Infrastructure Development Bank of Zimbabwe

2015

Annual Report

INFRASTRUCTURE DEVELOPMENT: THE KEY TO UNLOCKING SOCIO-ECONOMIC TRANSFORMATION

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ABBREVIATIONS

AfDB	African Development Bank
AICD	Africa Infrastructure Country Diagnostic
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
GDP	Gross Domestic Product
GoZ	Government of Zimbabwe
Group	Infrastructure Development Bank of Zimbabwe and all its subsidiaries
HTPS	Harare Thermal Power Station
KSPS	Kariba South Power Station
ICT	Information Communication Technology
IDBZ	Infrastructure Development Bank of Zimbabwe
IDP	Industrial Development Policy
IFIs	International Financial Institutions
MDGs	Millennium Development Goals
MoFED	Ministry of Finance and Economic Development
MTS	Medium Term Strategy
MTP	Medium Term Plan
MW	Megawatt
NPLs	Non-Performing Loans
OFAC	Office of Foreign Assets Control, a unit within the US Treasury Department
NRZ	National Railways of Zimbabwe
Powertel	Powertel Communications (Private) Limited
PPPs	Public-Private Partnerships
PSIP	Public Sector Investment Programme
RBZ	Reserve Bank of Zimbabwe
RMF	Results Measurement Framework
SADC	Southern Africa Development Community
SDGs	Sustainable Development Goals
SOEs	State Owned Enterprises
SSA	Sub-Saharan Africa
STERP	Short Term Emergency Recovery Programme
US$	United States Dollars
WB	World Bank
ZESA	ZESA Holdings (Private) Limited
ZETDC	Zimbabwe Electricity Transmission and Distribution Company (Private) Limited
ZimAsset	Zimbabwe Agenda for Sustainable Socio – Economic Transformation
ZINARA	Zimbabwe National Roads Administration
ZINWA	Zimbabwe National Water Authority
ZPC	Zimbabwe Power Company (Private) Limited






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CHAIRMAN'S STATEMENT

This report is given on the back of a very difficult operating environment, which has adversely affected the Group's short term profitability as it aligns itself to fully discharge its infrastructure development mandate. The macroeconomic environment was characterised by acute liquidity challenges and negative external factors, which adversely impacted on the ability of the Group to mobilise funding from both the local and international capital markets.

In an effort to strengthen the Group and enhance its' ability to undertake its mandate, I am gratified that the Government of Zimbabwe (GoZ), the majority shareholder, has facilitated the hiving off of the Group's legacy debt and followed this up with a commitment to make a capital injection of US$20 million during the course of 2016.

These initiatives by the Government are expected to spur the Group's efforts to mobilise additional equity and critical long term financial resources. With the ongoing re-engagement with international financial institutions, the Group will be in good stead to mobilise resources on the international capital markets. These efforts have already started bearing fruit as the Group was completely removed from the Office of Foreign Assets Control (OFAC) listing recently.

A robust and resilient infrastructure provides a solid foundation for socio-economic growth and development. The Group came up with a Recapitalisation Strategy and a Medium Term Strategy (MTS): 2016-2020 to refocus operations towards infrastructure development in the following sectors: energy; transport; water and sanitation; ICT; and housing (basic offsite and onsite infrastructure). The Group targets a capitalisation level of US$250 million by 2018 for the realisation of its goals. The Group's Medium Term Strategy: 2016-2020 is in line with the ZimAsset, His Excellence, The President's Ten-Point Plan and the United Nations' 2030 Sustainable Development Goals (SDGs).

Going forward, the Group seeks to position itself as a leading Development Finance Institution (DFI) in the mobilisation of resources for infrastructure development by refocusing on its core mandate and undertaking appropriate institutional reforms. Government looks forward to the Group's continued role in ensuring smooth and efficient implementation of priority Government infrastructure projects.

I am appreciative to all our stakeholders and other development partners for their continued support of the Group. I would also like to thank my colleagues on the Board for their wise counsel, as well as Management and Staff for continuing to deliver developmental results under a very challenging operating environment.

Willard L Manungo
Board Chairman

21 June 2016

CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased to report on the Group's operations for the year ended 31 December 2015.

During the year under review, the Group's theme was ***Infrastructure Development: The Key to Unlocking Socio-economic Transformation.*** The Group recognises that the state of the country's infrastructure has a huge bearing on the cost of doing business and the level of competitiveness of the economy. Quality infrastructure is a precondition for increased private sector investment and a key enabler for both national and regional integration.

As studies have shown, doubling infrastructure stock results in a ten percent increase in GDP and creates enormous potential for the generation of productive employment (Serven, 2010)[1]. Infrastructure affects GDP through increasing total factor productivity by reducing transaction costs, enabling efficient utilisation of productive assets, giving rise to new investment opportunities and thus paving the way for further economic development (ibid).

Notwithstanding a challenging economic environment, the Group reports a satisfactory operational out-turn on its capital raising initiatives for infrastructure projects. An amount of USD30.7 million was raised through an infrastructure bond for the Zimbabwe Power Company (ZPC) which will support ZPC's contribution towards the financing of the Kariba South Power Station Refurbishment (KSPS) and the Harare Thermal Power Station Repowering (HTPS) projects. The KSPS Refurbishment project will guarantee existing plant capacity of 750MW for the future whilst the HTPS Repowering project will increase generation capacity by 30MW, thus helping to reduce the power supply gap. A total of US$3.25 million was also raised for ongoing housing projects through housing bonds and the Homesaver Scheme. The housing projects are expected to benefit 1,042 households (Clipsham – 704, New Marimba – 338). Under the Water and Sanitation Sector, the Group was mandated by the Government of Zimbabwe to assist in liquidating treasury bills with a face value of US$75 million for deployment on the Tokwe-Mukorsi Dam Project.

In 2015 the Group underwent institutional transformation in order to refocus the business towards delivery of its infrastructure mandate and this culminated in an amicable voluntary separation of employees in non-core areas at a total cost of US$2.1 million. The transformation meant that the Bank had to gradually sacrifice the short-term business income stream for long-term infrastructure income. This measure, coupled with the tight liquidity challenges and high non-performing loans, negatively impacted Group performance, resulting in a recorded financial loss of US$5 million for the year ended December 2015.

By resizing, the Group seeks to strengthen its expertise in a number of critical technical areas, including environmental issues, public-private partnerships and procurement management. The Group also took steps, in 2015, to improve its policies and procedures, as well as streamline its processes to achieve greater effectiveness and efficiency in its mandate execution, with a special emphasis on procurement and fiduciary issues.

Another key area of activity during the year involved efforts towards reducing the volume of non-performing loans (NPLs). By close of the year the NPLs ratio stood at 10.4% ($9,088,123) down from 26.29% ($ 20,364,373) as at the end of 2014. The Bank is on course to achieve its target of 5% by 31st December 2016.

Outlook

Many of the challenges of 2015 remain with us. That notwithstanding, I believe the Group is moving towards the fulfillment of its mandate. The foundation has been laid for another demanding but fruitful year.

Thomas Zondo Sakala
Chief Executive Officer

21 June 2016

[1] http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0..
contentMDK:22629797~pagePK:64165401~piPK:64165026~theSitePK:469382~isCURL:Y,00html 8 March 2016

INFRASTRUCTURE DEVELOPMENT: THE KEY TO UNLOCKING SOCIO-ECONOMIC TRANSFORMATION

Chapter 1: Towards Inclusive Growth

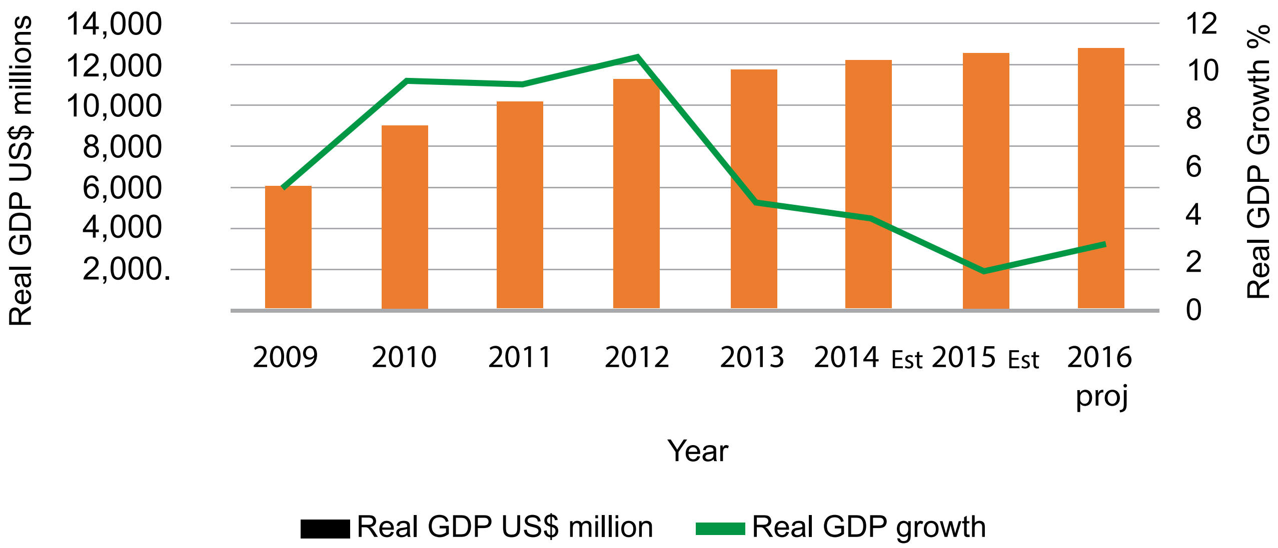
The country experienced slower economic growth in 2015, estimated at 1.5%, anchored by performance in the finance and construction sectors. The economy is poised to be on the rebound in 2016 with a projected GDP growth of 2.7%[2] despite downside risks that include the ravaging drought due to climate change, low international commodity prices, depressed aggregate demand and lack of fiscal space. Government looks forward to cooperation and financial support from multilateral and bilateral financial institutions following a Debt Clearance Strategy that was agreed in Lima, Peru. It is expected that this will open opportunities for the Group to mobilise appropriate resources for infrastructure development on the domestic and international markets in line with the country's development imperatives.

The country has embraced the Sustainable Development Goals, looking beyond the Millennium Development Goals (MDGs). While strides have been made in addressing inequality through land reform and economic empowerment programmes, poverty alleviation has remained on Government's economic agenda. Among many other important considerations, promotion of inclusive economic growth remains pivotal to poverty reduction strategies. The Group is central to the creation of an enabling environment for the economic growth and transformation.

1.1 Economic Overview

Zimbabwe's economic growth path has been going through cycles, as the country emerged from a decade of decline spanning 2000-2009 followed by a period of recovery from 2010-2016. However, economic slowdown set in, starting in 2012, as economic growth started to decline mainly due to liquidity constraints, low capacity utilisation, lack of fiscal space, world economic slowdown, low international commodity prices and unresolved high international debt and arrears with the International Financial Institutions (IFIs). Figure 1 shows the country's growth path since dollarization.

Figure 1: Zimbabwe Economic Growth 2009 - 2016



Source: ZIMSTATS and Ministry of Finance and Economic Development.

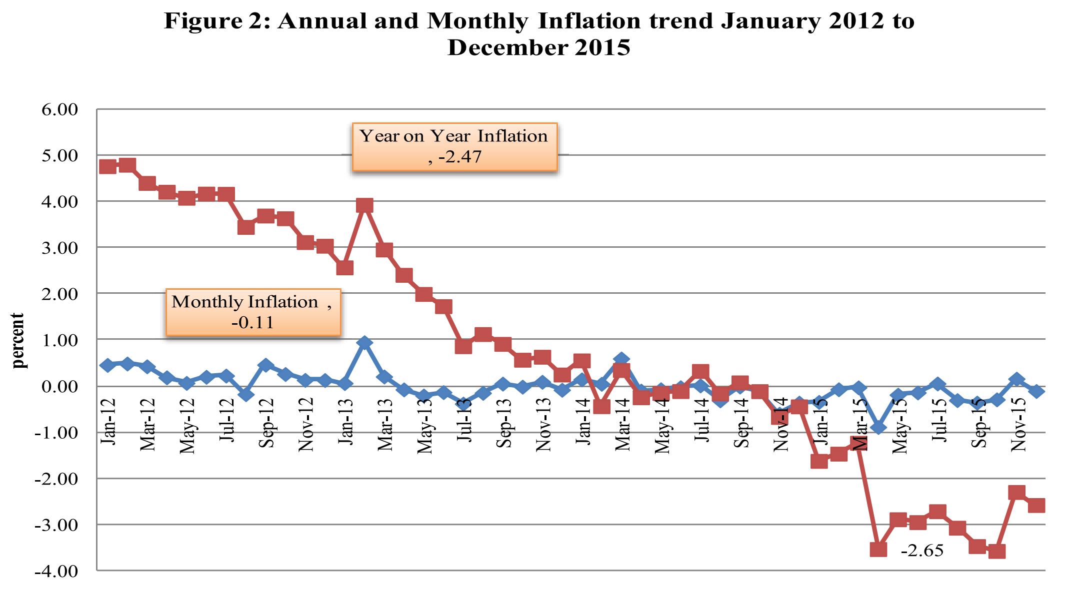
The country's GDP growth of 1.5% in 2015 is well below the SADC countries average of 3.5%. Government is concerned with the country's growth path as it had envisaged the country's GDP growth to average 7.4% from 2014 to 2018. Investment in key economic enablers is expected to redirect the economy to its intended growth path of which the Group is poised to play a pivotal role.

Cumulative government budget deficit was at US$361.73 million by the end of 2015 mainly financed through domestic loans and treasury bills. With increasing unemployment, low industry capacity utilisation and lower international commodity prices most government revenue lines including companies' tax, royalties and tobacco levy missed their targets thereby giving rise to the deficit. Government has implemented expenditure rationalisation measures including civil service reforms and measures to grow the tax base by reaching out to the informal economy to deal with the budget deficit.

[2] However, the World Bank forecasted a 1.5% economic growth in 2016 and IMF forecasted a 1.4% growth.

Prices of goods and services were on a declining trend in 2015 as the economy experienced deflation with annual general price changes averaging a negative 2.4%, reflecting tight liquidity conditions, decreasing aggregate demand, strengthening United States Dollar (US$) (reference currency) making imports relatively cheaper, low domestic production capacity and very low levels of formal employment. Leading the price decline were liquid fuels, housing, gas and telephone and telefax services. Figure 2 shows the inflation trend since 2009. Domestic nominal interest rates decreased from a range of 6 - 35% in December 2014 to 4 – 16.25% in December 2015. The RBZ have put measures to ensure that long term interest rates to the productive sectors of the economy are in the 6-10% per annum range for external loans.

Figure 2: Annual and Monthly inflation Trend January 2012 to December 2015



Source: ZIMSTATS, 2016

Reflective of declining primary commodity prices on the international market, Zimbabwe's trade deficit worsened to US$3.03 billion in 2015 compared to US$3.02 billion in 2014. The import bill was recorded at US$ 5.9 billion in November 2015 and exports had reached US$ 2.5 billion during the same period. Going forward, Government has put measures to promote exports and attract foreign direct investment as a way of improving liquidity in the market. Among many other measures, efforts are being made to encourage investment by the international community, including the diaspora, especially in key economic enablers particularly infrastructure. Government has also embarked on an aggressive campaign to improve the conditions of doing business in the country so as to enhance the country's competitiveness. The Group is well positioned to exploit opportunities presented by the current environment to advance its mandate.

1.2 Economic Outlook

The world economy is expected to grow by 3.6% in 2016, with sub-Saharan Africa expected to grow by 4.3% and SADC countries expected to grow at an average rate of 3.7%. Zimbabwe is expected to follow the same growth pattern in 2016 with a projected GDP growth of 2.7%. However, this growth is below the expected average of 7.4% for the country to achieve its Medium Term Plan (MTP) development targets as projected in the ZimAsset Blueprint. Mining, tourism, construction and financial services sectors are expected to spur the projected growth in 2016. Public expenditure is expected to increase from 27.6% of GDP in 2015 to 28.2% in 2016. However, capital expenditure is expected to constitute 2.2% of GDP in 2016, which translates to approximately US$315 million, of which US$168.4 million is expected to go towards infrastructure development. Government has indicated that US$2.7 billion is required for infrastructure development in 2016 and the private sector is expected to play an important part towards fulfilling the funding requirements. Thus, looking ahead, infrastructure development is set to provide an impetus for economic growth in 2016 and beyond.

Notwithstanding the above, growth prospects face downside risks from declining international commodity prices. Growth in Zimbabwe is going to be heavily weighed down by the ravaging drought which has affected crop production in most parts of the country. Grain imports are expected to reach 1.2 million tonnes to cover for the drought-induced deficit. The drought has affected almost all countries in the SADC region and grain will need to be sourced from countries outside the SADC region with adverse effects on the total grain import bill. Tight liquidity conditions have also limited long term credit to productive sectors thereby affecting growth in most sectors.

1.3 Zimbabwe Development Agenda

Government has outlined its infrastructure development policy through budget statements, macro-economic policy framework, Industrial Development Policy (IDP), The Medium Term Plan (MTP), The Budget White Paper and the successive economic development policies (STERP I and STERP II). Government came up with a successor programme, the ZimAsset, which is aimed at improving the country's competitiveness, ensuring rapid economic growth, addressing poverty and sustainable development issues. The programme also seeks to create a conducive investment climate and to utilise all existing institutions to promote the country as a prime investment destination. The success of the Government development agenda hinges on involvement of the private sector in infrastructure development through Public-Private Partnerships (PPPs). The recent enactment of the Joint Ventures Act [Chapter 22:22] provides a clear legal framework for Government to optimally tap on both financial and technical resources from private sector to procure major infrastructure projects under PPP arrangements.

