DEPOSIT PROTECTION BOARD

ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2009

DEPOSIT PROTECTION BOARD

BUSINESS

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

- Protecting small, less-financially sophisticated depositors by providing an orderly means of compensation in the event of a deposit-taking institution becoming insolvent;
- Enhancing public confidence and systemic stability by providing a framework for the resolution of failed banks;
- Enhancing competition in the financial services sector by mitigating some of the competitive barriers in the deposit taking industry; and
- Helping in defining the boundaries of the Government's exposure and support in protecting depositors when a bank or group of banks fails in normal times.

DIRECTORS

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

MANAGEMENT

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

REGISTERED OFFICE

3rd Floor
Beverley House
57 Samora Machel Avenue
Harare

AUDITORS

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Building Number 4
Arundel Office Park
Norfolk Road
Mount Pleasant
Harare

INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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

DEPOSIT PROTECTION BOARD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

		2009
REVENUE	**Note**	**US$**
Premium income	11	1 098 232
Net fair value gains on financial assets at fair value through profit or loss	6	8 429
		1 106 661
Other income		1 926
Total income		1 108 587
EXPENSES		
Administrative expenses	12	773 371
Surplus for the year		335 216
Other comprehensive income		-
Total comprehensive income		335 216

The notes on pages 7 to 17 are an integral part of these financial statements.

DEPOSIT PROTECTION BOARD

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

		2009
ASSETS	**Note**	**US$**
Non-current assets		
Vehicles and equipment	5	159 204
Current assets		
Financial assets at fair value through profit or loss	6	11 628
Trade and other receivables	7	380 898
Cash and cash equivalents	8	69 570
		462 096
Total assets		621 300
EQUITY AND LIABILITIES		
Capital and reserves		
Accumulated surpluses		335 216
Non-distributable reserve		138 197
		473 413
Current liabilities		
Trade and other payables	9	74 463
Current income tax provisions	10	73 424
		147 887
Total equity and liabilities		621 300

The notes on pages 7 to 17 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 30 June 2010
and signed on its behalf by:

________________________)
)
) DIRECTORS
)
________________________)

DEPOSIT PROTECTION BOARD

STATEMENT OF CHANGES IN ACCUMULATED FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Non-distributable reserve US$	Accumulated surpluses US$	Total US$
Year ended 31 December 2009			
Deemed balance at 1 January 2009 arising on change in functional currency	138 197	-	138 197
Surplus for the year	-	335 216	335 216
Balance at 31 December 2009	138 197	335 216	473 413

The notes on pages 7 to 17 are an integral part of these financial statements.

DEPOSIT PROTECTION BOARD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 US$
Cash flows from operating activities		
Surplus for the year		335 216
Adjustment for:		
Depreciation	5	67 804
Net fair value gains on financial assets at fair value through profit and loss	6	(8 429)
Loss on disposal of vehicles and equipment		300
Operating cash flow before changes in operating assets and liabilities		394 891
Movements in working capital:		
Increase in trade and other receivables		(380 898)
Increase in trade and other payables		67 191
Net cash generated from operating activities		81 184
Cash flows from investing activities		
Purchase of vehicles and equipment	5	(11 614)
Net cash generated from investing activities		(11 614)
Net increase in cash and cash equivalents		69 570
Cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year	8	69 570

DEPOSIT PROTECTION BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1 GENERAL INFORMATION

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

The Board is incorporated and domiciled in Zimbabwe.

The financial statements were authorised for issue by the Board of Directors on 30 June 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, except for the non-compliance International Accounting Standard ("IAS") 1: Presentation of Financial Statements; IAS 21: the Effects of Changes in Foreign Exchange Rates and IAS 29: Financial Reporting in Hyperinflationary Economies. As the Zimbabwean economy was recognised as being hyperinflationary for financial reporting purposes up to 31 January 2009, the Board was required by IAS 21, to restate its financial statements as at and for the month ended 31 January 2009 in accordance with IAS 29, before translating the financial statement at the closing exchange rate as at 31 January 2009, and to translate the inflation adjusted comparative financial information at the closing exchange rate as at 31 December 2008. The inflation indices required to prepare inflation adjusted financial statements were not available at the time of reporting. The Central Statistical Office had not released the consumer price indices from August 2008 and the existence of market distortions made the measurement of inflation by alternative means difficult in the opinion of management. Accordingly the Zimbabwe Accountants and Auditor's Board, Zimbabwe Accountants Practices Board, and the Zimbabwe Stock Exchange jointly provided guidance to determine a foreign currency opening statement of financial position on the date of the change in functional currency from the Zimbabwe dollar (" ZW$") to hard currency. Only those balances that could either be settled or recovered in a currency other than the ZW$, or could be reasonably converted into a currency other than ZW$ and represented an asset or liability have been recorded as take on balances in the financial statements for the year ended 31 December 2009.

