495 696	14 934 276
Net earned insurance premium	-	-	-	10 888 085	6 572 376	-	-	17 460 461
Net fee and commission income	17 946 118	430 535	4 218 411	-	-	349 642	-	22 944 706
Net trading income and other income	2 548 401	457 889	131 556	1 640 352	103 651	(2 169)	383 133	5 262 813
Total net income for reported segments	37 451 570	2 988 232	13 679 139	12 528 437	6 820 076	433 240	7 675 688	81 576 382
Intersegment revenue	(3 976 588)	-	(2 591 207)	(943 364)	(137 776)	(2 338)	-	(7 651 273)
Intersegment interest expense and commission	3 248 631	1 633 559	1 090 020	-	590 415	-	1 088 648	7 651 273
Net income from external customers	**36 723 613**	**4 621 791**	**12 177 952**	**11 585 073**	**7 272 715**	**430 902**	**8 764 336**	**81 576 382**
Segment profit before income tax	**7 070 065**	**1 209 646**	**7 074 662**	**2 863 949**	**1 671 536**	**32 490**	**(3 078 753)**	**16 843 595**
Impairment allowances on financial assets	2 909 034	360 271	486 738	-	118 192	-	3 302 153	7 176 388
Depreciation	1 066 532	5 615	187 405	78 045	103 634	24 240	2 631 525	4 096 996
Amortisation	615 770	-	58 236	-	55 780	-	-	729 786
Segment assets	**322 785 345**	**12 865 510**	**78 926 565**	**22 564 186**	**9 028 769**	**1 725 116**	**68 982 627**	**516 878 118**
Total assets includes:								
Additions to non-current assets	1 960 032	81 035	526 563	36 583	230 669	-	3 833 623	6 668 505
Investment in associates	-	-	-	**491 139**	-	-	-	-
Segment liabilities	**283 929 258**	**10 897 298**	**53 116 514**	**13 820 667**	**5 472 074**	**1 452 709**	**42 009 807**	**410 698 327**
Type of revenue generating activity	Commercial and retail banking	Microlending	Mortgage financing construction and sale of houses	Underwriting general classes of short term re-insurance	Underwriting general classes of short term insurance	Equity market dealing	Production and sales of building materials	

Notes to the Consolidated Financial Statements *(CONTINUED)*

For the year ended 31 December 2014

47 SEGMENT REPORTING (CONTINUED)

	2014 US$	2013 US$
Operating segments reconciliations		
Net income		
Total net income income for reportable segments	72 049 489	81 576 382
Total net income for non reportable segments		1 701 284
Elimination of intersegment revenue received from the holding company	250 334	(1 827 638)
Less fair value gain on treasury shares	(257 376)	(401 988)
Intersegment eliminations	5 317 574	(1 547 676)
Impact of prior period errors	-	(8 424 799)
Group total net income	77 360 021	71 075 565
Group profit before tax		
Total profit before income tax for reportable segments	15 414 916	16 843 595
Intersegment eliminations	1 680 480	(623 070)
Impact of prior period errors	-	2 329 640
Write off of goodwill and other assets	-	-
Profit before income tax	17 095 396	18 550 165
Group assets		
Total assets for reportable segments	534 374 852	516 878 118
Other group assets	67 500	78 750
Deferred tax asset allocated to the holding company	1 164 980	-
Intersegment eliminations	(58 259 329)	(56 178 558)
Impact of prior period errors	-	(8 431 478)
Group total assets	477 348 003	452 346 832
Group liabilities		
Total liabilities for reportable segments	452 830 314	410 698 327
Elimination of intersegment payables	(63 699 207)	(63 279 042)
Impact of prior period errors	-	7 245 078
Group total liabilities	389 131 107	354 664 363

In the normal course of business, group companies trade with one another and the material intergroup transactions include:

1) Underwriting of insurance risk by the insurance subsidiary;
2) Reinsurance of the insurance subsidiay's insurance risk by the reinsurance subsidiary;
3) Borrowings from the banking subsidiary by group companies and placement of funds and operating of current accounts; and
4) Placement of funds with the Building Society by group companies.

These transactions result in income and expenses and assets and liabilities that are eliminated on consolidation.

Notes to the Consolidated Financial Statements (CONTINUED)

For the year ended 31 December 2014

Entity wide information

Breakdown of total net income from all services is as follows;

	2013 US$	2012 US$
Analysis of net income by category:		
- Gross profit from residential properties	2 999 599	3 734 630
Revenue	8 282 137	11 105 170
Cost of sales	(5 282 538)	(7 370 540)
- Gross profit from sales of construction products	-	12 374 509
Revenue	-	42 508 441
Cost of sales	-	(30 133 932)
- Net income from services	74 360 422	54 966 426
Total	**77 360 021**	**71 075 565**

The Group is domiciled in Zimbabwe. All revenue was earned from external customers in Zimbabwe.