Government places high priority on infrastructure rehabilitation and improvement as a means to unlock the country's economic growth potential and social progress. The 2016 Budget Statement has identified the following sectors as key to sustainable socio-economic development: water, energy, housing, roads, hospitals, railways, ICT, irrigation and education infrastructure. Infrastructure development is recognised as a sine qua non for pro-poor and inclusive growth as good and equitable infrastructure connects the poor to the *economic growth process*. It is therefore in line with the country's development agenda that the Group has set its ***Medium Term Strategy: 2016-2020*** to spearhead infrastructure development.

1.3.1 Contribution to ZimAsset and the Ten Point Economic Growth Plan

ZimAsset is the Government's economic Blueprint aimed at achieving rapid economic growth. It aims to reposition the country as an economic powerhouse both in the region and on the continent. The programme identified four clusters:

- Food Security and Nutrition;
- Social Services and Poverty Alleviation
- Infrastructure and Utilities; and
- Value Addition and Benefitiation.

The Group's major contribution to the country's economic development agenda comes through the Infrastructure and Utilities cluster. Under ZimAsset, Government has prioritised investment in roads, telecommunications, civil aviation, railway, water and sanitation and energy infrastructure.

To give impetus to the ZimAsset agenda, The President of Zimbabwe has enunciated the Ten Point Plan which focuses on the following:

- revitalising agriculture and the agro-processing value chain;
- advancing beneficiation and/or value addition to our agricultural and mining resource endowment;
- focusing on infrastructural development, particularly in the key energy, water, transport and ICT sub-sectors;

- unlocking the potential of small to medium enterprises;
- encouraging private sector investment;
- restoration and building of confidence and stability in the financial services sector;
- promoting joint ventures and public private partnerships to boost the role and performance of state-owned companies;
- modernising labour laws;
- pursuing an anti-corruption thrust; and
- implementation of Special Economic Zones to provide impetus for foreign direct investment.

The Group continues to play a critical role in the implementation of ZimAsset and the Ten Point Plan specifically in the area of infrastructure development, encouraging private sector investment and promotion of joint ventures.

1.3.2 Post Millennium Development Goals (MDGs) - Towards Sustainable Development Goals (SDGs)
Zimbabwe managed to score some marked progress in MDG 6: Combating HIV and Aids, Malaria and other diseases; and MDG 2: Achieving Universal Primary Education. However, more needs to be done with regards to MDG 1: Eradicate Extreme Poverty and Hunger; MDG 7: Ensure Environmental Sustainability; and MDG 8: Develop a Global Partnership for Development. The progress on MDG 6 has seen HIV prevalence declining from a high of 26.48% of the population in 1997 to 15% in 2014. However, natural disasters due to climate change, high levels of unemployment and depressed economic performance have increased poverty prevalence levels. This, in turn, has resulted in the country missing its targets on reducing child mortality and improving maternal health.

SDGs have brought infrastructure development to the fore of the world development agenda. This places the Group at the

centre in championing the SDGs in Zimbabwe. The following SDGs will guide the Group's infrastructure development initiatives:
- Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation;
- Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all;
- Goal 6: Ensure availability and sustainable management of water and sanitation for all;
- Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable; and
- Goal 13: Take urgent action to combat climate change and its impacts.

In its operations the Group will mainstream these issues and implementing these goals will impact on the following SDGs:
- Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 5: Achieve gender equality and empower all women and girls

Since its inception, the Group has harnessed resources from both the public and private sectors in supporting infrastructure projects. In this regard, the Group has offered project management services to various local authorities throughout Zimbabwe, making cities and human settlements inclusive, safe, resilient and sustainable. The Group has a track record in promoting the use of clean and safe energy through supporting hydroelectricity power generation projects. The Group continues to make significant interventions in the energy sector where it mobilises funding for the Zimbabwe Power Company (ZPC) on the power generation side and Zimbabwe Electricity Transmission and Distribution Company (ZETDC) on the distribution side. The Group has also completed a number of housing projects over the years, thereby contributing to the availability of affordable housing

and water and sanitation to the population of Zimbabwe. The Group looks forward to intensifying its efforts in line with its core mandate of infrastructure development.

Chapter 2: Infrastructure Bottlenecks in the Zimbabwean Economy

Africa's total infrastructure needs were estimated at about US$93 billion a year in 2008, with only US$45 billion being currently financed (Africa Infrastructure Country Diagnostic (AICD), 2008). Even if all inefficiencies such as inefficient management, poorly targeted subsidies or sub-economic tariffs were eliminated, a US$31 billion a year gap would remain. Zimbabwe requires about US$33 billion in the next two decades according to the World Bank (2012), which implies a funding requirement of about US$ 1.65 billion each year. If Zimbabwe were to follow a growth path more akin to that of a middle income country, estimates of the infrastructure funding needs could be 20% higher than the baseline scenario for a total of US$40 billion over the next 2 decades (Lim and Pommerenke, 2012). The AfDB Report on Infrastructure and Growth in Zimbabwe (2011) has estimated that the country requires about $14.2 billion at 2009 constant prices, including $4.6 billion of private investment, in the upgrading of existing infrastructure and creating new capacity from 2011-2020. Zimbabwe needs to mobilize investment to expand and upgrade power generation and transmission, transport and ICT infrastructure as well as rehabilitation of social infrastructure. Economic infrastructure upgrades include expanding and adapting irrigation infrastructure with particular attention to the smallholder sector and to support the needs of medium and longer term growth.

2.1 Infrastructure Gaps

In most African countries, particularly the lower-income countries, inadequate infrastructure continues to emerge as a major constraint to doing business and a contributor to low productivity. Coupled with financial markets constraints and declining commodity prices, the negative impact of deficient infrastructure militates against positive growth prospects for most African economies. The major obstacles to growth include: inadequate and unreliable power supply; inefficient ports and associated customs clearance facilities; inadequate water storage and irrigation facilities; and deficiencies in broader transport and information communication technology (ICT) infrastructure. Inadequate social infrastructure including water supply, sanitation, sewage disposal, education and health facilities is also adversely affecting the quality of life across many African countries.

Table 1 shows investment required for rehabilitation of existing infrastructure networks and increasing network capacity in Zimbabwe up to 2020

Table 1: Total Investment Required for rehabilitation of infrastructure in Zimbabwe from 2010-2020, AfDB

Sector	Investment Required (US$billion)
Water supply and sanitation	4.2
Power generation and distribution	4.3
Transport (roads, railways & civil aviation)	5.6
Information communication technology (ICT)	0.1
Total Investment Required	**14.2**

Source: AfDB Report: Infrastructure and Growth in Zimbabwe, 2011

In view of continuing inadequate investment in infrastructure rehabilitation and development, the infrastructure gap is estimated to have risen significantly.

2.2 Infrastructure Financing

Given the scale of the country's infrastructure gap, Government lacks fiscal space to provide total funding required for infrastructure development. In Zimbabwe, as in most African countries in the Sub-Saharan Africa (SSA) region, public infrastructure is mainly financed through the fiscus while operating and maintenance expenditure is largely financed from user charges levied by state-owned enterprises (SOEs).

By mid-2015, only US$219 million (22%) of the budgeted 2015 infrastructure resource envelope of US$988 million had been disbursed to targeted projects (Mid-Term Fiscal Policy Review, 2015). The 2016 National Budget Statement puts the overall funding requirements for infrastructure investment for 2016 at US$2.7 billion of which funding sources[3] for US$1.1 billion have been identified. The amount to be funded from tax revenues translates to only 6% of the total infrastructure funding requirement and this reflects the extent of the budgetary constraints that Government faces. The remaining US$1.6 billion is expected to be funded by the private sector, signalling that Public-Private Partnerships would be critical in closing the infrastructure gap.

[3] The identified sources were: tax revenues; loan financing from domestic and external sources; public entities' own resources; statutory funds; and development partners.
[4] Office of the Foreign Assets and Control (OFAC) of the United States Department of the Treasury
[5] bonds, equity investments, quasi equity structures and PPPs

Under ZimAsset, the Group plays a pivotal role in the Infrastructure and Utilities Cluster through effective resource mobilization. The Group continues to contribute towards the development of a robust capital market through the issuance of medium to long term debt instruments. This resonated well with local institutional investors as they sought to diversify their asset portfolios, meet statutory compliance requirements and realign their portfolios. Since 2012, the Group has raised funds totalling US$79 million through the issuance of infrastructure development bonds to support various projects in the energy and housing sectors.

The anticipated finalisation of an acceptable plan for the resolution of the country's external debt overhang, which is expected to trigger new external funding lines, and the removal of the Group from the OFAC listing will allow the Bank to access appropriately priced long term funding from regional and international capital markets and also scale up its engagements with international financial institutions and other development agencies. The country's multi-currency system provides an attractive investment environment for both domestic and foreign investors as currency risk can be eliminated. With the ongoing Government efforts to improve the conditions of doing business and undertaking parastatal reforms, infrastructure projects viability is expected to improve.

Government is developing the policy and regulatory framework that is designed to increase the participation of private sector investors in infrastructure through Public-Private Partnerships (PPPs). The recent enactment of the Joint Ventures Act *(Chapter 22:22)*, which sets the regulatory framework for the implementation of PPPs, and a raft of ease-of-doing-business initiatives are expected to induce increased participation of the private sector in infrastructure development. The Group is making efforts to guide the market in embracing best practice project preparation processes that are critical for the packaging of bankable infrastructure projects that can attract investment. In order to facilitate inward bound external resource flows, the Ministry of Finance and Economic Development has also increased participation by foreign investors in the domestic bond and money markets to 100%, in addition to improvement in the ease of entry and exit conditions on the primary and secondary markets. The Group, as the main conduit for infrastructure financing in Zimbabwe, continues to engage private investors and financiers to invest in infrastructure projects through various funding instruments[5].

2.3 Infrastructure Project Development and Management

Significant investments are required in new public infrastructure capacity particularly in power generation, water and sanitation, telecommunications and transport (primarily railway and aviation services). Current trends in infrastructure investment point to increased participation of the private sector and in line with point number 7 of The President of Zimbabwe's Ten (10) Point Plan – *"Promoting joint ventures and public-private partnerships to boost the role and performance of state-owned companies"* – the Group has made a deliberate effort to embrace private sector participation in infrastructure projects.

Experience has shown that Zimbabwe and the whole of the Southern Africa region have a dearth of bankable projects as most project ideas lack in the following aspects:

- regulatory and statutory compliance issues – licenses, concessions, permits, certificates and other government approvals;
- technical feasibility – full technical feasibility studies, including designs, technical reports, materials supply contracts and wheeling agreements;
- financial viability, including deal structuring – concept papers, project appraisal reports, financial models, revenue sharing agreements and project accounts;
- market for project outputs – market studies, off-take agreements, power purchase agreements;
- institutional capacity – balance sheet, equity contribution, productive assets and skills and competencies; and
- environmental mitigation strategies/plans – Environmental Impact Assessment, economic development impacts.

The Southern Africa Development Community (SADC) noted the deficiency in bankable projects and set up a SADC Projects Preparation and Development Fund managed by the Development Bank of Southern Africa (DBSA) from which grant funding could be accessed for project development by member countries. The Group intends to establish a similar fund for Zimbabwe

which can also benefit from the SADC Fund. The fund will be financed through equity, Government contributions and support from international development partners.
There are policy gaps and implementation bottlenecks affecting the efficient and effective delivery of critical infrastructure by State Owned Enterprises (SOEs). The enduring challenges for SOEs include the following:
- weak balance sheets;
- unviable operations;
- uneconomic and unresponsive tariffs;
- weak institutions and inappropriate organizational structures;
- budgets skewed towards recurrent expenditure; and
- poor corporate governance leading to leakage and abuse of resources.

These weaknesses need to be corrected to attract private capital to public infrastructure projects promoted by SOEs. In this regard, Government has been encouraging SOEs to adopt a commercial orientation.

In addition to institutional shortcomings, sector policy reforms need to be implemented with urgency as delays affect investment decisions. A case in point is the newly announced legislation on infrastructure sharing in the ICT sector which is yet to be finalized. The legislation has taken long to implement resulting in sector players hesitating to invest in new infrastructure.

2.3.1 Capacity of Contractors and Suppliers
Lack of finance affects the ability of service providers (contractors and suppliers) to deliver without upfront payment. This puts an extra responsibility on the Group to monitor service providers in order to ensure that funds are appropriately utilised on projects and this has resulted in increased monitoring costs which are not ordinarily covered in Agency Agreements. Nevertheless, monitoring service providers remains critical to ensure smooth implementation of projects. Observing that in some cases local contractors and suppliers lack capacity to play their role, it is recommended that a programme to capacitate the whole local industry including suppliers, manufacturers and contractors, whilst limiting imports, is paramount to the delivery of the infrastructure investment programs.

2.3.2 Planning Capacity and Challenges
Evidence from implementation reports for projects monitored by the Group revealed that implementing agents generally exhibit lack of forward planning and do not have substantive short, medium and long term maintenance, rehabilitation and development programmes and initiatives. This is indicative of lack of capacity at various levels in these institutions. In the majority of cases preliminary designs, detailed preparation of specifications, bills of quantities and/or schedules of materials were never fully done. However, with the intervention of the Group, improvements were noted in some institutions. Progress is also hampered by lack of capacity of projects consultants as in most cases they were not optimally manned. The situation is compounded by implementing agents' limited capacity to monitor and supervise consultants undertaking projects.

The Group will continue with its capacity building and knowledge sharing programmes targeting the implementing agents to

ensure that projects are effectively prioritised, planned and implemented.

2.3.3 Prioritisation of Projects

It is envisaged that the setting up of the Public-Private Partnership (PPP) Unit within the Ministry of Finance and Economic Development will assist in the planning and prioritisation of projects across all relevant implementing agents. The Group remains focused and ready to ensure that all Government funded infrastructure projects and programmes are implemented efficiently.

2.3.4 Outstanding Payments to Contractors

The capacity of service providers which had improved substantially between March 2010 and July 2012 has had a serious relapse largely due to current liquidity challenges and the ever-shrinking fiscal space. As a result, contractors and service providers are burdened with unsustainable loans and tax obligations as some are still owed substantial amounts by Government. As at 31 December 2015, a cumulative amount of US$70.6 million worth of payment certificates for Government projects under the Public Sector Investment Programme (PSIP) had not been settled. The bulk (53%) of outstanding obligations was owed to water infrastructure projects, with the Tokwe-Mukorsi Dam project accounting for 35% of the outstanding obligations. This has resulted in project completion delays and increased costs as well as delayed developmental outcomes.

2.4 Knowledge Generation and Sharing

The Group embarked on capacity building programmes targeting key implementing agents and SOEs involved in infrastructure development in a bid to generate and share knowledge. It is pleasing to report that in 2015 some officers completed their two year internship in project preparation and development and resource mobilisation.

The Group continued with the role of capacitating key players in infrastructure development through training and knowledge sharing. In ensuring efficient delivery on its mandate, the Group initiated the process of revamping its procurement systems. In all its operations the Group remains sensitive to climate change and environmental issues.

The Group continued with the role of capacitating key players in infrastructure development through training and knowledge sharing. In ensuring efficient delivery on its mandate, the Group initiated the process of revamping its procurement systems. In all its operations the Group remains sensitive to climate change and environmental issues. With the clearance of the legacy debt and capital injection from the shareholders, the Group has taken great strides in laying the foundation for greater focus on infrastructure development.

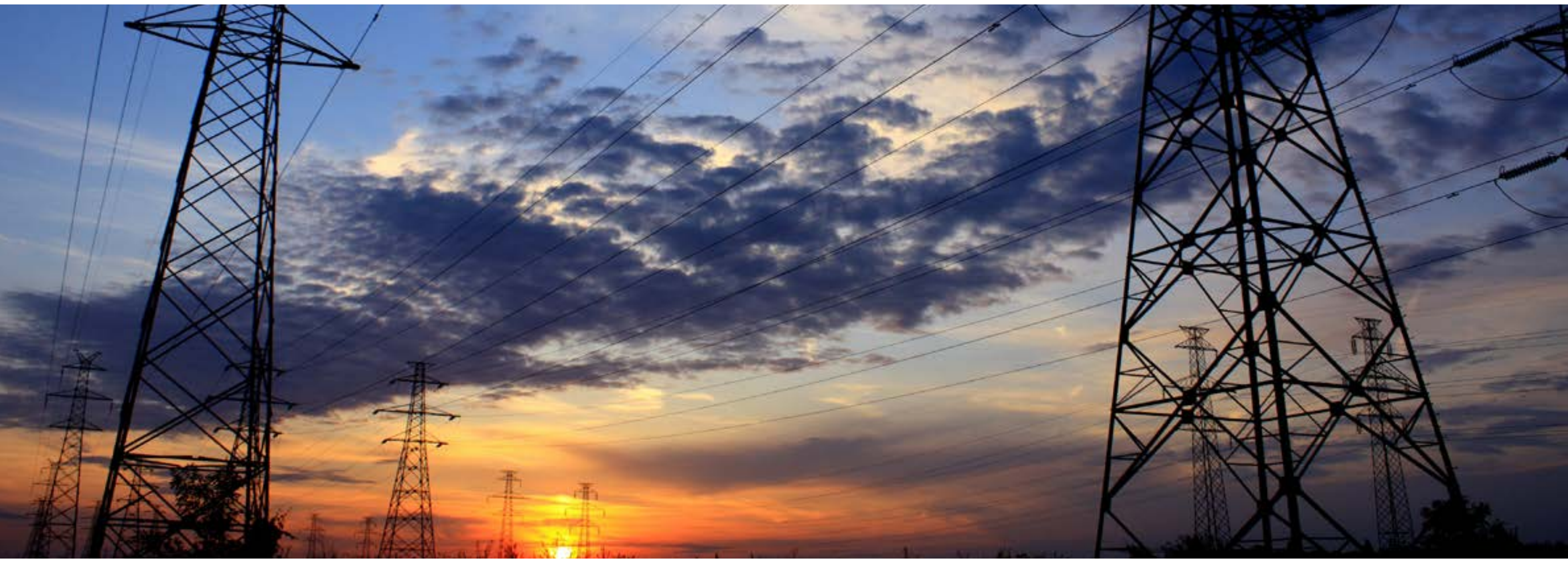
3.1 Post Legacy Debt: Laying the Foundation for Greater Focus on Infrastructure Development

The Group is now on a better footing to execute its mandate following the hiving-off of the legacy debt in November 2014 courtesy of the efforts by the Government of Zimbabwe. With a cleaner balance sheet, the Group's capacity to attract long term funding for infrastructure development has been greatly enhanced. In 2015 the Group managed to raise US$30.7 million through the US$50 million Zimbabwe Power Company (ZPC) Infrastructure Development Bond to finance the refurbishment of Kariba South Power Station (KSPS) and repowering of the Harare Thermal Power Station (HTPS).