As at the change in functional currency date (31 January 2009), balances in Deposit Protection Board were taken on in US$ as follows:
• Vehicles and equipment – re-valued by an independent professional valuer
• Trade and other payables – consisted of accruals and provision for leave pay which were restated at the expected US$ amounts to be paid.

The surplus on the restatement of the assets and liabilities was credited to a non-distributable reserve in accumulated funds. Subsequent to 1 January 2009, all transactions were accounted for in accordance with the accounting policies set out herein.

This is a departure from the basis on which the financial statements were prepared for previous years.

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

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

The financial statements are presented in US$ which is the functional and presentation currency. This is a change from the Zimbabwe dollar functional and presentation currency used in previous periods as explained above. No comparative information has been presented due to the unavailability of information to comply with the requirements of IAS 21 and IAS 29.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Standards, amendments and interpretations effective on or after 1 January 2009
The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Board:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 7	Improving disclosures about financial instruments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009

• Amendments to IFRS 7, 'Financial instruments: Disclosures'
The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Board.

• IAS 1 (revised), 'Presentation of financial statements'
A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Board presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on accumulated surpluses

The following interpretations became effective in 2009, but were not relevant for the Board's operations:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 2	Share-based payment – Vesting conditions and cancellations	1 January 2009
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008
IFRS 8	Operating segments	1 January 2009
IAS 23	Borrowing costs	1 January 2009
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidiation	1 January 2009

DEPOSIT PROTECTION BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet adopted by the Board

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

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

• IFRS 9, 'Financial instruments part 1: Classification and measurement'
IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

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

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

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

- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The following standards, amendments and interpretations have been issued and are mandatory for the Board's accounting periods beginning on or after 1 July 2009 or later periods and are not expected to be relevant to the Board.

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly-controlled entity or associate	1 July 2009
IFRS 3	Business combinations	1 July 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009

(c) Early adoption of standards

The Board did not early-adopt new or amended standards in 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(d) Foreign currency translation (continued)

i) Functional and presentation currency
Items included in the financial statements of the Board are measured using the currency of the primary economic environment in which the entity operates, ("the functional currency"). The financial statements are presented in the United States of America dollar ("US$") which is the functional and presentation currency. The functional and presentation currency for the Board changed from the Zimbabwe dollar ("ZW$") to the United States of America dollar ("US$") with effect from 1 January 2009, following the introduction of the multi-currency system.

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

iii) Change in functional currency
During the year the Board changed its functional and presentation currency from Zimbabwe dollar (“ZW$”) to the US$ with effect from 1 January 2009 following the presentation and pronouncement of the National Budget and Monetary Policy in January 2009, which legalised the use of foreign currency to measure and settle day to day transactions with effect from 30 January 2009.

2.1.1 Going concern
The financial statements have been prepared on a going concern basis which assumes that the Board will continue in existence for the foreseeable future. Deposit Protection Board's operations have been significantly affected and may continue to be affected by the challenging economic environment. As at 31 December 2009, the Directors have assessed the ability of the Board to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current Zimbabwe economic environment a continuous assessment of the ability of the Board to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

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

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

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

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

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

Furniture and fittings	10 years
Computers and office equipment	4 years

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Impairment of non-financial assets

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

2.4 Financial assets

2.4.1 Classification

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

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statement of financial position.

b) Financial assets at fair value through profit or loss

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

2.4.2 Recognition and Measurement

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

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

The Board assesses at each balance sheet date whether there is objective that a financial asset or a group of financial assets is impaired. Impairment losses recognised in the statement of comprehensive income Impairment testing of loans and receivables is described in note 2.5 to the financial statements.

2.4.3 Trade and other receivables

Trade and other receivables are carried at fair value less allowance made for impairment of these receivables. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade and other receivables are impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within other operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade and other receivables in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the statement of comprehensive income.

2.5 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Trade and other payables

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

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

2.7 Provisions

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

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

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

2.8 Taxation

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

2.9 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Board's activities. Revenue is shown net of value added tax ("VAT").

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

(a) Premium income
Contributions income is recognised in the accounting period in which it accrues.