All assets of the Group are located in Zimbabwe.

Total net income was earned by a variety of customers with no significant concentration on one customer.

48 BORROWING POWERS

The Directors may exercise all the powers of the Group to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debentures, stock and other securities whether outright or as security for any debt, liability or obligation of the Group or of any third party.

49 POST EMPLOYMENT BENEFITS

	2014 US$	2013 US$
Contributions made during the year are as follows:		
Self administered pension fund	1 238 048	1 499 338
National Social Security Authority ("NSSA") Scheme	330 448	328 416
	1 568 496	**1 827 754**

The Group operates a defined contribution pension scheme whose assets are held independently of the Group's assets in separate trustee administered funds. All permanent employees are members of this fund.

The NSSA Scheme was promulgated under the National Social Security Authority Act (Chapter 17:04). The Group contributions under the scheme are limited to specific contributions as legislated from time to time and are presently 3.5% (2012 : 3%) of pensionable salary to a maximum as set from time to time.

50 CAPITAL COMMITMENTS

	2014 US$	2013 US$
Capital expenditure authorised but not yet contracted	8 904 117	7 943 188

Capital commitments will be funded from the Group's own resources

51 CONTINGENT LIABILITIES

(a) Letters of credit

	2014 US$	2013 US$
The contingent liabilities relate to letters of credit undertaken on behalf of various customers.	6 898 941	6 498 133

(b) Legal proceedings

The Group had no other contingent liabilities as at 31 December 2014 (2013 - US$nil).

52 SUBSEQUENT EVENTS

The Directors are not aware of any events subsequent to the reporting date that may have a significant impact on the financial statements.

Shareholding Information

For the year ended 31 December 2014

Spread of shareholding

Range	Shareholders Number	%	Shares held Number(M)	%
0 - 100	1 232	14.74	0	0.02
101 - 200	1 559	18.66	0	0.04
201 - 500	2 510	30.03	1	0.12
501 - 1,000	958	11.46	1	0.10
1,001 - 5,000	1 300	15.56	3	0.44
5,001 - 10,000	257	3.08	2	0.27
10,001 - 50,000	307	3.67	6	0.96
50,001 - 100,000	69	0.83	5	0.75
100,001 - 500,000	89	1.06	22	3.20
500,001 - 1,000,000	21	0.25	15	2.27
1,000,001 - 10,000,000	45	0.54	189	28.20
10,000,001 -	10	0.12	428	63.63
Total	**8 357**	**100.00**	**672**	**100.00**

Analysis of shareholding

Industry	Shares held Number(M)	%
Bank	55	0.01
CO	216 600	32.23
Employee	1 379	0.21
EST	13	0.00
External Companies	49 150	7.31
Fund Managers	46	0.01
Government	59	0.01
Insurance Companies	14 594	2.17
Investment Trusts And Property	3 987	0.59
Local Resident	16 806	2.50
Nominees Local	12 052	1.79
Non Residents	47 760	7.11
Non Resident Individual	1 748	0.26
Other Corporate Holdings	36	0.01
Pension Fund	307 665	45.79
Total	**671 950**	**100.00**

Top ten shareholders

Institution	Shares held Number(M)	%
National Social Security Authority	236	35.12%
Stanbic Nominees (Private) Limited	63	9.38%
Shorecap II Limited	49	7.29%
Tirent Investments (Private) Limited	32	4.76%
Cashgrant Investments (Private) Ltd	28	4.17%
Local Authorities Pension Fund	22	3.27%
Vidryl International (Private) Limited	11	1.64%
SCB Nominees	11	1.64%
Mileway Farming (Private) Limited	10	1.49%
Scodal Investments (Private) Limited	10	1.49%
Total	**472**	**70.25%**

Performance on the Zimbabwe Stock Exchange	2014	2013
Number of shares in issue	671 949 927	671 949 927
Market prices (US cents per share)		
Closing	8.00	13.50
High	13.50	14.51
Low	7.00	6.49
Market Capitalisation (US$)	**53 755 994**	**90 713 240**

Notice of Annual General Meeting

Notice is hereby given that the Eleventh Annual General Meeting of Shareholders of FBC Holdings Limited will be held in the Main Lounge, Royal Harare Golf Club, 5th Street Extension, Harare on Thursday, 25 June 2015 at 1200 hours.