The Group is positioning itself to play a prominent role in co-ordinating efforts, and to facilitate project preparation, packaging and investment promotion for high priority infrastructure projects. A provisional amount of US$5 million will be set aside for this purpose from the US$20m capital injection in 2016. To this end, the Group will: (i) endeavour to maintain its financial solidity and long term sustainability; (ii) promote robust, inclusive and sustainable growth and development while staying resolutely focused on its core priorities as spelt out in its Medium Term Strategy: 2016-2020, and thus reversing strategy drift; and (iii) improve the quality of its dialogue and interactions with central government and implementing agencies to ensure national efforts on infrastructure development are well coordinated and duplication of investments and efforts is minimised.

The Group is in the nexus of the implementation of national priority infrastructure projects. To that end, the Group works towards ensuring effective coordination of the projects. The Group's interventions in this regard will achieve value for money and consolidation of investment by the Government.

The Bank's capacity to mobilise resources in the capital markets hinges largely on its balance sheet strength and this has seen the Bank commencing initiatives that seek to grow its capital base through various recapitalisation strategies over the period 2016 to 2018 as the Bank lays the foundation for mandate consolidation.



3.2 Procurement

Inefficient and non-transparent procurement processes culminate into project implementation delays resulting in project cost escalations due to corruption and rent seeking. Procurement processes are at the epicentre of infrastructure delivery. Towards the end of 2015, the Group started the process of engaging a Procurement Consultant to assist in revamping the procurement systems. The Group is desirous to ensure that the following issues are addressed:

- full disclosure and transparency;
- promotion of competitive bidding; and
- promotion of economic development in line with the country's developmental imperatives.

The procurement policy shall be the guiding principle in the Group's project preparation, appraisal and implementation processes. Efforts will be made to capacitate project implementing agents in procurement processes.

3.3 Environment and Climate Change

A major tenet of the Group's infrastructure development operations is the concern for maintenance and improvement of a quality environment. The Group continues to promote environmental awareness and mainstreaming environmental and

sustainability issues in all its operations. Meeting the Sustainable Development Goals (SDGs) depends on the provision of adequate infrastructure, such as providing clean water and sanitation, as well as on reducing adverse environmental impacts, such as reducing the impacts of air pollution on health and agricultural production (e.g. acid rain).

Extreme weather and long term climate change threaten critical national infrastructure and the Zimbabwean economy. A robust infrastructure is essential to economic functioning and growth. Adapting to climate change is not just a matter of managing the risks - it is also about taking the opportunities it presents to develop new, innovative infrastructure systems and services. Adaptation to, and mitigation of, climate change provides opportunities in the new Green Economy. The building of resilient infrastructure and designing new systems that are robust and efficient will assist in adaptation and mitigation.

The Group remains central to the process of adaptation, both ensuring that current infrastructure assets are protected from the long term and acute effects of climate change, and developing new infrastructure systems fit for changing climate conditions.

3.4 Looking Ahead

During the year, the Group managed to address most of the challenges that were bedevilling it from 2013 to 2015, setting it on the path to refocus its efforts on its core mandate of infrastructure development. In view of these developments, coupled with Government's recent breakthrough in the country's external debt arrears settlement proposals in Lima, Peru, in October 2015, the stage is now set for the Bank to accelerate plans to canvass for the requisite long term capital inflows ideal for infrastructure development.

3.4.1 Refocus to Core Mandate

To ensure a smooth transition towards the core mandate of infrastructure development in a financially sustainable manner, and to achieve financial solidity over the medium to long term, the Group will complement with infrastructure related Trade Finance business in 2016, in the process replacing the vanilla lending products which have created the high Non-Performing Loans (NPLs). This thrust is expected to balance the Bank's sustainability against delivery of its mandate in light of the long gestation period and low returns associated with infrastructure projects.

3.4.2 Energy

Sustainable growth in economic activity is anchored on affordable, reliable and stable supply of energy to industry and households. The energy industry significantly influences the vibrancy and sustainability of the entire economy from job creation to resource efficiency. Zimbabwe is currently facing power shortages with estimated reliable generation capacity of 1300MW against a suppressed peak demand of 2200MW.

To unlock the required social and economic transformation and put the country on its intended growth path, the Group will over the next 5-year period continue with its interventions in the energy sector. Targeted projects on the generation side are shown in Table 2.

Table 2: Proposed Energy Generation projects to be Developed starting 2016.

Project	Description	Capacity (MW)
Tokwe-Mukorsi	Mini Hydro Power Plant	15
Hwange Thermal Power Station	Refurbishment	-
Gairezi	Mini Hydro Power Station	30
Munyati, Harare and Bulawayo Power Stations	Repowering	140
Munyati, Gwanda and Insukamini	Solar Power Plants	300
Total		**485**

On the distribution side (i.e. ZETDC) targeted projects will include:

- the on-going prepaid metering project;
- planned smart metering project;
- projects to address deficiencies in the electricity reticulation system; and
- power evacuation infrastructure.

3.4.3 Transport

A robust road and rail network is a critical economic enabler that links cities and towns, connecting people with economic opportunities. It is also essential for tourist attraction and linking businesses with local and regional markets. Besides stimulating socio-economic development, improved road and railway networks contribute to Government's efforts to reduce

[6] Refurbishment of the Kariba South Power Station - US$38.8 million and Repowering of the Harare Power Station - US$11.2 million

transport conflicts that lead to accidents and loss of human life. The rehabilitation of the road network is an area that requires huge investments and during 2016 and beyond, the Group will focus on capacitating ZINARA in its road rehabilitation and maintenance work as well as providing technical support to the Ministry of Transport, and Infrastructural Development on the development and implementation of the Beitbridge-Harare-Chirundu road project.

The National Railways of Zimbabwe (NRZ) requires in excess of US$2 billion to rehabilitate and expand its entire rail network. The Group is currently engaging NRZ in order to play a prominent role in coordinating efforts towards the mobilisation of an estimated US$635 million required to kick-start the programme. The initial phase of the programme will consist of:

- rehabilitation of existing railway line network;
- construction of new railway lines;
- replacement and/or modernisation of signalling and communication equipment;
- acquisition of new rolling stock (locomotives, coaches and wagons) and refurbishment of old ones; and
- repair of bridges, workshop equipment, buildings and other collateral and supporting infrastructure.

3.4.4 Water and Sanitation

Zimbabwe's GDP growth is positively correlated to the country's hydrological cycle or seasonal rainfall pattern. Water management has, therefore, become very critical to the country's economic growth prospects. Zimbabwe has been affected by 10-year drought cycles and more frequent mid-season dry spells due to climate change. The Group has targeted dam construction to increase water harvesting and ensure adequate water supplies for irrigation, industrial and domestic consumption. The overall objective of Government's medium term plan on water resources is focussed on adequate supply of potable water for domestic use, agricultural and industrial use respectively. The Group will focus on expansion and rehabilitation of water treatment plants and pipeline conveyance for potable and industrial use. In 2016 the Group will actively participate in the following water sector projects: Kunzvi-Musami Dam, Marovanyati Dam (Buhera), Tokwe Mukorsi Dam (Masvingo), Causeway Dam (Marondera) and Municipal Water and Sanitation Rehabilitation (Chinhoyi, Chipinge, Gwanda, Hwange). The Group will continue efforts to fundraise for the completion of the Tokwe-Mukorsi Dam.

3.4.5 Information Communication Technology

The importance of information communication technology (ICT) in economic development is no longer a subject of debate. With the advent of the knowledge economy, ICT has become the main driver of business by facilitating business transactions and efficient storage and movement of bulk data at low cost. The use of ICT usually leads to the reduction in the cost of doing business and also improves the quality of life of individuals by reducing social exclusion. In recognition of that, the Group will support efforts for increased investment in the national fibre optic backbone infrastructure. In 2016, the Group targets to coordinate investments in backbone infrastructure promoted by Powertel and Africom.

3.4.6 Housing

There is an estimated backlog of 1.25 million housing units in the country's main urban and peri-urban centres. The supply of serviced stands and housing units has been constrained by limited investment in bulk on-site and off-site infrastructure by both public and private sector players. This has partly been a result of limited long term capital to support housing projects. The Group is, therefore, targeting the following housing schemes in 2016: Clipsham (Masvingo) expected to deliver 704 fully serviced stands, New Marimba (Harare) – 338, Norton, Junction Farm (Masvingo), Mbizvo 22 (Kwekwe), Lupane, Gweru, Bulawayo and Mutare. These housing schemes are expected to be replicated throughout the country. The Group was granted in 2014 authority by the Ministry of Finance and Economic Development to issue Housing Bonds of up to US$100 million over a 5-year period to finance the development of various housing projects as part of its intervention in the housing sector.

3.4.7 Operational Efficiency

Internally, the Group's efforts towards improved capacity; delivery of results; and better measurement of impacts will focus on the following:

(i) developing and upgrading business practices and processes, underpinned by an efficient ICT system;
(ii) reviewing and strengthening human capital and management;
(iii) effective financial controllership and treasury management;
(iv) enhanced risk management;
(v) implementation of international best practices in procurement; and
(vi) policy upgrade.

BANK OPERATIONS EFFECTIVENESS AND CORPORATE GOVERNANCE

Chapter 4: Bank Operations

4.1 Overview

Since 2012, the Group has raised funds totalling US$79 million of which US$35.648 million was raised in 2015 through the issuance of infrastructure development bonds to support energy and housing projects. The Group was mandated by Government to assist in the liquidation of treasury bills worth US$75 million for completion of the Tokwe Mukorsi Dam Project. Of that amount, the Group assisted in the liquidation of treasury bills with a face value of US$40 million for payment of outstanding certificates to the contractor on Tokwe-Mukorsi Dam Project. In 2015, the Group raised US$1.698 million for the ZETDC Prepaid Metering project bringing the total raised since 2013 to US$45 million. With respect to power generation, a total of US$30.7 million was raised out of the required US$50 million for Zimbabwe Power Company (ZPC) Kariba South Power Station and Harare Power Station Repowering projects. The Group, supervised transport Public Sector Investment Programme (PSIP) projects worth US$6.5 million of which disbursements reached US$4.5 million. The Group also managed to raise US$3.25 million for housing projects (Clipsham Views in Masvingo and New Marimba in Harare).

4.2 Infrastructure Focus Sectors

4.2.1 Energy

The Group funded the on-going Prepaid Metering Project for the ZETDC through an infrastructure bond issue. An amount of US$1.698 million was raised in the first quarter of 2015. The Prepaid Metering Project has had such a profound and positive impact on the economy. It has also given a significant boost to Zimbabwe Electricity Supply Authority's (ZESA) revenue collection capability, enhancing the utility's creditworthiness and enabling it to invest in new power projects. The Group will continue to work with ZETDC to ensure full implementation of the prepaid and smart metering projects.

The Group also funded the refurbishment of the Kariba South Power Station and the repowering of the Harare Power Station projects. A total of US$30.7 million out of the required US$50 million was raised in 2015 for these energy generation projects[6]. The Bond is still available for subscription under private placement and the Group continues to canvass investors with a view to achieving full uptake of the instrument. This intervention is expected to optimize output from these two existing power stations which will help increase the country's energy output and reduce the power supply gap.

4.2.2 Transport

During 2015, the Group supervised Government's road and bridge construction projects worth US$6.3 million through its Agency Agreement with Government. The projects were: Little Sebakwe Bridge project, Musavezi Bridge project, Ruwa Road project and Mabvuku Bridge-Over-Rail project. Cumulative disbursements to these projects amounted to US$4.5 million as at 31 December 2015. The Little Sebakwe Bridge (Chivhu), Musavezi Bridge (Shurugwi) and Ruwa Road projects were completed in 2015 while the Mabvuku Bridge-Over-Rail project is expected to be completed in the second quarter of 2016.

4.2.3 Water & Sanitation

The Group was mandated by ZINWA to raise US$30 million to finance completion works on Tokwe-Mukorsi Dam. The dam will create the largest inland lake in the country and enable irrigation of about 25,000ha of new land in the Lowveld area where considerable infrastructure is already established.

In 2015, US$96.5 million was allocated to PSIP dams and water supply projects under the Group's management. About US$43.5 million of the amount was channelled towards the construction of Tokwe-Murkosi dam. The cumulative cost for Tokwe-Murkosi Dam project funded by Government stood at US$270.2 million of which US$40 million was disbursed in 2015 while US$24.6 million worth of certificates were outstanding as at December 2015. Physical completion of the dam was estimated at 95% by the end of 2015. In August 2015 the Government of Zimbabwe issued Treasury Bills with a face value of US$40 million which the Group assisted in liquidating to settle outstanding payments to the contractor on the project.

4.2.4 ICT

The Group secured a mandate to raise US$54 million for Powertel's Network Expansion project. Powertel intends to implement the project in two phases, with one phase valued at US$35 million for the Southern Region and another for US$19 million targeting the Northern Region. The network backbone is meant to provide coverage to areas like Mutare, Chiredzi, Masvingo, Zvishavane, and Beitbridge. The project now awaits completion of feasibility studies.

4.2.5 Housing

4.2.5.1 New Marimba

The Group initiated the New Marimba Park housing project which involves full site servicing of a piece of land measuring 18 hectares in New Marimba suburb, Harare. The project will produce 202 high density residential stands, 136 medium density residential stands, one crèche and a church. With such a development, at least 338 households or 1,690 people are going to be guaranteed decent shelter with access to piped water, roads, electricity, and decent sanitary facilities.

4.2.5.2 Clipsham Views

During the year, the Group developed to bankability Clipsham Views housing project in Masvingo. Implementation of the project started in December 2015 and is expected to take 12 months to complete. The project is expected to cost US$6.7 million which will cover on-site and off-site infrastructure. The project is being implemented as a joint venture between the Group (IDBZ), Gorge Safaris and George Holdings. The Project entails the servicing of Lot 2 of Clipsham (a piece of land measuring 205.7 hectares) into 704 residential stands, 26 industrial stands, 3 hospitality stands, 22 institutional stands and 16 commercial stands, averaging 1,500m2 in size. Project work includes construction of a road network comprising 23.8 km of main and access roads, storm-water drainage system, water pipes, off-site water pipeline and electricity reticulation.

On completion of the project, about 704 households, approximately 3,520 people, will have access to decent accommodation. The beneficiaries will enjoy access to an improved transport network, clean water and electricity. Housing projects by their nature stimulate industrial activity and create employment that span the whole value chain.

During the last quarter of 2015, the Group issued a Housing Bond for US$5 million through private placement to finance the development of the New Marimba Park and Clipsham Views housing projects.

4.2.5.3 Waneka

During the period under review, the Group completed 97% of the Waneka Phase II housing project. Waneka is a joint venture project involving the Ministry of Local Government, Public Works and National Housing, IDBZ and Harare City Council. The Waneka Phase II project entailed the construction of 9 blocks of two-bedroomed flats at Graniteside near George Stark, Mbare. Each of the 9 blocks consists of 24 units of which 6 blocks have been completed.

4.2.5.4 Other Housing Projects Under Management

Government housing projects under the Group's management were Dzivaresekwa Phase II (Harare) and Parklands Mews (Bulawayo). Cumulative expenditure on these projects during the year was US$4 million and disbursements made amounted to US$2.4 million.

4.3 Development Effectiveness

In line with accepted best practice among DFIs, the Group introduced a ***Results Measurement Framework (RMF): 2016-2020*** which will be instrumental for reporting development results and institutional performance going forward. The RMF provides a platform for continuous and rigorous monitoring and evaluation of the Group's performance against measurable targets in an effort to improve its developmental effectiveness. It enhances the planning cycle, systematically tracking performance and fostering organisational learning.

The RMF translates the ***Medium Term Strategy: 2016-2020*** into a detailed set of indicators and targets to help the Group plan its work better and sharpen its focus on delivering developmental results. The RMF will help the Group meet its development goals and is a tool that brings together evidence of the Group's strengths and weaknesses so that management can chart a course of action that helps the Group to implement its strategy in the most effective and efficient way possible. The Group will assess its progress annually against the RMF's indicators, baselines and targets.

The Group's new Results Measurement Framework consists of four levels:

- Level 1 : Development Progress in Zimbabwe;
- Level 2: IDBZ's contribution to development in Zimbabwe;
- Level 3: IDBZ's operational performance; and
- Level 4: Organisational efficiency.

Figure 3: Aligning the RMF with the Strategy 2016-2020

Level 1 : What Development Progress is Zimbabwe Making?

Growing Zimbabwe economy inclusively

Contribute to ZimAsset, 10 Point Economic Growth Plan and SDGs

Level 2 : How well is IDBZ contributing to Development in Zimbabwe

Greater focus on economic enablers (Energy, Transport, Water & Sanitation, Housing and ICT)

Infrastructure financing

Infrastructure project development and management

Knowledge generation and sharing

Level 3 : Is IDBZ managing its operations effectively

Delivering effective and timely operations (projects and programmes)

Level 4 : Is IDBZ Managing itself effectively

The Group has implemented a number of measures to strategically refocus its operations away from short term business towards medium and long term infrastructure development business. This refocusing involved strengthening organizational structure through laying off 41 employees whose duties were mainly anchored on short term commercial banking business. Consequently, the Group has retained a core staff complement that is now focused on the infrastructure development business and the financing of critical activities in the infrastructure value chain.