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

2.10 Employee benefits

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

The Board pays contributions to a separately administered pension insurance plan on a mandatory basis. The Board has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Leases

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

i) Valuation of unit trusts

The fair value of financial assets in form of unit trusts are derived from prices of shares that are traded on the Zimbabwe Stock Exchange The Board has determined the valuation of the financial assets by relying on the asset management company's statement dated 31 December 2009.

ii) Useful lives of vehicles and equipment

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

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

a) Market risk

Price risk

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

b) Liquidity risk

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

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

4 FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

b) Liquidity risk (continued)

The table below analyses the Board's non-derivative financial liabilities in 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.

	Less than 1 year US$	Total US$
At 31 December 2009		
Trade and other payables (excluding statutory liabilities)	77 463	77 463

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

Liquidity gap analysis as at 31 December 2009:

	Less than 1 Year US$	Total US$
Liabilities		
Trade and other payables	77 463	77 463
Assets		
Trade and other receivables	380 898	380 898
Liquidity gap	303 435	303 435

The board determines ideal weights for maturity time buckets which are used to benchmark the actual maturity profile. Maturity mismatches across the time buckets are managed through borrowings.

c) Credit risk

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

d) Cash flow and fair value interest rate risk

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

4.2 Fair value estimation

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

Fair value hierarchy

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

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

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

4.2 Fair value estimation (continued)

Fair value hierarchy (continued)
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This level includes non listed equity investments.

The hierarchy requires the use of observable market data when available. The Board considers relevant and observable market prices in its valuations where possible.

The following table presents the Board's assets that are measured at fair value at 31 December 2009. None of the Board's financial liabilities were carried at fair value.

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

5 PROPERTY AND EQUIPMENT

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

There is no impairment of vehicles and equipment required from an assessment performed at the balance sheet date.

Change in accounting estimate
Included in the depreciation charge is an amount of $2 108, that arose from a reassessment of the useful lives of furniture and fittings and computer and office equipment as disclosed in the accounting policy note 2.2. This change will result in a decrease of depreciation in future periods amounting to $2 108.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 US$
At 1 January	3 199
Fair value gains	8 429
At 31 December	11 628

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

DEPOSIT PROTECTION BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

		2009 US$
7	**TRADE AND OTHER RECEIVABLES**	
	Trade receivables	378 948
	Other receivables	1 950
		380 898

The fair values of trade receivables are as follows:

Trade receivables	378 948

There were no impairment allowances for the years ended 2009. As at 31 December 2009, there we no trade receivables past due.

Trade receivables relate to premium income for the last quarter. The ageing of these trade receivables is as follows:

Up to 3 months	378 948

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

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Board does not hold any collateral as security.

8 CASH AND CASH EQUIVALENTS

Cash on hand	1 505
Cash at bank	68 065
	69 570

9 TRADE AND OTHER PAYABLES

Accrued expenses	
Leave pay provision	55 681
Foreign travel accrued	9 000
Other accruals	9 782
	74 463

10 TAXATION

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

11 PREMIUM INCOME

Premium income	1 098 232

Premium income relates to premiums due to the Deposit Protection Board for the last quarter of 2009.

12 OPERATING EXPENDITURE BY NATURE

Administration expenses	
- Utilities	15 199
- Cellphone charges and internet services	12 162
- Other administration expenses	38 150
Staff costs (note 12.1)	495 815
Operating lease payments (note 13)	39 737
Other expenses:	
- Board fees	10 305
- Audit fees	7 000
- Depreciation	67 804
- Consultancy fees	5 950
- Foreign travel	17 329
- subscriptions to professional organisations	12 023
- Repairs and maintenance	51 897
	773 371

DEPOSIT PROTECTION BOARD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

		2009 US$
12	**OPERATING EXPENDITURE BY NATURE (continued)**	
12.1	**Staff costs**	
	Salaries and other short-term employee benefits	465 569
	National Social Security Authority cost	10 607
	Pension costs	19 639
		495 815

13 OPERATING LEASE PAYMENTS

The Deposit Protection Board leases premises from CBZ Building Society of which the lease will terminate on 31 March 2010 following the takeover of the building by CBZ Holdings Limited.

14 PENSION FUND

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

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

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

The Board's contributions to both funds were:

Pension fund	19 639
National Social Security Authority	10 607
	30 246

15 RELATED PARTY TRANSACTIONS

Key management compensation
Key management includes members of the executive committee, the board secretary and senior management. The compensation paid or payable to key management for employee services is shown below.

Salaries and other short-term employee benefits	265 496
Defined contribution plan	10 691
	276 187