Agenda

1. To receive, consider and adopt the financial statements and the reports of the directors and auditors of the Company for the financial year ended 31 December 2014.

2. To sanction the non-payment of a final dividend.

3. To elect Directors of the Company.

3.1 In terms of Article 95 of the Company's Articles of Association, Mr Kenzias Chibota, Mr Philip Mharidzo Chiradza and Mr Johnson Rex Mawere retire by rotation. Mr Mawere is not seeking re-election. Being eligible, Messrs Chibota and Chiradza offer themselves for re-election.

4. To approve the remuneration of the Directors for the past financial year.

5. External Auditors

5.1. To approve the remuneration of Messrs PricewaterhouseCoopers Chartered Accountants (Zimbabwe) of Harare for the past audit and to note the retirement of Messrs PricewaterhouseCoopers Chartered Accountants (Zimbabwe) of Harare as auditor of the Company in compliance with Section 41 (4) of the Banking Act (Chapter 24:20).

5.2. To approve the appointment of Messrs Deloitte and Touché Chartered Accountants (Zimbabwe) of Harare as auditor of the Company for the ensuing year.

6. Special business

Share buy-back as ordinary resolutions
To consider, and if deemed fit, to resolve by way of ordinary resolution with or without modification the following:-

6.1 Purchase of own shares

That the Directors be and hereby authorized in terms of section 50 of the Company's Articles of Association and Section 79 of the Companies Act (Chapter 24:03) to purchase the Company's own shares subject to the following terms and conditions: The purchase price shall not be lower than the nominal value of the Company's shares and not greater than 5% (five percent) nor 5% (five percent) below the weighted average trading price for such ordinary shares traded over (5) business days immediately preceding the date of purchase of such shares by the Company.

6.2 The shares to be acquired under this resolution shall be ordinary shares in the Company and the maximum number of shares which may be acquired under this resolution shall be 10% (ten percent) of the ordinary shares of the Company in issue prior to the date of this resolution.

6.3 This authority shall expire on the date of the Company's next Annual General Meeting.

6.4 That the shares purchased according to this resolution shall be utilized for treasury purposes.

Directors statement
In relation to the aforesaid proposed resolution, the Directors of the Company state that:-
(i) The Company is in a strong financial position and will, in the ordinary course of business, be able to pay its debts for a period of 12 months after the Annual General Meeting.
(ii) The assets of the Company will be in excess of its liabilities for a period of 12 months after the Annual General Meeting.
(iii) The ordinary capital and reserves of the Company will be adequate for a period of 12 months after the Annual General Meeting.
(iv) The working capital of the Company will be adequate for a period of 12 months after the Annual General Meeting.

7. To transact all such other business as may be transacted at an Annual General Meeting.

By Order of the Board

Tichaona Mabeza
Company Secretary

6th Floor, FBC Centre
45 Nelson Mandela Avenue
HARARE

Proxy Form

I/We
(name(s) in block letters)

of

(address in block letters)
being (a) member(s) of the Company and entitled to vote, do hereby appoint

or, failing him/her,

or, failing him/her, the Chairman of the meeting as my/our proxy to attend and speak and vote for me/us and on my/our behalf at the Annual General Meeting of members of the Company to be held on Thursday, 25 June 2015 at 1200 hours and at any adjournment thereof, as follows:

		In favour of	Against	Abstain
1.	Resolution to adopt the Company annual financial statements			
2.	Resolution to sanction the non payment of a final dividend			
3.	Resolution to re-elect the retiring directors seeking re-election by single resolution			
4.	Resolution to approve the remuneration of the directors			
5.1	Resolution to approve the remuneration of Messrs PricewaterhouseCoopers Chartered Accountants (Zimbabwe) for the past audit			
5.2	Resolution to approve the appointment of Deloitte & Touché Chartered Accountants (Zimbabwe) as auditor of the Company for the ensuing year			
6.	Resolution to purchase the Company's own shares			

Please indicate with an 'X' in the appropriate spaces provided how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she thinks fit.

A member of the company entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

Signed at on 2015

Full name(s)
(in block letters)

Signature (s)

Notes:
1) In order to be effective, proxy forms must be delivered or posted to the Transfer Secretaries, First Transfer Secretaries (Private) Limited, 1 Armagh Avenue, Eastlea, P O Box 11, Harare so as to reach this address not later than 1200 hours on Tuesday 23, June 2015.
2) The delivery of a duly completed proxy form shall not preclude any member or his/her duly authorized representative from attending the meeting and speaking and voting thereat instead of the proxy.
3) If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted shall be regarded as the validly appointed proxy.

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