5.1 Organisational Restructure and Related Changes

The Board approved IDBZ's new organisational structure during the last quarter of 2014 following a successful Bank-wide restructuring exercise. This resulted in 41 staff members being voluntarily retrenched at a once off total cost of US$2.1million. The staff rationalisation exercise was aimed at right-sizing the institution whilst strengthening the long term infrastructure business. The Group closed the year with a staff complement of 80, down from 124 the previous year.

Management also embarked on various human capital reforms aimed at improving institutional efficiency, creating clear flow of responsibilities, promoting greater equity and mapping career development plans. To support this, the Group embarked on a job grading exercise which was followed by a salary structuring exercise. The exercises were aimed at fostering equity within the institution's remuneration framework whilst promoting career development ladders for the Group's human capital.

The Group is currently in the process of strengthening its processes in pursuit of efficient delivery of its infrastructure development mandate in line with international best practice. This is being done through the review of the Group's current operational structure and by ensuring that the Infrastructure Projects Department is adequately resourced with the right skills and competencies. The Group has also strengthened its ICT Unit by increasing the level of responsibility and streamlining reporting structures.

During the year under review, the general ICT control environment remained stable. The Group deferred implementation of a new core banking system due to liquidity challenges. Nevertheless, the preliminary work was completed and implementation of the project is expected in 2016. The Group looks forward to enhance its IT security architecture and add network traffic analysers that will assist management in identifying and resolving network incidents.

There was also a change in leadership during the year.

Chapter 6: Corporate Governance (Board Oversight, Functions and Strategic Responsibilities)

6.1 Introduction
The Infrastructure Development Bank of Zimbabwe (“the Bank”) is a development finance institution with a mandate of infrastructure development and financing focusing on the key sectors of Energy, Water and Sanitation, Transport, Information Technology Communications and Housing.

In executing its statutory mandate, the Bank has a special responsibility of ensuring that good corporate governance pervades all aspects of its business dealings and operations. Corporate governance in IDBZ is anchored on the principles of fairness, transparency, accountability and social responsibility, and is the platform upon which the institution strives to build a profitable, socially responsible and economically sustainable business that serves the interest of all stakeholders.

6.2 Governance Framework
The IDBZ was established in 2005 as a successor organization to the Zimbabwe Development Bank (“ZDB”), and is governed in terms of an Act of Parliament, the Infrastructure Development Bank of Zimbabwe Act *[Chapter 24:14]*. The Bank was set up and charged with an expanded mandate mainly focusing on infrastructure development and finance. The Bank is regulated by the Minister of Finance and Economic Development.

Whilst the IDBZ Act is the anchor in the institution’s governance matrix, the Bank also embraces to the extent possible the principles of good corporate governance enshrined in other governance standards both locally and internationally.

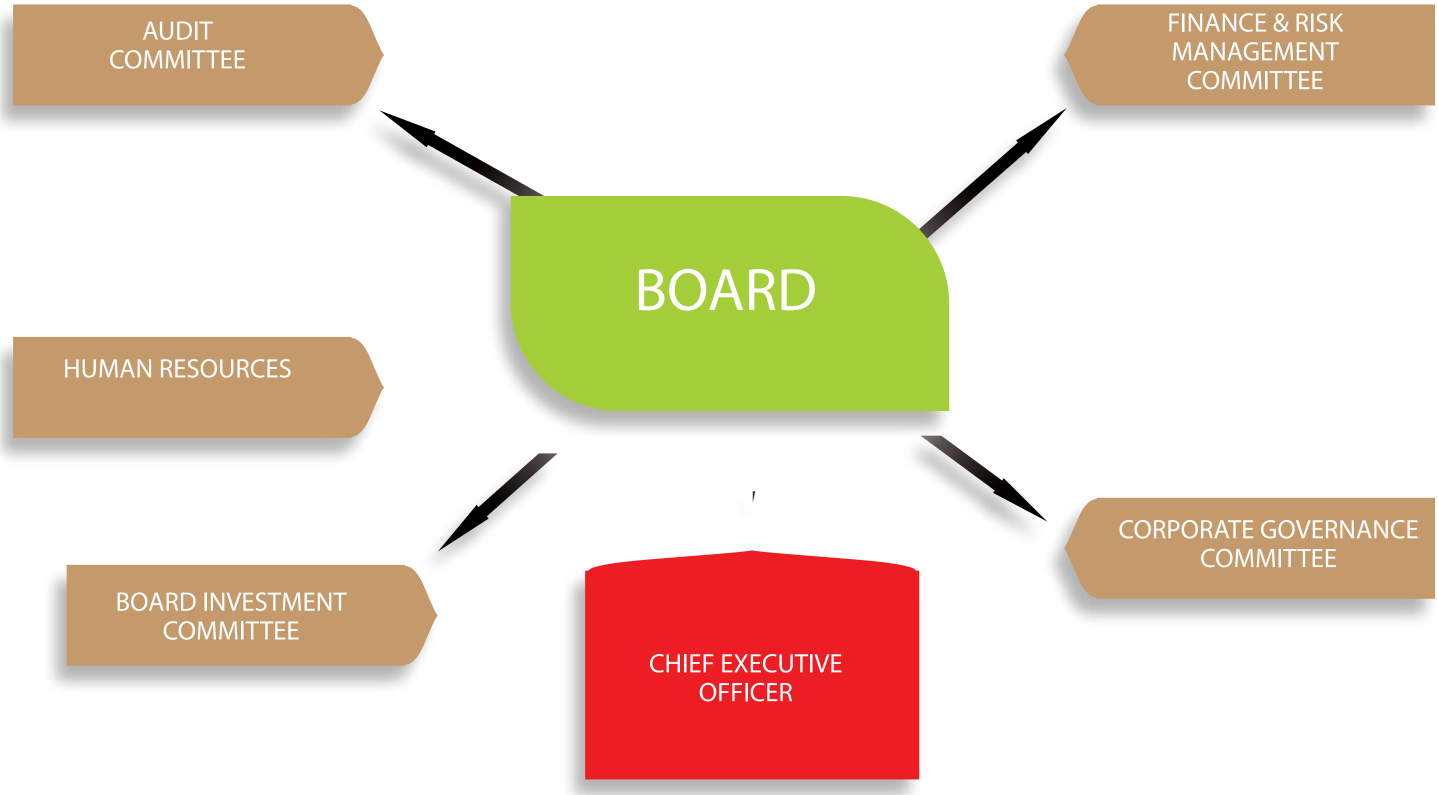
6.3 Supervision by the Reserve Bank of Zimbabwe
Although the IDBZ is not licensed or governed in terms of the Banking Act, the Bank has consistently observed the prudential lending guidelines and other best practice guidelines issued from time to time by the Reserve Bank of Zimbabwe as it discharges its statutory role of regulating the financial services sector.

In line with developments in the financial services regulatory environment both regionally and internationally, the Minister of Finance and Economic Development announced that the Bank will now fall under the supervisory framework of the Reserve Bank of Zimbabwe. To that end, the central bank is developing a framework for the Bank which will take into account provisions of the IDBZ Act *(Chapter 24:14).*

6.4 Corporate Governance Charter
The IDBZ Corporate Governance Charter was crafted with the objective of codifying the various governance standards and instruments that impact on the operations of the Bank into one document which would serve as a reference point on matters of governance and regulatory compliance. The charter is a consolidation of relevant provisions of the IDBZ Act *(Chapter 24:14)*, the Public Finance Management Act *(Chapter 29:19)*, the Corporate Governance Framework (CGF) for State Enterprises and Parastatals and the IDBZ Shareholder Regulations. The Charter is currently undergoing a review to align it with the National Code on Corporate Governance in Zimbabwe which was introduced in 2015 as the premier corporate governance standard in Zimbabwe.

6.5 Code of Conduct and Ethical Framework
As a development finance institution with a statutory mandate to champion infrastructure development in line with the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET), the Bank has a special responsibility to ensure that its business operations and activities are conducted on the highest ethical plane. The Bank endeavours to be at the forefront in promoting business practices and processes that meet international best practice. To that end, IDBZ is constantly reviewing and strengthening policies and procedures that govern staff interactions with Government, suppliers, customers and other stakeholders. The Code of Ethics Policy provides a framework under which staff and people who interact with the Bank are expected to conduct themselves. The Code is designed to promote honest and ethical conduct and is founded on the Bank’s core values of integrity, professionalism, team work, service orientation and social responsibility.

6.6 IDBZ Governance Structure (Board Oversight, Functions and Strategic Responsibilities)



6.7 Board of Directors

The current Board of Directors consists of eight (8) directors, only one of whom is an executive director. The size of the Board, although falling short of the prescribed minimum, is considered adequate for the current size of the Bank's operations. Section 4 (2) of the Infrastructure Development Bank of Zimbabwe Act ***x*** provides that the Board shall consist of no fewer than twelve (12) and not more than fifteen (15) directors. The chairman of the Board is a non executive director.

The duties and responsibilities of the Board are outlined in section 4A of the Infrastructure Development Bank of Zimbabwe Act *[Chapter 24:14].*

The Board is responsible for formulating and implementing policies and strategies necessary for the achievement of the Group's objectives. The Board supervises the overall activities engaged in by the IDBZ ensuring that the Group has adequate control systems to monitor and manage risk, and further that there is an efficient and economic use of the Group's resources. As an overarching responsibility, section 4A (e) of the Act requires that the Board formulate and enforces rule of good corporate governance and ethical practices for observance by the IDBZ directors, Management and Staff.

To effectively discharge its oversight and stewardship role the Board meets regularly, at least once every quarter.

6.8 Delegation of Authority

For effectiveness and efficiency in the exercise of its functions, the Board has constituted Board Committees to which it delegates some of its functions, duties and responsibilities. These powers and functions can also be delegated to the Chief Executive Officer. The Board Committees operate under precise terms of reference that are regularly reviewed to ensure they remain relevant and in sync with the Bank's strategic objectives.

6.9 Bank Secretary

In order to support the Board in exercising its functions and responsibilities, the office of the Bank Secretary serves as the coordinating interface between the Management, the Board, its various Committees and Shareholders of the Bank. The Secretary is available to give advice to the Board and, as custodian of corporate information and records of the Group, to give access to relevant information, documents and records regarding the operations of the IDBZ. With appropriate clearance from the Board Chairman, any Board member has a right to seek and obtain, at the Group's cost, independent expert and/or professional advice on any subject relating to the business operations of the IDBZ.

6.10 Board Remuneration

The remuneration of the Board is determined on the basis of market surveys of similar institutions and recommended for approval by the Minister of Finance and Economic Development. The remuneration takes into account the time and effort the board members are expected to devote to the affairs of the IDBZ and must be within the institution's capacity to pay.

6.11 Board Committees

For the effective discharge of its functions and in order to enhance oversight on the various areas of the Group's operations, the Board constituted and appointed five (5) Committees which operate under clearly defined areas of responsibility and terms of reference.

In the discharge of their respective terms of reference, the Board Committees ensure transparency, full reporting and disclosure of key decisions and recommendations of the Committees to the main Board. The Board has power to appoint to a Board Committee any person(s) for their skill and/or expertise as professionals to become Committee Members even though such persons or professionals are not themselves directors of IDBZ. This provision, which is entrenched in the Act, is intended to enhance the effectiveness of Board Committee functions, particularly in areas requiring technical and professional input.

The respective terms of reference for the IDBZ's Board Committees are set out below:

6.11.1 Investment Committee

Chaired by a non-executive director, the Board Investment Committee is made up of all members of the Board and the Committee's main functions are to:

- consider and approve credit applications from the Group's business units within set approval limits;
- determine the form and value of collateral/security to be taken against loan exposures;
- consider and approve equity investment proposals; and,
- assess and review from time to time the soundness and appropriateness of the Group's strategy for growing the loan book and the overall business portfolio.

6.11.2 Audit Committee

The Audit Committee is chaired by a non-executive director and is made up of four (4) members, including the Committee Chairman. All members of the Committee are non-executive members; one member is not a director of the IDBZ and was appointed for his skill and experience in finance and audit. He is a Chartered Accountant by profession. The Committee's terms of reference are:

- to ensure financial statements are prepared in compliance with the enabling Act and in accordance with applicable International Accounting Standards;
- to consider and/or review reasons for major year – on – year financial fluctuations in the Group's accounts
- to evaluate the effectiveness of management information systems and internal controls;
- to review, for adequacy, and approve the Internal Auditors' annual audit programmes and monitor the independence and effectiveness of the internal audit function;
- to review and approve audit programmes for the external auditor and monitor the effectiveness of the external audit function;
- to recommend the appointment or discharge of the Group's external auditor including the terms of engagement and remuneration for the auditors; and
- to ensure effective and smooth cooperation between internal audit, risk management and compliance functions of the Group.

6.11.3 Corporate Governance Committee

This Committee ensures that the Group adheres to good corporate governance standards and practices, its terms of reference are as follows:

- to render assistance to the Board in the fulfillment of its oversight responsibilities regarding the effectiveness of the Group's corporate governance structures, practices and procedures;
- to develop and recommend to the full Board a set of corporate governance principles for adoption by the IDBZ from time to time in line with international best practice;
- to review the process of identifying candidates for appointment to the Board and to develop and recommend programmes for post-induction development/training for Board Members; and,
- to oversee the self-appraisal and performance evaluation of the Board and individual directors;

The Corporate Governance Committee comprises five (5) members, including the Committee Chairperson, all of whom are non-executive directors. The Chairperson of the Committee, together with the Board Chairman and the Board Secretary, are responsible for managing the board member self appraisal process and ensuring its integrity and effectiveness as a governance tool.

6.11.4 Finance and Risk Management Committee

The Finance and Risk Management Committee is charged with the responsibility of overseeing the overall risk management processes, enforcement of risk mitigation strategies and procedures in the Group and to keep the Board fully appraised on the major risk areas within the business operations of IDBZ. The Committee's terms of reference are set out as follows:

- to identify risks likely to adversely affect the Group's operations and communicate these to the relevant business units together with appropriate recommendations for mitigating the same;
- to review for adequacy and effectiveness, the Group's overall risk identification, measurement and monitoring methods and mitigation procedures thereto;
- to ensure that comprehensive risk assessment policies and procedures are in place to cover the entire spectrum of the Group's business activities and implementation of bank-wide risk mitigation methodologies;
- to ensure adequate monitoring and follow-up mechanisms in respect of action plans recommended to address highlighted risk areas;
- to review the assets and liabilities profile of the Group and recommend an appropriate mix;
- to review and recommend prudent management of capital, investments, liquidity and exposures to interest rate, exchange rate or other market-movement related risks;
- to review and approve the Annual Budget for the Group;
- to review and approve strategy issues such as capital raising, joint ventures, offshore funding and offshore borrowings;
- to review the overall loan portfolio of the IDBZ for growth and quality and to review the Group's related lending practices and monitoring effectiveness in achieving the overall mandate and set corporate objectives; and,
- to review the risk mitigation and management practices and procedures underlying the loan portfolio and the effectiveness of loan rehabilitation; delinquent loan management and bad book recovery strategies and policies of the Group.

The Committee comprises four (4) members, including the Chairperson. Three (3) members, including the Chairperson are non-executives, whilst the Chief Executive Officer is the executive member of this Committee.

6.11.5 Human Resources Committee

The Human Resources Committee is chaired by a non-executive director and is made up of five (5) members, inclusive of the Committee Chairman, all of whom, with the exception of the Chief Executive Officer are non-executive directors. One member is not a director of the IDBZ and was appointed for his skill and experience in human resources management and organizational effectiveness systems.

The Committee is charged with ensuring the prevalence and observance of good labour and employment practices by IDBZ in order that harmonious industrial relations prevail throughout the Group. In this role, the Committee is charged with ensuring that the Group adopts best practice human resources recruitment and compensation policies and that key skills are retained through competitive reward systems. The Committee's terms of reference are:

- to determine overall remuneration, retention and incentive schemes and benefits of executive management of the Group and to review the Chief Executive Officer's recommendations from time to time on granting of awards under the compensation and retention schemes established for IDBZ staff;
- to recommend and monitor the level and structure of remuneration for senior executive management;
- to review and recommend to the Board the Group's overall compensation policy for all staff under the IDBZ's employ;
- to oversee succession planning policies for executive management and their adequacy;
- to review, at least once annually, the organizational structure of the IDBZ and, where appropriate, recommend to the Board any material changes thereto; and,
- to review and approve the proposed appointment of any person to a senior executive management position in the Group.

6.12 BOARD AND BOARD COMMITTEE ATTENDANCE RECORD FOR 2015

NAME OF DIRECTOR/ MEMBER	MAIN BOARD		AUDIT COMMITTEE		HUMAN RESOURCES COMMITTEE		FINANCE & RISK MANAGEMENT COMMITTEE		CORPORATE GOVERNANCE COMMITTEE	
	Total	Number Attended	Total	Number Attended	Total	Number Attended	Total	Number Attended	Total	Number Attended
Manungo WL (Chairman)	4	3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Chikaura C**	4	2	3	2	5	3	4	3	3	2
Sakala TZ##	4	2	3	1	5	1	4	1	3	1
Choga VH	4	4	3	3	n/a	n/a	n/a	n/a	3	1
Kudenga N	4	4	n/a	n/a	5	5	n/a	n/a	3	3
Mhakayakora J	4	1	3	1	5	4	4	4	n/a	n/a
Mlambo SS	4	4	3	3	n/a	n/a	n/a	n/a	3	3
Mukahanana-Sangarwe M	4	2	n/a	n/a	5	3	4	3	3	3
Tawha CS	4	3	n/a	n/a	n/a	n/a	4	3	3	2
Chiromo NHC	n/a	n/a	3	3	n/a	n/a	n/a	n/a	n/a	n/a
Jinda E	n/a	n/a	n/a	n/a	5	4	n/a	n/a	n/a	n/a

NOTES:
1. Mr. C Chikaura resigned from the Board on 31 August 2015 (**).
2. Mr. TZ Sakala joined the Bank as CEO and Executive Director on 1 September 2015 (##).
3. Messrs NHC Chiromo and E Jinda are not Directors and sit on the Audit Committee and Human Resources Committee respectivel as independent experts.

RISK MANAGEMENT REPORT
The Bank's Risk Management Strategy involves screening risk holistically and horizontally throughout the entire organization. The mai thrust is to monitor risks through the Bank's strategic planning process making use of the Enterprise Wide Risk Management ["ERM' framework.

Risk Spectrum
The principal risks to which the Bank is exposed are classified as follows:

Credit Risk
The Bank manages and controls credit risk through a comprehensive process of credit analysis, setting of credit exposure limits, an continuous monitoring of exposures in relation to limits as contained in the Bank's Policy on Exposure Limits. The bank's lending policie and procedures are guided by domestic regulations as well as international best practices.

Project Risk
A consistent approach to risk management is fully embedded in the project management processes and technical expertise is proffere during project development and monitoring.

Liquidity Risk
To effectively manage liquidity risk, management has arranged for diversified funding sources in addition to its core deposit base, an balance sheet management is conducted in view of future cash flow commitments. The Bank continues to refine the internal contro processes and contingency plans for managing liquidity risk.

Market Risk
Market risks (interest rate and foreign exchange risk) are monitored in real time by the Treasury Division with Risk Management Unit bein responsible for independent reviews and policy limits.

Strategy Risk
The Board approves the Bank`s strategy, whilst management is responsible for implementation and ensuring that regular reviews are done to monitor performance.

Reputation Risk
The Bank uses a multi-pronged strategy to manage this risk, with Marketing and Public Relations Unit being the champion. The Bank employs corporate governance best practices and adheres to the values of professionalism, integrity, ethics, transparency and accountability in the market place, the workplace and the community at large.

Legal & Compliance Risk
The Bank manages this risk through a dedicated Legal Unit, which together with the Risk Management Unit identify, assess and monitor the Bank's exposure to legal and compliance risk in its business activities, products, processes, systems and practices.

External Credit Rating
The Bank's 2015 external rating covering the financial year ended 31 December 2014, which is based on the Prudential Standards, Guidelines and Rating System [PSGRS] for African Development Financial Institutions was certified by the Bank's external auditors "Deloitte & Touche". The 2015 assessment assigned an 'A' rating which represented an improvement from the 2014 assessment rating of 'B+'. The rating scale evaluates the Bank in three critical areas namely Governance, Financial Prudence, and Operational Standards. The risk assessment ratings are summarized in the table below.

Standard	Weighted Score per Standard	Deloitte & Touche Rating (2015)	Deloitte & Touche Rating (2014)
Governance Standards	**40%**	**42%**	**39.1%**
Financial Prudential Standards	**40%**	**23.1%**	**20.7%**
Operational Standards	**20%**	**16.6%**	**16%**
Overall Score		**81.7%**	**75.8%**
PSGRS Rating		**A**	**B+**

Business of the Infrastructure Development Bank of Zimbabwe (IDBZ) Group
The Group is involved in the provision of infrastructure financing and resource mobilization. It also provides short and medium term loan products and advisory services to complement its core mandate.

General Policy Directions of the Minister
In terms of Section 9A(1) of the IDBZ Act, the Minister of Finance and Economic Development may give the Board general directions regarding the policy it is to observe in the exercise of its functions, and the Board shall take all necessary steps to comply with every such direction.

Section 9A(3) requires the Board to set out in its annual report, the terms of every direction given to it in terms of this provision by the Minister and any views or comments the Board expressed on such direction.

During the period under review there were no general directions of a policy nature given to the IDBZ by the Minister.

Authorized and Issued Share Capital

Ordinary Share Capital
The authorized share capital of the Bank remained at 15,000,000 ordinary shares with a nominal value of US$0.01 each whilst the issued ordinary share capital also remained constant at 2,449,045 shares with a nominal value of US$0.01 each.

Preference Share Capital
The Bank has issued preference shares totaling 382,830 with a nominal value of US$100.00 per share. The non-cumulative, non-redeemable preference shares were issued paid up to Government of Zimbabwe and carry a 5% dividend payable out of distributable profits.

Investments
As at the year end, the Group had the following sizeable investments:

Subsidiaries

Zimbabwe Development Fund Trust	-100%
Waneka Properties (Private) Limited	-70%
Manellie Investments (Private) Limited	-100%
Norton Medical Investments (Private) Limited	-60%
Poundstone Investments (Private) Limited	-100%

Associates

Africom Continental (Private) Limited	-33.21%
Chengetedzai Depository Company Limited	-15%

Financial Results for the year
The results for the year are fully dealt with in the financial statements forming part of the Annual Report.

Dividends
The Directors do not recommend a dividend owing to the loss recorded for the year ended 31 December 2015.

Corporate Governance and Performance Monitoring System
The Bank fully complied with the corporate governance and performance monitoring system established by Government for implementation by State Enterprises and Parastatals ("SEPs"). The framework requires these entities to submit half yearly reports to Government through their parent Ministries.

Compliance with the Corporate Governance Framework ("CGF") for State Enterprises and Parastatals
The Bank substantially complied with provisions of the Corporate Governance Framework for State Enterprises and Parastatals. The areas of non-compliance were predominantly in section 3 of the CGF which deals with Board of Directors and Senior Management where compliance was internally rated at 67% against the overall compliance rating of 82%.

Going concern
The financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

Over and above the equity capital of US$28 million as at 31 December 2015, Government has made a commitment to inject an additional capital of US$20 million on the basis of which the Group will be undertaking a rights issue during the first half of the year 2016 to raise approximately US$23 million.

Accordingly, and taking into account the Group future business prospects presented by the scope, breadth and width of the IDBZ's mandate, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern in the foreseeable future.

DIRECTORS' REPORT (Cont'd)

Subsidiary and Associate companies
Information regarding the Group's subsidiary and associate companies is given in notes to the financial statements.

Directorate
Mr. Charles Chikaura retired from the Board following the expiry of his contract on 31 August 2015. The Board appointed Mr. Thomas Zondo Sakala as Chief Executive Officer and executive director on the IDBZ Board Directors. The Minister is considering recommendations from the Board regarding the regularization of the board composition to fully comply with section 4(2) of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) whilst ensuring substantial compliance with the Corporate Governance Framework for State Enterprises and Parastatals.

Directors' interest in Infrastructure Development Bank of Zimbabwe
During the year, no Director held either directly or indirectly any interest in the share capital of the Infrastructure Development Bank of Zimbabwe.

Directors' emoluments
Directors' emoluments are disclosed in the notes to the financial statements.

Interest of Directors and Officers
During the financial year, no contracts were entered into in which Directors or Officers of the IDBZ had an interest which significantly affected the business of the Group.

The Directors had no interest in any third party or company responsible for managing any of the business activities of the IDBZ.

Auditors
Shareholders will be asked to approve the remuneration of the Auditors for the year ended 31 December 2015.

The Directors' Report is made in accordance with a Resolution of the Board.

W L Manungo
Chairman

21 June 2016

Thomas Zondo Sakala
Chief Executive Officer

21 June 2016

DIRECTORS' RESPONSIBILITY STATEMENT

Financial statements for Infrastructure Development Bank of Zimbabwe

The directors are responsible for the preparation and integrity of the financial statements and other information contained in this Annual Report.

To enable the directors to meet these responsibilities, systems of accounting and internal controls are maintained that are aimed at providing reasonable assurance that assets are safeguarded and that the risk of error, fraud or loss is controlled in a cost effective manner. The group's Internal Audit function, which has unrestricted access to the Audit Committee regularly, evaluates these systems and makes recommendations for improvements where necessary.

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and the directors are of the opinion that they fairly present the results of operations for the year and the financial position of the company at the year end.

The financial statements have been prepared on the going concern basis and the board has no reason to believe, based on available information and cash resources, that it is not appropriate.

The responsibility of the independent auditors is to report on the financial statements. Their report to the members is set out on pages 34 of this report.

The financial statements were approved by the Board of Directors on 21 June 2016 and are signed on its behalf by the Chairman and Chief Executive Officer.

W L Manungo
Chairman

21 June 2016

Thomas Zondo Sakala
Chief Executive Officer

21 June 2016

BOARD AND MANAGEMENT

BOARD OF DIRECTORS

Mr. Willard L Manungo BOARD CHAIRMAN	**Mr. Thomas Zondo Sakala** CHIEF EXECUTIVE OFFICER	
Eng. Vavarirai H Choga NON EXECUTIVE DIRECTOR	**Eng. Nelson Kudenga** NON EXECUTIVE DIRECTOR	**Rtd. Col. Joseph Mhakayakora** NON EXECUTIVE DIRECTOR
Mrs. Margaret M Sangarwe NON EXECUTIVE DIRECTOR	**Mr. Charles S Tawha** NON EXECUTIVE DIRECTOR	**Dr. Shadreck S Mlambo** NON EXECUTIVE DIRECTOR

CORPORATE MANAGEMENT

	Mr. Thomas Zondo Sakala CHIEF EXECUTIVE OFFICER	
Mr. Cassius Gambinga DIRECTOR – FINANCE	**Mr. Desmond Matete** DIRECTOR – INFRASTRUCTURE PROJECTS	**Mr. Philip Tadiwa** ACTING DIRECTOR – CORPORATE SERVICES & HR
Mr. Reggie Dangarembwa CORPORATE BANKING UNIT	**Mr. Norbert Mutasa** CREDIT & OPERATIONS UNIT	**Mr. Kennias Kanguru** BANK SECRETARY






FINANCIAL RESULTS

Deloitte.

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE

We have audited the consolidated financial statements of Infrastructure Development Bank of Zimbabwe and its subsidiaries ("the Group") as set out on pages 35 to 85, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 financial position of Infrastructure Development Bank of Zimbabwe as at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have, in all material respects, been prepared properly in compliance with the disclosure requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14).

Emphasis of Matter

Without qualifying our opinion, we draw attention to parts (b) and (c) of note 34, which discuss the following contingencies within the Group:

- The Group acquired properties valued at US$1,200,000 in lieu of loan exposures from clients in prior financial years. These clients were subsequently placed under judicial management and liquidation before the process of transferring title of the property to IDBZ could be completed. The Group maintains that it has a valid claim over this property, and that it should not be included as part of the liquidation process in terms of the insolvency laws. Refer to note 34 (b).
- As at 31 December 2015, the Group was involved in a litigation case involving a company in the petroleum industry which contended that the Group should honour a purported guarantee of US$847,848 issued in favour of a third party. On conclusion of trial at the High Court of Zimbabwe, judgement was entered against the Infrastructure Development Bank of Zimbabwe on 15 April 2016. The Group has filed an appeal to the Supreme Court, which has resulted in a staying of execution of the High Court Judgement. Refer to note 34 (c).

Deloitte & Touche

Deloitte & Touche
Harare, Zimbabwe

24 June 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		CONSOLIDATED	
		2015	**2014**
	Note	**US$**	**US$**
ASSETS			
Cash and bank balances	6	17 525 187	21 992 245
Investment securities	7	13 563	8 164
Financial assets at fair value through other comprehensive income	8	6 969 069	6 253 655
Held-to-maturity investments	9	8 217 175	2 804 776
Non-current assets held for sale	10	341 458	-
Loans and advances to customers	11	69 585 374	51 207 991
Trading assets pledged as collateral	11.2	8 873 706	17 839 181
Other receivables and prepayments	12	2 061 786	2 642 327
Investment in associates	13.4	1 372 760	1 601 291
Inventories	14	2 183 684	2 750 854
Investment property	15	10 299 887	11 942 500
Intangible assets	16	18 701	209 118
Property and equipment	17	3 224 705	3 539 314
Total assets		130 687 055	122 791 416
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits from customers	21	48 607 918	51 778 720
Foreign lines of credit	22	-	8 618 656
Local lines of credit and bonds	23	46 629 735	25 994 146
Other liabilities	24	7 381 101	4 096 971
Total liabilities		102 618 754	90 488 493
EQUITY			
Share capital	18	24 490	24 490
Share premium	18	9 171 552	9 171 552
Non distributable reserve	19	(22 373 613)	(22 373 613)
Preference share capital	20	38 283 003	38 283 003
Fair value reserve		3 016 913	1 960 041
(Accumulated loss)/retained earnings		(531 474)	4 766 651
Equity attributable to equity owners of the Group		27 590 871	31 832 124
Non-controlling interest in equity		477 430	470 799
Total shareholders' equity		28 068 301	32 302 923
Total equity and liabilities		130 687 055	122 791 416

These financial statements were approved by the Board of Directors and signed on their behalf by:

Willard L. Manungo
(Chairman of the Board)

Thomas Zondo Sakala
(Chief Executive Officer)

Date: 21 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2014 US$
Interest and related income	25.1	11 360 979	9 942 938
Interest and related expense	25.2	(6 388 358)	(6 332 430)
Net interest income		4 972 621	3 610 508
Property sales	26	1 155 000	-
Cost of sales	26.1	(1 092 108)	-
Gross profit		62 892	-
Fee and commission income	27	1 682 833	2 834 203
Net losses on financial assets at fair value through profit or loss	28	(797)	(687)
Dividend income		16 669	15 068
Revenue		6 734 218	6 459 092
Other income	29	670 338	1 852 867
Loan impairment charge	11.1	(720 613)	(807 874)
Fair value loss on investment property	30	(1 842 268)	(147 497)
Net foreign exchange gains	31	473 760	2 967 375
Operating expenses	32	(10 140 127)	(9 539 733)
Share of loss of associate	13.4.3	(228 530)	(291 289)
(Loss)/profit for the year		(5 053 222)	492 941
Other comprehensive income			
Items that may be reclassified to profit and loss			
Net fair value gain on financial assets at fair value through other comprehensive income	8	1 056 872	384 859
Total comprehensive (loss)/income for the year		(3 996 350)	877 800
(Loss)/profit for the year attributable to:			
Equity holders of the parent entity		(5 059 853)	484 301
Non-controlling interest		6 631	8 640
		(5 053 222)	492 941
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent entity		(4 002 981)	869 160
Non-controlling interest		6 631	8 640
		(3 996 350)	877 800
(Loss)/earnings per share attributable to the equity holders of the Bank during the year (expressed in US cents per share)			
Basic and diluted (loss)/earnings per share from (loss)/ profit for the year attributable to equity holders (US cents)	33	(207)	20

FOR THE YEAR ENDED 31 DECEMBER 2015

	Ordinary share capital US$	Share premium US$	Non distributable reserve US$	Preference share capital US$	Fair value reserve US$	Retained earnings US$	Total before non-controlling interest US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2015	24 490	9 171 552	(22 373 613)	38 283 003	1 960 041	4 766 651	31 832 124	470 799	32 302 923
Loss for the year	-	-	-	-	-	(5 053 222)	(5 053 222)	6 631	(5 046 591)
Other comprehensive income:									
Net fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	1 056 872	-	1 056 872	-	1 056 872
Transactions with owners of the Group:									
Dividend declared	-	-	-	-	-	(244 903)	(244 903)	-	(244 903)
Balance as at 31 December 2015	24 490	9 171 552	(22 373 613)	38 283 003	3 016 913	(531 474)	27 590 871	477 430	28 068 301
Balance as at 1 January 2014	24 490	9 171 552	(22 373 613)	-	1 575 182	4 782 329	(6 820 060)	462 159	(6 357 901)
Profit for the year	-	-	-	-	-	484 301	484 301	8 640	492 941
Other comprehensive income:									
Net fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	384 859	-	384 859	-	384 859
Transactions with owners of the Group:									
Issue of preference shares	-	-	-	38 283 003	-	-	38 283 003	-	38 283 003
Dividend declared	-	-	-	-	-	(499 979)	(499 979)	-	(499 979)
Balance as at 31 December 2014	24 490	9 171 552	(22 373 613)	38 283 003	1 960 041	4 766 651	31 832 124	470 799	32 302 923

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2014 US$
Cash flow from operating activities			
(Loss)/ profit for the year		(5 053 222)	492 941
Adjustments for:			
-Depreciation	17	256 988	505 418
-Amortisation	16	190 417	263 922
-Loan impairment charge	11.1	720 613	807 874
-Sundry debtors impairment		(290 771)	-
-Net unrealised losses from translation of foreign currency balances	31	3 914	2 855
-Loss /(profit) on disposal of property and equipment		46 588	(79 766)
-Profit on disposal of investment property	30	(1 000)	(59 693)
-Unrealised fair value loss on investment property	15	1 843 268	207 190
-Non-cash interest expense on foreign lines of credit		-	1 176 958
-Provisions and accruals		52 108	(46 815)
-Net loss on financial assets measured at fair value through profit and loss		797	(2 804 089)
-Share of loss of associate	13.4	228 530	291 289
-Other non cash items		-	4 691
		(2 001 770)	762 775
Changes in:			
- Loans and advances to customers		(18 451 751)	7 238 685
- Trading assets pledged as collateral		8 965 475	(5 345 063)
- Other receivables and prepayments		(455 876)	(489 327)
- Inventories		(432 130)	4 124
- Deposits from customers		(3 170 802)	15 614 002
- Other liabilities		(564 174)	(682 084)
Net cash (used in)/generated from operating activities		(16 111 028)	17 103 112
Cash flow from investing activities			
Acquisition of property and equipment	17	(37 229)	(29 187)
Proceeds from sale of property and equipment		48 245	72 274
Proceeds from sale of investment property		116 000	258 043
Net cash generated from investing activities		127 016	301 130
Cash flow from financing activities			
Payment of dividends		(499 979)	(499 979)
Repayment of foreign lines of credit	22	(8 618 656)	(1 086 873)
Proceeds from issue of bonds	23	38 140 299	15 618 000
Repayment of bonds	23	(20 968 561)	(14 237 599)
Increase in local lines of credit	23	3 463 851	1 508 378
Net cash generated from financing activities		11 516 954	1 301 927
Net (decrease)/increase in cash and cash equivalents		(4 467 058)	18 706 169
Cash and cash equivalents at 1 January		21 992 245	3 286 076
Cash and cash equivalents at 31 December	6	17 525 187	21 992 245

FOR THE YEAR ENDED 31 DECEMBER 2015

1 COMPANY AND GROUP PROFILE AND PRINCIPAL ACTIVITIES

The Infrastructure Development Bank of Zimbabwe (“IDBZ” or the “Bank”) is a development financial institution which is incorporated and domiciled in Zimbabwe under the IDBZ Act (Chapter 24:14). The address of the Bank’s registered office is IDBZ House, 99 Rotten Row, Harare, Zimbabwe. IDBZ and its subsidiaries (together the “Group”) are primarily involved in mobilising and providing finance for infrastructure development activities and management of infrastructure development projects.

The consolidated financial statements were approved by the directors on 21 June 2016.

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 and presentation

The Group’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and in the manner required by the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14). The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets at fair value through profit or loss or other comprehensive income and investment properties measured under the fair value model.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.24.

2.1.1 New accounting policies adopted

2.1.2 Amendments to IFRSs mandatorily effective at the end of the reporting period with no material effect on the reported amounts and disclosures in the current period or prior period IAS 19 Employee Benefits (amended June 2011, effective annual periods beginning on or after July 2014)

Amended IAS 19 Employee Benefits with revised requirements for pensions and other post-retirement benefits, termination benefits and other changes. The key amendments included:

- requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of re-measurements in other comprehensive income, plan amendments,curtailments and settlements (eliminating the ‘corridor approach’ permitted by the existing IAS 19)
- introducing enhanced disclosures about defined benefit plans modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits
- clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features incorporating other matters submitted to the IFRS Interpretations Committee.

<u>Annual Improvements 2010-2012 Cycle (applicable to annual periods beginning on or after 1 July 2014, effective financial reporting periods beginning on or after July 2014)</u>

Made amendments to the following standards:

- IFRS 2 — Amended the definitions of ‘vesting condition’ and ‘market condition’ and adds definitions for ‘performance condition’ and ‘service condition’
- IFRS 3 — Required contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Required disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarified that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarified that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount IAS 24 — Clarify how payments to entities providing management services are to be disclosed

<u>Annual Improvements 2011-2013 Cycle (applicable to annual periods beginning on or after 1 July 2014, effective financial reporting periods beginning on or after July 2014)</u>

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

Made amendments to the following standards:

- IFRS 1 — Clarified which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- IFRS 3 — Clarified that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 — Clarified the scope of the portfolio exception in paragraph 52
- IAS 40 — Clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

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

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

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

2.1.5 New, revised and amended IFRSs in issue, but not yet mandatorily effective at the end of the reporting period and not yet adopted IFRS 9 Financial Instruments (issued November 2009, no stated effective date)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances);
- investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss;
- all other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss; and
- the concept of 'embedded derivatives' does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The future application of this IFRS will not have a material impact on the Company's financial statements.

<u>IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (2013) (issued November 2009, no stated effective date)</u>

A revised version of IFRS 9 which:

- introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own risk can be presented in other comprehensive income rather than within profit or loss
- removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

The future application of this IFRS will not have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments (issued July 2014, effective annual periods beginning on or after 1 January 2018, early application permitted)

This is a finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment

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of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The future application of this IFRS is not expected to have a material impact on the Company's financial statements.

IFRS 14 Regulatory Deferral Accounts (applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016, issued January 2014, effective annual periods beginning on or after 1 January 2016, early application permitted)

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The future application of this IFRS will not have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers (issued May 2014 and applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018, early application permitted)

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts; and
- recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets to Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The future application of this IFRS will result in the Company disclosing sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Accounting for Acquisitions of Interests in Joint Operations (issued May 2014, applicable to annual periods beginning on or after 1 January 2016)
Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38, applicable to annual periods beginning on or after 1 January 2016)

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated;

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- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Agriculture: Bearer Plants (amendments to IAS 16 and IAS 41, applicable to annual periods beginning on or after 1 January 2016)
Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to:

- include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16;
- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales; and
- clarify that produce growing on bearer plants remains within the scope of IAS 41.

Equity Method in Separate Financial Statements (amendments to IAS 27, applicable to annual periods beginning on or after 1 January 2016)
Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28, applicable on a prospective basis to a sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016)

Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations); and
- requires the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Annual Improvements 2012-2014 Cycle (applicable to annual periods beginning on or after 1 July 2016)
Makes amendments to the following standards:

- IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued;
- IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements;
- IAS 9 — Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid;
- IAS 34 — Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

Disclosure Initiative (amendments to IAS 1, effective for annual periods beginning on or after 1 January 2016)
Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Investment Entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28, effective for annual periods beginning on or after 1 January 2016)
Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's subsidiaries 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 functional and presentation currency of the Group.

(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 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 profit and loss and other comprehensive income.

All foreign exchange gains and losses are presented in the statement of profit and loss and other comprehensive income within net foreign exchange gains or losses.

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.Control is achieved when the Group:

- has power over the investee;
- is exposed,or has rights,to variable returns from its involvemnent with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to on or more of the three elements of control listed above.

When the Group has less that a majority of the voting rights of the investee,it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group,other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has,or does not have, the current ability to direct the relevant activities at the time that decisions need to be made,including voting patterns at previous shareholders' meetings.

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.

Acquisition-related costs are expensed as incurred. 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

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

2.3 Consolidation (Cont'd)

the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date 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 remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group entities are eliminated. Profits or losses resulting from transactions with Group entities that are recognised in assets 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. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(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) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the statement of comprehensive income.

Profits or losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising in investments in associates are recognised in the statement of comprehensive income.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2.5 Financial assets and liabilities

2.5.1 Financial assets

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) Investment securities

Investment securities are financial assets held for trading. A financial asset is classified 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. Assets in this category are classified as current assets.

b) Loans and advances to customers

Loans and advances to customers 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.

Loans and advances 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 advances are stated net of impairment.

Impairment allowance on loans and advances to customers

Impairments are held in respect of loans and advances. 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 cost 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 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. 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.

Impairment allowances are applied to write-off loans and 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 statement of comprehensive income.

Non-performing loans

Interest on loans and advances is accrued 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' accounts but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position.

c) Net fair value gain on financial assets at fair value through other comprehensive income

Net fair value gain on financial assets at fair value through other comprehensive income are non-derivatives that are either designated in this category or not classified in any of the other categories.

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2.5 Financial assets and liabilities (Cont'd)

2.5.1 Financial assets (Cont'd)

d) Held-to-maturity financial assets

If the Group has the positive intent and ability to hold financial securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

2.5.2 Financial liabilities

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

a) Customer deposits

Customer deposits are recognised initially at fair value, net of transaction costs incurred. Deposits are subsequently shown at amortised costs using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income.

b) Lines of credit and bonds

Lines of credit are recognised initially at fair value, net of transaction costs incurred. Lines of credit 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 that there is no evidence that is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.5.3 Recognition and measurement

Regular purchases and sales of financial assets are recognised or derecognised 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 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. Financial assets at fair value through profit or loss and financial assets available for sale are subsequently carried at fair value. Loans and receivables are subsequently 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 in the period in which they arise. Dividend income from financial assets at fair value through profit or loss 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 financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

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 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 financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

When securities classified as financial assets at fair value through other comprehensive income 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'. Dividends on available-for-sale equity investments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

2.5 Financial assets and liabilities (Cont'd)

2.5.3 Recognition and measurement (Cont'd)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), 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.

2.5.4 Categories of financial instruments

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

<table>
<tr><th colspan="2">Category (as defined by IAS 39) Financial Instruments: Recognition and Measurement</th><th colspan="2">Class (as determined by the Group)</th><th>Subclasses (as determined by the Group)</th></tr>
<tr><td rowspan="9">Financial assets</td><td rowspan="2">Financial assets at fair value through profit or loss</td><td colspan="2" rowspan="2">Financial assets held for trading</td><td>Equity securities listed on the Zimbabwe Stock Exchange</td></tr>
<tr><td>Bankers' acceptances</td></tr>
<tr><td rowspan="6">Loans and receivables</td><td colspan="3">Balances with other banks and cash</td></tr>
<tr><td colspan="3">Loans and advances to other banks</td></tr>
<tr><td rowspan="4">Loans and advances to customers</td><td>Loans to Individuals</td><td>Staff loans</td></tr>
<tr><td rowspan="3">Loans to corporate entities</td><td>Large corporate customers</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Bankers' acceptances</td></tr>
<tr><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td></td><td>Financial assets at fair value through other comprehensive income financial assets</td><td colspan="2">Investment securities - equity securities</td><td>Unlisted equity securities</td></tr>
<tr><td></td><td colspan="4"></td></tr>
<tr><td rowspan="7">Financial liabilities

Contingent liabilities and commitments</td><td rowspan="5">Financial liabilities at amortised cost</td><td colspan="3">Deposits from other banks</td></tr>
<tr><td colspan="3">Lines of credit and bond</td></tr>
<tr><td colspan="2" rowspan="3">Customers deposits</td><td>Large corporate customers</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Individuals</td></tr>
<tr><td colspan="4">Loan commitments</td></tr>
<tr><td colspan="4">Guarantees and letters of credit</td></tr>
</table>

2.5.5 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 realise the asset and settle the liability simultaneously.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 Financial assets and liabilities (Cont'd)

2.5.6 Impairment of financial assets

a) Assets carried at amortised cost

The Group assesses at each statement of financial position 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 impairments are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, defaults or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate of measuring any impairment is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instruments' fair value using an observable market price.

If, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment is recognised in the statement of comprehensive income.

b) Assets classified as financial assets at fair value through other comprehensive income

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to above. In the case of equity investments classified as financial assets at fair value through other comprehensive income, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. impairment recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If in a subsequent period, the fair value of a debt instrument classified as financial assets at fair value through other comprehensive income increases and the increase can be objectively related to an event occurring after the impairment was recognised in the statement of comprehensive income, the impairment is reversed through the statement of comprehensive income.

2.6 Income taxes

All the receipts and accruals of the Group are exempt from income tax in terms of paragraph 2 of the Third Schedule of the Zimbabwe Income Tax Act (Chapter 23:06) and by virtue of Section 10 of the Zimbabwe Capital Gains Tax Act (Chapter 23:01) from capital gains tax. The Group is exempted from deferred tax as a result of the above.

2.7 Other receivables

Other receivables and prepayments 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.

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

2.8 Inventories

Inventories comprise substantially of properties under construction, for development and completed units. All inventories are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)
2.5 Inventories (Cont'd)

2.8.1 Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows: The cost or fair value of properties under development for sale comprises specifically identified cost, including the acquisition cost of land or fair value as it relates to land received as part of a government grant, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised . Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

2.8.2 Completed property held for resale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.9 Investment property

Property that is held for long-term rental yields or for capital appreciation or both; and that is not occupied by the entities in the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices in less active markets or discounted cash flow projections. Valuations are performed as at the statement of financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

These valuations form the basis for the carrying amounts in the consolidated financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement of property under construction is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project/property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- Past experience with similar constructions;
- The development risk specific to the construction; and
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and cost of the item can be measured reliably. All other

repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those rational market participants would take into account when determining the value of the investment property. policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

Changes in fair value are recognised in the statement of comprehensive income. Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no economic benefit is expected from its disposal.

Where the Group disposes of an investment property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net gain from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of the transfer is treated in the same way as revaluation under IAS 16, 'Property, Plant and Equipment'. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to statement of comprehensive income.

2.10 Property and equipment

Recognition and measurement

Items of property and equipment, are measured at historical cost less accumulated depreciation and impairment.

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the cost of dismantling the asset and removing items and restoring 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 as separate items (major components) of property and equipment.

The cost of replacing part of an item of property 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. The cost of the day to day servicing of property and equipment is recognised in the statement of comprehensive income as incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line basis to allocate their cost to their residual values over their useful lives.

Buildings	30 years
Motor vehicles	4 - 5 years
Office equipment	3 years
Furniture and fittings	3 - 10 years
Computer hardware	3 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains or losses on disposals are determined by comparing the proceeds, with the carrying amount and are recognised in the statement of comprehensive income.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.11 Intangible assets

Software licences
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 on the basis of the expected useful lives. Software has a maximum expected useful life of 4 years.

Amortisation
Computer software costs recognised as intangible assets are amortised on the straight-line basis over their estimated useful lives.

2.12 Impairment of non-financial assets
Assets that have an indefinite useful life - for example, intangible assets not ready to use - 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 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 flows ("cash-generating units").

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax from the proceeds.

Preference share capital
Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

2.14 Provisions
Provisions are recognised when the Group 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 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 specific 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 and bonus.

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

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.16 Leases

Group as lessor

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. The outstanding principal amounts less unearned finance charges, are included in advances to customers in the statement of financial position.

The finance charges earned are computed at the effective interest rate in the contracts and are brought into income in proportion to balances outstanding under each contract. The unearned portion of finance charges is shown as a deduction from loans and advances. The Group has no finance leases during the reporting period ended 31 December 2015 (2014:US$ nil).

Group as lessee

Leases of assets under which the lessor effectively retains all the risks and rewards incidental to ownership 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.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of lease.

2.17 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).

2.18 Related parties

Related party transactions and outstanding balances with key management and other entities in the Group are disclosed.

2.19 Revenue recognition

Revenue is derived substantially from the business of banking, project advisory services and related activities and comprises net interest income and non-interest income. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the group activities as described below.

The Group bases its estimate of return on historical results taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

2.19.1 Net interest income

Interest income and expenses are recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liabilities to the carrying amount of the financial asset or liabilities. 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. Net interest income excludes fair value adjustments on interest-bearing financial instruments. Fair value adjustments on financial instruments are reported under other income.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and 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 or disposal of a financial asset or liability.

2.19.2 Non-interest income

Non-interest income includes advisory and arrangement fees, net revenue from foreign exchange trading and net gains on the realisation or revaluation of investment properties. All such commissions and fees including service fees, investment management fees, placement and syndication fees are recognised as the related services are performed.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.19 Revenue recognition (Cont'd)

2.19.3 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.

2.19.4 Rental income

Rental income from the investment property is accounted for on an accrual basis.

2.19.5 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grant will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.19.6 Property sales

Gross profit arising from the sale of property is recognised on legal completion of the sale.

2.20 Employee benefits

2.20.1 Pension scheme

The Group subscribes to the Infrastructure Development Bank of Zimbabwe's group pension scheme, a defined contribution plan. A defined contribution plan, is a plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions should the fund at any time not hold sufficient assets to pay all employees the benefits relating to their service in the current and prior periods. The Group's obligations for contributions to this group scheme are recognised as an expense in the statement of comprehensive income as they are incurred.

2.20.2 Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense 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. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.20.3 Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.21 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. The diluted EPS figure is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of outstanding shares for the effects of all potentially dilutive ordinary shares.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

2.22 Dividend distribution

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

2.23 Fiduciary activities

The Group manages, on behalf of the Ministry of Finance and Economic Development, loan (and collection thereof) and fiscal funding disbursements to implementing agencies for infrastructure projects.

The assets and income arising thereon are excluded from these consolidated financial statements as they are not assets of the Group.

2.24 Critical accounting estimates and key sources of estimation uncertainty

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

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition seldom equal the related actual results. The estimates and assumptions that have a significant risk of carrying a material adjustment to the carrying amount of assets and liabilities within the next financial year addressed below:

2.24.1 Critical accounting judgement in applying accounting policies

Impairment on loans and advances

The Group reviews its loan portfolio to assess impairment at least monthly. In determining whether an impairment should be recorded in the statement of profit and loss, the Group makes judgments as to whether there is measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with 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. For specific impairment the expected cash flows are discounted using the original effective interest rate when the loan was granted.

2.24.2 Key sources of estimation uncertainty

Impairment of financial assets at fair value through other comprehensive income

The Group determines that available-for-sale financial assets are impaired when there is a significant or prolonged decline in the fair value below its costs. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

2.24.3 Useful lives and residual values of property and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges of its property and equipment. The estimate is based on projected life cycles for these assets. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned.

2.24.4 Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market observable data to the extent that it is available. Where this is not available, the Group uses third party qualified valuers to perform the valuation.

2.24.5 Going concern

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 the consolidated financial statements. Additional information on the going concern assumption is disclosed in note 38.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

3 RISK MANAGEMENT

3.1 Risk Management Policies

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including fair value interest rate risk, cash flow interest rate risk, foreign exchange risk, and price risk).

Risk management is a key function of management. The dynamism characterising the financial services sector has increased the importance of risk management. The Group has put in place a risk management framework to identify the type and areas of risk and to measure and assess all risks to enable management to make sound judgements and decisions and thereby limit losses.

The Board of Directors has overall responsibility for setting policies for risk management. The implementation and monitoring of the risk policies is through appropriate risk management structures with delegated authority from the Board. The Risk Management and Compliance Department independently monitors risk throughout the Group according to set risk policies and provides advice and support on compliance matters. The Group manages risk within applicable laws. Each department is responsible for ensuring that its conduct complies with all the applicable laws and regulations.

In addition, the Group Internal Audit Department is responsible for independent review of risk management and control environment; and the Group Legal Department provides advice and support on legal matters. A Risk Management Committee has been set at Board level and it consists of non-executive directors level to ensure importance of the function is emphasized at a higher level.

3.2 Credit risk

Credit risk is the possibility of loss arising from the inability of a client or a counter party to meet its commitments to the Group. It is inherent in most banking products and activities. Credit risk management and control within the Group is guided by the Group's credit policy. The credit policy outlines procedures for accurate assessment, proper approval and consistent monitoring of credit risk.

The Group manages credit exposure to any entity through credit limits. A credit limit is set for each customer after assessment of the financial strength of the customer and assessment of other qualitative factors which influence the performance of the customer. The Group has in place a management credit committee that assesses credit proposals and exercise credit approval authority, up to a set limit. Approval of credit at higher levels requires the approval of the Board.

Individual loans are reviewed continuously through monthly reassessment of the credit grading so that problems can be detected and managed at an early stage. Periodic reassessment is also done based on management information received. Impairment allowances are adjusted monthly in line with the reassessed credit grades.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. The Group monitors the credit performance of customers on the utilised balances to minimise potential losses on the unutilised balances.

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

Credit risk exposure relating to on-balance sheet assets are as follows:	**Maximum Exposure 31 Dec 2015 US$**	**Maximum Exposure 31 Dec 2014 US$**
Cash and cash equivalents	17 525 187	21 992 245
Held-to-maturity investments	8 217 175	2 804 776
Gross loans and advances to customers	72 551 482	59 628 527
Trading assets pledged as collateral	8 873 706	17 839 181
Other receivables and prepayments	2 890 779	3 346 655
	110 058 329	105 611 384
Credit risk exposure relating to off-balance sheet assets are as follows:		
Loan commitments	12 321 329	13 945 481
Financial guarantees	-	2 859 083
Maximum exposure to credit risk	122 379 658	122 415 948

Financial guarantees. Financial guarantees principally represent guarantees that require the Group to make certain payments if guarantee holders fail to meet their financial obligations. There was no potential obligation resulting from these guarantees as at December 31, 2015 (December 31, 2014:US$2.9 million).

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

The credit risk exposure remained the same compared to the year ended 31 December 2014.

3 RISK MANAGEMENT (Cont'd)

3.2 Credit risk (Cont'd)

There is no significant risk with respect to cash and cash equivalents as the Group holds bank accounts with large financial institutions with sound financial and capital cover. The fair value of cash and cash equivalents at the reporting date approximates the carrying amount.

Loans and advances (including trading assets pledged as collateral) are summarised as follows:	2015 US$	2014 US$
Neither past due nor impaired	76 998 392	55 957 164
Past due but not impaired	105 575	1 146 171
Individually impaired	4 321 220	20 364 373
Gross	81 425 187	77 467 708
Less: allowance for impairment	(2 966 108)	(8 420 536)
Net	78 459 079	69 047 172

3.3 Liquidity risk

Liquidity risk is the possibility that the Group may fail to cover its financial obligations as they fall due. The risk arises as a result of mismatches between the maturities of assets and liabilities.

Management manages liquidity risk through cash flow and maturity mismatch management. They meet regularly to set and review the Group's strategies. The treasury department has the responsibility to implement and maintain a liquidity management strategy to ensure that the Group has sufficient liquidity to meet its daily liquidity obligations .

The Group has developed a comprehensive contingency liquidity plan to ensure that the Group does not get affected in case of a major market upset.

The Group uses the following strategies in its liquidity risk management:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- Maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements;
- Diversification of liabilities to achieve a stable funding base and avoid excessive reliance on any one counter party;
- Maturity mismatch limits for its cumulative funding positions; and
- Access to inter-bank markets.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

3 RISK MANAGEMENT (Cont'd)

3.3 Liquidity risk (Cont'd)

Contract maturity analysis

Sources of liquidity are regularly reviewed by a separate team in Treasury function to maintain a wide diversification by provider, product and term.

AS AT 31 DECEMBER 2015	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Total US$
Assets						
Cash and cash equivalents	17 525 187	-	-	-	-	17 525 187
Investment securities	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	6 969 069	6 969 069
Non-current assets held for sale	-	-	-	341 458	-	341 458
Loans and advances to customers	8 225 586	1 109 657	-	275 480	59 974 651	69 585 374
Trading assets pledged as collateral	-	8 873 706	-	-	-	8 873 706
Other receivables and prepayments	-	2 061 786	-	-	-	2 061 786
Total	25 750 773	12 045 149	-	616 938	66 943 720	105 356 580
Liabilities						
Deposits from customers	33 884 119	5 375 976	9 347 823	-	-	48 607 918
Local lines of credit	5 457 416	-	5 401 387	5 401 387	30 369 545	46 629 735
Other liabilities	7 381 101	-	-	-	-	7 381 101
Total	46 722 636	5 375 976	14 749 210	5 401 387	30 369 545	102 618 754
Gap	(20 971 863)	6 669 173	(14 749 210)	(4 784 449)	36 574 175	2 737 825
Contingent liabilities:						
Loan commitments	12 321 329	-	-	-	-	12 321 329
Total gap	(33 293 192)	6 669 173	(14 749 210)	(4 784 449)	36 574 175	(9 583 504)
Total cumulative gap	(33 293 192)	(26 624 020)	(41 373 229)	(46 157 679)	(9 583 504)	-

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

3 RISK MANAGEMENT (Cont'd)

3.3 Liquidity risk (Cont'd)

AS AT 31 DECEMBER 2014	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Total US$
Assets						
Cash and cash equivalents	21 992 245	-	-	-	-	21 992 245
Investment securities	8 164	-	-	-	-	8 164
Financial assets at fair value through other comprehensive income	-	-	-	-	6 253 655	6 253 655
Held-to-maturity investments	-	-	-	-	2 804 776	2 804 776
Loans and advances to customers	4 512 310	479 147	-	15 235 398	30 981 136	51 207 991
Trading assets pledged as collateral	-	17 839 181	-	-	-	17 839 181
Other receivables and prepayments	-	2 642 327	-	-	-	2 642 327
Total	26 512 719	20 960 655	-	15 235 398	40 039 567	102 748 339
Liabilities						
Deposits from customers	42 844 857	3 433 863	5 500 000	-	-	51 778 720
Foreign lines of credit	-	-	-	8 618 656	-	8 618 656
Local lines of credit	1 993 565	-	1 561 800	9 944 382	12 494 400	25 994 147
Other liabilities	4 096 971	-	-	-	-	4 096 971
Total	48 935 393	3 433 863	7 061 800	18 563 038	12 494 400	90 488 494
Gap	(22 422 674)	17 526 792	(7 061 800)	(3 327 640)	27 545 167	12 259 846
Contingent liabilities:						
Loan commitments	13 945 481	-	-	-	-	13 945 481
Guarantees	2 859 083	-	-	-	-	2 859 083
Total gap	(39 227 238)	17 526 792	(7 061 800)	(3 327 640)	27 545 167	(4 544 718)
Total cumulative gap	(39 227 238)	(21 700 446)	(28 762 246)	(32 089 886)	(4 544 718)	-

3.4 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk is the possibility of loss in the realizable value of assets or increase in the value of liabilities arising from adverse movements in interest rates, foreign exchange rates and share prices.

Interest rate risk arises due to assets and liabilities maturing at different times and thereby necessitating the rollover and re-pricing of liabilities of reinvestment and re-pricing of assets.

The Group uses the following to measure interest rate risk:
- Gap analysis;
- Duration analysis to estimate the loss in market value of the asset portfolio if interest rates move; and
- Rate sensitivity analysis involving calculation of ratios of rate sensitive assets to rate sensitive liabilities, and net rate sensitive assets/liabilities to equity and total assets.

Exchange rate risk arises from foreign currency open positions. The Group manages the risk through limits on the total exposure and through dealer limits.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont’d)

3 RISK MANAGEMENT (Cont’d)

3.4 Market risk

3.4.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly by Management Asset Liability Committee (“MALCO”).

The Group manages interest rate risk through Management Asset and Liability Committee and the strategies used include:

(a) Loan pricing, promotion and product structure;
(b) Deposit pricing, promotion and product structure;
(c) Use of alternative funding sources, including off-balance sheet alternatives to the extent such activity is authorised by the Board; and
(d) Security purchases and sales.

3 RISK MANAGEMENT (Cont'd)

3.4 Market risk (Cont'd)

3.4.1 Interest rate risk

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Interest rate repricing gap analysis

AS AT 31 DECEMBER 2015	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Non interest bearing US$	Total US$
Assets							
Cash and cash equivalents	17 525 187	-	-	-	-	-	17 525 187
Investment securities	-	-	-	-	-	13 563	13 563
Loans and advances to customers	8 225 586	1 109 657	-	275 480	59 974 651	-	69 585 374
Financial assets at fair value through other comprehensive income	-	-	-	-	-	6 969 069	6 969 069
Held-to-maturity investments	-	-	-	-	8 217 175	-	8 217 175
Non-current assets held for sale	-	-	-	-	-	341 458	341 458
Trading assets pledged as collateral	-	8 873 706	-	-	-	-	8 873 706
Other receivables and prepayments	-	-	-	-	-	2 061 786	2 061 786
Investment in associate	-	-	-	-	-	1 372 760	1 372 760
Total assets	25 750 773	9 983 363	-	275 480	68 191 826	10 758 636	114 960 078
Equity and liabilities							
Deposits from customers	33 884 119	5 375 976	9 347 823	-	-	-	48 607 917
Local lines of credit and bonds	5 457 416	-	5 401 387	5 401 387	30 369 545	-	46 629 735
Other liabilities	-	-	-	-	-	7 381 101	7 381 101
Shareholders' equity	-	-	-	-	-	27 984 955	27 984 955
Total equity and liabilities	39 341 535	5 375 976	14 749 210	5 401 387	30 369 545	35 366 056	130 603 708
Total interest repricing gap	(13 590 762)	4 607 386	(14 749 210)	(5 125 907)	37 822 281	(24 607 420)	(15 643 632)
Total cumulative gap	(13 590 762)	(8 983 376)	(23 732 586)	(28 858 493)	8 963 787	(15 643 632)	(31 287 264)

3 RISK MANAGEMENT (Cont'd)

3.4 Market risk (Cont'd)

3.4.1 Interest rate risk (Cont'd)

AS AT 31 DECEMBER 2014	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Non interest bearing US$	Total US$
Assets	21 992 245	-	-	-	-	-	21 992 245
Investment securities	-	-	-	-	-	8 164	8 164
Held-to-maturity investments	-	-	-	-	-	2 804 776	2 804 776
Loans and advances to customers	4 512 310	479 147	-	15 235 398	30 981 136	-	51 207 991
Financial assets at fair value through other comprehensive income	-	-	-	-	-	6 253 655	6 253 655
Trading assets pledged as collateral	-	17 839 181	-	-	-	-	17 839 181
Other receivables and prepayments	-	-	-	-	-	2 642 327	2 642 327
Investment in associate	-	-	-	-	-	1 601 291	1 601 291
Total assets	26 504 555	18 318 328	-	15 235 398	30 981 136	13 310 213	104 349 630
Equity and liabilities							
Deposits from customers	42 844 857	3 433 863	5 500 000	-	-	-	51 778 720
Foreign lines of credit	-	-	-	8 618 656	-	-	8 618 656
Local lines of credit and bonds	1 993 565	-	1 561 800	9 944 382	12 494 400	-	25 994 147
Other liabilities	-	-	-	-	-	4 096 971	4 096 971
Shareholders' equity	-	-	-	-	-	32 302 923	32 302 923
Total equity and liabilities	44 838 422	3 433 863	7 061 800	18 563 038	12 494 400	36 399 894	122 791 417
Total interest repricing gap	(18 333 867)	14 884 465	(7 061 800)	(3 327 640)	18 486 736	(23 089 681)	(18 441 787)
Total cumulative gap	(18 333 867)	(3 449 402)	(10 511 202)	(13 838 842)	4 647 894	(18 441 787)	(36 883 574)

3 RISK MANAGEMENT (Cont'd)

3.4 Market risk (Cont'd)

3.4.2 Interest risk sensitivity analysis

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, and the impact on the Group's statement of comprehensive income. The rates used for the sensitivity are approved by the MALCO.

Interest rate change	Effect on profit for the year 2015 US$	Effect on profit for the year 2014 US$
5% increase or decrease	568 049	497 147
10% increase or decrease	1 136 098	994 294

3.4.2. Foreign exchange risk

The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December.

Concentration of currency risk on off-balance sheet financial instruments as at 31 December was as follows:

AS AT 31 DECEMBER 2015	US$	ZAR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	Euro US$ equivalent	Other US$ equivalent	Total US$
Assets							
Balances with banks and cash	17 456 417	39 814	199	27 659	1 097	-	17 525 187
Investment securities	13 563	-	-	-	-	-	13 563
Loans and advances to customers	69 585 374	-	-	-	-	-	69 585 374
Financial assets at fair value through other comprehensive income	6 969 069	-	-	-	-	-	6 969 069
Trading assets pledged as collateral	8 873 706	-	-	-	-	-	8 873 706
Other receivables and prepayments	2 061 786	-	-	-	-	-	2 061 786
	104 959 915	39 814	199	27 659	1 097	-	105 028 684
Equity and liabilities							
Deposits from customers	48 521 888	59 323	-	26 125	582	-	48 607 918
Foreign lines of credit	135	-	-	-	-	-	135
Local lines of credit and bonds	46 629 735	-	-	-	-	-	46 629 735
Other liabilities	7 381 101	-	-	-	-	-	7 381 101
	102 532 859	59 323	-	26 125	582	-	102 618 889
Net foreign exchange position	2 427 056	(19 509)	199	1 534	515	-	2 409 796

3 RISK MANAGEMENT (Cont'd)

3.4 Market risk (Cont'd)

3.4.2. Foreign exchange risk (Cont'd)

As at 31 December 2014	ZAR US$	BWP US$ equivalent	GBP US$ equivalent	Euro US$ equivalent	Other US$ equivalent	Total US$
Assets						
Balances with banks and cash	21 851 594	107 574	13 676	7 986	11 415	21 992 245
Investment securities	2 812 940	-	-	-	-	2 812 940
Loans and advances to customers	51 207 991	-	-	-	-	51 207 991
Financial assets at fair value through other comprehensive income	6 253 655	-	-	-	-	6 253 655
Trading assets pledged as collateral	17 839 181	-	-	-	-	17 839 181
Other receivables and prepayments	2 642 327	-	-	-	-	2 642 327
	102 607 688	107 574	13 676	7 986	11 415	102 748 339
Equity and liabilities						
Deposits from customers	51 737 494	40 420	-	-	806	51 778 720
Foreign lines of credit	8 618 656	-	-	-	-	8 618 656
Local lines of credit and bonds	25 994 146	-	-	-	-	25 994 146
Other liabilities	4 096 971	-	-	-	-	4 096 971
	90 447 267	40 420	-	-	806	90 488 493
Net foreign exchange position	12 160 421	67 154	13 676	7 986	10 609	12 259 846

The Group had no off balance sheet foreign currency exposure as at 31 December 2015 (31 December 2014 - US$nil).

Foreign exchange risk

The table below indicates the extent to which the Group is exposed to foreign exchange risk as at 31 December 2015.

Exchange rate change

	Effect on profit for the year 2015 US$	Effect on profit for the year 2014 US$
5% appreciation / (depreciation)	975	(3 358)
10% appreciation / (depreciation)	1 951	(6 715)

3.4.2. Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. 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 Group's quoted equity securities are publicly traded on the Zimbabwe Stock Exchange.

Below is a summary of the impact of increases/(decreases) of the equity index on the Group`s profit for the year and on equity. The analysis is based on the assumption that the equity index had increased/(decreased) by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Profit for the year would increase or decrease by US$ 676 (2014: US$408).

4 CAPITAL MANAGEMENT

The Group's objective when managing capital are :
-To safe guard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders, and
-To maintain a strong capital base to support the development of its business

The allocation of capital between specific business operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations is undertaken independently of those responsible for the operations. The Management Assets and Liability Committee ("MALCO") sets the assets and liability management policies which determine the eventual asset allocation dependent on desired risk return profiles based on MALCO forecasts on the different markets the Group participates in and economic fundamentals. The Group Risk Department monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through MALCO and various other credit committees.

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.

The Group's capital is monitored using the dollar amount of the net shareholders' equity position, noting and explaining the causes of significant changes.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

5 FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

5.1.1 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

At 31 December 2015	**Level 1 US$**	**Level 2 US$**	**Level 3 US$**
Investment securities	13 563	-	-
Financial assets at fair value through other comprehensive income	-	-	6 969 069
Total assets	13 563	**-**	6 969 069
Total liabilities	**-**	**-**	**-**
At 31 December 2014			
Investment securities	8 164	-	-
Financial assets at fair value through other comprehensive income	-	-	6 253 655
Total assets	8 164	**-**	6 253 655
Total liabilities	**-**	**-**	**-**

5.1.2 Financial instruments not measured at fair value

The table below summarises the carrying amounts of those financial assets and liabilities presented in the Group's statement of financial position. The fair value of the financial instruments approximates carrying amount.

	Carrying value 2015 US$	**Fair value 2015 US$**	**Carrying value 2014 US$**	**Fair value 2014 US$**
Financial assets:				
Held-to-maturity investments	8 217 175	8 217 175	2 804 776	2 804 776
Loans and advances to customers	69 585 374	69 585 374	51 207 991	51 207 991
Trading assets pledged as collateral	8 873 706	8 873 706	17 839 181	17 839 181
Financial liabilities:				
Deposits from customers	48 607 918	48 607 918	51 778 720	51 778 720
Lines of credit:				
- foreign	-	-	8 618 656	8 618 656
- local	46 629 735	46 629 735	25 994 146	25 994 146

It is assessed that the carrying amounts approximates their fair values.

(a) Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. As the loans and advances are issued at variable rates, the carrying amount approximates fair value.

(b) Deposits from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. All deposits are in this category therefore the carrying amount approximates fair value.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

5.1.2 Financial instruments not measured at fair value (Cont'd)

5.1.3 Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, and industry sector are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties; and
- Charges over business assets such as premises, inventory and trade receivables.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimize the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amounts of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

5.1.2 Financial instruments not measured at fair value (Cont'd)

5.2 Impairment allowance policy

Impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

5.2.1 Impairment allowance policy

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39 Financial Instruments: Recognition and Measurement, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for:

(i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgements and statistical techniques.

6 CASH AND BANK BALANCES	2015 US$	2014 US$
Cash on hand	406 319	185 099
Balances with banks	17 118 868	21 807 146
	17 525 187	21 992 245
Current	17 525 187	21 992 245

7 INVESTMENT SECURITIES	2015 US$	2014 US$
At 1 January	8 164	8 851
Additions	6 196	-
Net loss through profit or loss	(797)	(687)
At 31 December	13 563	8 164

Changes in fair value of investment securities are presented as non-cash adjustments to cash flows from operating activities in the statement of cash flows. Changes in fair values of investment securities are recorded in statement of profit or loss and other comprehensive income. The fair value of all equity securities is based on their current bid prices in an active market, the Zimbabwe Stock Exchange ("ZSE").

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

		2015 US$	2014 US$
8	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**		
	At 1 January	6 253 655	5 534 695
	Additions	-	334 101
	Net fair value gains on financial assets at fair value through other comprehensive income	1 056 872	384 859
	Reclasification to non current assets held for sale	(341 458)	-
	At 31 December	6 969 069	6 253 655

Financial assets at fair value through other comprehensive income include the following;

	2015 US$	2014 US$
Unlisted securities:		
Equity securities - Zimbabwe	-	1 239 503
Equity securities - Botswana	6 969 069	5 014 152
	6 969 069	6 253 655

Net fair value gain on financial assets at fair value through other comprehensive income are all denominated in the US dollar.

The Group reclassified the investment in Chengetedzai Depository Company Limited at a fair value of $341 458 to Noncurrent asset held for sale (Ref Note 10 'Non-Current Assets Held For Sale')

The fair value on investment in National Blankets (Private) Limited was written down to nil for the year ended 31 December 2015 (December 2014: $384 859). The company is technically insolvent and its going concern status is highly in doubt.

The fair values of unlisted securities are determined by professional valuations carried out by independent valuers.

		2015 US$	2014 US$
9	**HELD-TO MATURITY INVESTMENTS**		
	Treasury bills	8 148 586	2 804 776
	Accrued interest	68 589	-
		8 217 175	2 804 776

During the year the Group received treasury bills from the Zimbabwe Asset Management Company (Private) Limited as repayment on non-performing loans handed over in order to improve the Group's financial position and efficiency. These treasury bills are measured at amortized cost.

It is the Group's intention to hold these treasury bills to maturity and use these financial assets as collateral in raising money market deposits.

		2015 US$	2014 US$
10	**NON-CURRENT ASSETS HELD FOR SALE**		
	Equity securities - Zimbabwe	341 458	-
		341 458	-

During the year the Group reclassified the investment in Chengetedzai Depository Company Limited at a fair value less cost to sell of $341 458 to non-current assets held for sale. The investment is available for immediate sale, and management is committed to a plan to dispose of the investment. The Group is currently actively marketing the sale of its shareholding in the investee company, with other co-shareholders having been already engaged to take up the Group's shareholding as per the shareholders' agreement of the investee company. Management of the Group are confident that the disposal will be completed within one year from the reclassification date.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

		2015 US$	2014 US$
11	**LOANS AND ADVANCES TO CUSTOMERS**		
	Individual		
	- term loans	1 784 200	2 113 297
	Corporate		
	- corporate customers	70 767 282	57 515 230
	Gross loans and advances to customers	72 551 482	59 628 527
	Less: allowance for impairment (note 11.1)	(2 966 108)	(8 420 536)
	Net loans and advances to customers	69 585 374	51 207 991
	Current	9 610 723	20 226 855
	Non-current	59 974 651	30 981 136
		69 585 374	51 207 991
11.1	**Allowances for impairment of loans and advances**		
	Specific allowances for impairment		
	Balance at 1 January	8 420 536	10 424 268
	Allowance for loan impairment through statement of profit or loss	720 613	807 874
	Loans written off	(6 175 041)	(2 811 606)
	Balance at 31 December	2 966 108	8 420 536
11.1.1	**Maturity analysis of loans and advances to customers**		
	Up to one month	8 225 586	4 512 310
	Up to three months	1 109 657	479 147
	Up to one year	275 480	15 235 398
	Up to 3 years	12 613 912	17 679 136
	Up to 5 years	40 592 266	13 302 000
	Later than 5 years	6 768 473	-
		69 585 374	51 207 991

Impaired loans and securities
Impaired loans and securities are loans and advances for which the Group has determined that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan or securities agreements.

Past due but not impaired loans
These are loans and advances where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms
Loans with renegotiated terms are loans that have been restructured due to deterioration of the borrower's financial position and where the Group has made concessions that it would not ordinarily otherwise consider. Once the loan is restructured it remains in this category.

Allowances for impairment
The Group establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for the group of homogenous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Group writes off a loan or security balance (and any related allowances for impairment) when the Group's Credit and Operations Unit determines that the loans/securities are uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower or issuer's financial position such that the borrower or issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

11 LOANS AND ADVANCES TO CUSTOMERS (Cont'd)

11.1.2 Sectorial analysis of loans and advances to customers

	Percentage (%)	2015 US$	Percentage (%)	2014 US$
Manufacturing	24%	17 605 744	25%	14 711 187
Retail	0%	206 620	8%	4 473 273
Agro processing	0%	-	5%	3 232 407
Mining	0%	127 584	6%	3 467 109
Tourism and hospitality	5%	3 450 767	13%	7 797 956
Telecommunications	1%	800 000	0%	225 545
Construction	1%	-	0%	305 754
Energy	61%	44 411 231	39%	23 302 000
Individuals and other services	8%	5 949 536	4%	2 113 296
Gross value of loans and advances	100%	72 551 482	100%	59 628 527
Less allowance for impairment		(2 966 108)		(8 420 536)
		69 585 374		51 207 991

11.2 Trading assets pledged as collateral

The nature and carrying amounts of the assets pledged as collateral are as follows:

	Asset		Related liability	
	2015 US$	2014 US$	2015 US$	2014 US$
Held to maturity Investments	8 146 594	2 470 000	7 625 796	1 900 000
Bankers Acceptance	207 112	2 040 181	134 082	1 616 755
Government guarantees	-	11 329 000	-	11 329 000
Bonds	520 000	2 000 000	336 643	1 668 070
Current	8 873 706	17 839 181	8 096 521	16 513 825

Trading assets pledged as collateral are financial assets purchased or acquired which are subsequently pledged as collateral for fixed deposits and bankers acceptances from other financial institutions.

All collateral agreements mature within 12 months.

12 OTHER RECEIVABLES AND PREPAYMENTS

	2015 US$	2014 US$
Receivables	2 682 604	3 199 324
Less: allowance for impairment	(828 993)	(704 329)
Net receivables	1 853 611	2 494 995
Pre-payments	208 175	147 332
	2 061 786	2 642 327
Current	2 061 786	2 642 327

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

13 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

13.1 Investment in subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest & voting power held by the Group	
			as at 31 Dec 2015 %	as at 31 Dec 2014 %
Waneka Properties (Private) Limited	Property development	Zimbabwe	70	70
Manellie Investments (Private) Limited	Agriculture	Zimbabwe	100	100
Norton Medical Investments (Private) Limited	Medical services	Zimbabwe	60	60
Special purpose entities				
Poundstone Investments (Private) Limited	Investment property	Zimbabwe	-	100

The Group disposed its investment in Poundstone Investments (Private) Limited for a consideration of $46 000.

All subsidiaries have been consolidated in these financial statements.

13.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

The amounts disclosed below do not reflect the elimination of intergroup transactions.

Name of subsidiary	Interest and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2015 %	2014 %	2015 US$	2014 US$	2015 US$	2014 US$
Waneka Properties (Private) Limited	30%	30%	(3 816)	(8 211)	114 530	110 136
Norton Medical Investments (Private) Limited	40%	40%	30 497	28 260	362 900	360 663
Total					**477 430**	**470 799**

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

13 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (Cont'd)

13.3 Summarised financial information in respect of each of the Group's subsidiaries that has a material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations

	2015 US$	2014 US$
Waneka Properties (Private) Limited		
Current assets	382 688	367 320
Current liabilities	920	200
Equity atrributable to owners of the Company	267 238	256 984
Non-controlling interests	114 530	110 136
Revenue	16 129	20 049
Expenses	(1 481)	(15 619)
Profit for the year	14 648	4 430
Profit attributable to owners of the Company	10 254	3 101
Profit attributable to non-controlling interests	4 394	1 329
Profit for the year	14 648	4 430
Total comprehensive income attributable to owners of the Company	10 254	3 101
Total comprehensive income attributable to owners of the non-controlling interests	4 394	1 329
Total comprehensive income for the year	14 648	4 430
Dividends paid to non-controlling interests	-	-
Net cash inflow from operating activities	2 493	23 234
Net cash inflow from investing activities	-	-
Net cash inflow from financing activities	-	-
Net cash inflow	2 493	23 234

	2015 US$	2014 US$
Norton Medical Investments (Private) Limited		
Current assets	-	-
Non-current assets	1 400 000	1 400 000
Current liabilities	492 750	498 343
Non-current liabilities	-	-
Equity atrributable to owners of the Company	544 350	540 994
Non-controlling interests	362 900	360 663
Revenue	-	-
Expenses	(5 907)	(5 153)
Loss for the year	(5 907)	(5 153)
Loss attributable to owners of the Company	(3 544)	(3 092)
Loss attributable to non-controlling interests	(2 363)	(2 061)
Other comprehensive loss for the year	(5 907)	(5 153)
Total comprehensive loss attributable to owners of the Company	(3 544)	(3 092)
Total comprehensive loss attributable to owners of the non-controlling interests	(2 363)	(2 061)
Total comprehensive income for the year	(5 907)	(5 153)

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

13 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (Cont'd)

13.4 Investment in associates

Details of the Group's material investment in associates at the end of the reporting period is as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest & voting power held by the Group	
			as at 31 Dec 2015 %	as at 31 Dec 2014 %
Africom Continental (Private) Limited	Information Communication Technology	Zimbabwe	33.31%	33.31%

The above associate is accounted for using the equity method in these consolidated financial statements.

13.4.1 Summarised financial information in respect of the Group's material associate is set out below;

	2015 US$	2014 US$
Current assets	874 933	563 210
Non-current assets	5 386 729	6 268 181
Current liabilities	(2 235 607)	(2 119 264)
Non-current liabilities	-	-
Revenue	(249 721)	(445 935)
Loss for the year	(686 071)	(874 480)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(686 071)	(874 480)
Dividends received from associate during the year	-	-

13.4.2 Reconciliation of the above summarised financial information to the carrying amount of interest in Africom Continental (Private) Limited.

Net assets of associate	4 026 055	4 712 127
Proportion of the Group's ownership interest	33.31%	33.31%
Carrying amount of the Group's interest	1 341 079	1 569 609
Aggregate information of associates that are not individually material		
The Group's share of profit/(loss) from continuing operations	-	-
The Group's share of post-tax profit /(loss) from discontinued operations	-	-
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive income	-	-
Aggregate carrying amount of Group's interests in these associates	31 681	31 681

There is no goodwill as all the subsidiaries were not acquired by the Group.

13.4.3 Share of losses of associates

Balance as at 1 January	(1 392 654)	(1 101 365)
Loss for the year	(228 530)	(291 289)
Balance as at 31 December	(1 621 184)	(1 392 654)

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

14 INVENTORIES

	2015 US$	2014 US$
Inventory - housing units	286 028	1 352 936
Inventory - land	1 367 400	1 367 400
Work in progress	486 375	-
Consumables and materials	43 881	30 518
	2 183 684	2 750 854
Current	2 183 684	2 750 854

During the year the Group sold 21 two bedroomed Waneka flats with a carrying value of $1 066 908 from Inventory-housing units.

Proportion of ownership interest and voting power held by the Group

15 INVESTMENT PROPERTY

	2015 US$	2014 US$
Balance as at 1 January	11 942 500	11 472 305
Additions during the year	315 655	969 000
Disposals during the year	(116 000)	(351 308)
Net gain/(loss) from fair value adjustment		
: profit on disposal	1 000	59 693
: unrealised fair value loss	(1 843 268)	(207 190)
Balance as at 31 December	10 299 887	11 942 500
Analysis by nature		
Residential stands	2 149 100	2 779 500
Commercial and industrial properties	8 150 787	9 163 000
	10 299 887	11 942 500

Investment properties to the value of US$3 794 000 (2014:US$3 794 000) are pledged as collateral security for fixed term deposits from customers (refer to Note 21).

Included in the consolidated statement of profit or loss and other comprehensive income are the following amounts which relate to investment properties held by the Group.

	2015 US$	2014 US$
Rental income	356 434	369 898

Investment property includes a number of commercial and residential properties that are leased to third parties. On average the leases contain a cancellable period of up to one year. Subsequent renewals are negotiated with the lessee.

The carrying amount of the investment property is at fair value as determined by an independent valuation except for a property encumbered from Apex Investments/Gulliver Consolidated Limited in settlement of a debt from prior years which is carried at a cost of US$1.2m. The agreement of purchase and sale was made prior to the debtor being placed under liquidation, but finalisation of transfer deeds and registration of title deeds under the bank's name was not completed before judicial management. In terms of insolvency law, this transaction occurred outside the six months period before the debtor was placed under judicial management, therefore can be upheld as a valid transaction.

The plan is for the property to be handed over to the Group as part of the liquidation, subject to how creditors appeal against a payout in specie specifically to the Group. However, the Group deems it reasonable to carry the property at cost and that the property will be handed over to the Group on the finalisation of the liquidation process as the bank has its claim secured by this property

The Group's other investment properties were revalued at 31 December 2015 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

	2015 US$	2014 US$
16 INTANGIBLE ASSETS		
Carrying amounts of:		
Capitalised development	-	154 898
Licenses	18 701	54 220
	18 701	**209 118**

Cost	Capitalised development US$	Licenses US$	Total US$
Balance as at 1 January 2014	932 484	123 394	1 055 878
Additions	-	-	-
Balance as at 31 December 2014	932 484	123 394	1 055 878
Additions	-	-	-
Balance as at 31 December 2015	932 484	123 394	1 055 878
Accumulated amortisation and impairment			
Balance as at 1 January 2014	(539 841)	(42 998)	(582 839)
Amortisation expense	(237 746)	(26 176)	(263 922)
Balance as at 31 December 2014	(777 587)	(69 174)	(846 761)
Amortisation expense	(154 897)	(35 519)	(190 417)
Balance as at 31 December 2015	(932 484)	(104 693)	(1 037 178)

The following useful lives are used in the calculation of amortisation

Capitalised development	4 years
Licenses	4 years

16.1 *Significant intangible assets*

The Group's capitalised development asset relates to the core banking system, Rubikon. The carrying amount of the intangible asset is nil (2014: US$154 898).

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

17 PROPERTY AND EQUIPMENT

Year ended	Land and buildings US$	Computer and office equipment US$	Motor vehicles US$	Fixtures & fittings US$	Capital work in progress US$	Total US$
31 December 2014						
Opening net book amount	1 746 844	276 345	584 717	15 132	1 400 000	4 023 038
Additions	-	12 809	-	16 378	-	29 187
Disposals	-	(2 754)	(4 737)	-	-	(7 491)
Depreciation charge	(36 147)	(169 638)	(279 191)	(20 443)	-	(505 419)
Net book amount	1 710 697	116 762	300 789	11 067	1 400 000	3 539 315
At 31 December 2014						
Cost	2 000 000	971 882	1 247 901	521 446	1 400 000	6 141 229
Accumulated depreciation	(289 303)	(855 120)	(947 112)	(510 379)	-	(2 601 914)
Net book amount	1 710 697	116 762	300 789	11 067	1 400 000	3 539 315
Year ended						
31 December 2015						
Opening net book amount	1 710 697	116 762	300 789	11 067	1 400 000	3 539 315
Additions	-	24 010	-	13 219	-	37 229
Disposals	-	-	(94 851)	-	-	(94 851)
Depreciation charge	(36 146)	(61 851)	(139 822)	(19 169)	-	(256 988)
Net book amount	1 674 551	78 921	66 116	5 117	1 400 000	3 224 705
At 31 December 2015						
Cost	2 000 000	993 258	766 137	534 665	1 400 000	5 694 060
Accumulated depreciation	(325 449)	(914 337)	(700 021)	(529 548)	-	(2 469 355)
Net book amount	1 674 551	78 921	66 116	5 117	1 400 000	3 224 705

Land and buildings with a carrying amount of US$1 710 697 are pledged as collateral security for fixed term deposits (refer to Note 21).

Property and equipment are subjected to impairment testing by comparing the carrying amounts at the reporting date, with the market prices quoted for similar assets and adjusted for different ages. No items of property and equipment were considered impaired at the statement of financial position date.

Depreciation expense of US$ 256 988 (2014: US$ 505 418) has been charged to operating expenses (note 32).

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

18 SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital
15 000 000 ordinary shares with a nominal value of US$0,01.

The directors are authorised to issue an unlimited number of preference shares as approved by shareholders.

Issued share capital	**Number of shares**	**Share capital US$**	**Share premium US$**	**Total US$**
At 1 January 2014	2 449 046	24 490	9 171 552	9 196 042
Issue of shares	-	-	-	-
At 31 December 2014	2 449 046	24 490	9 171 552	9 196 042
At 1 January 2015	2 449 046	24 490	9 171 552	9 196 042
Issue of shares	-	-	-	-
At 31 December 2015	2 449 046	24 490	9 171 552	9 196 042

There was no issue of shares by the Group to ordinary shareholders during the year.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

19 NON-DISTRIBUTABLE RESERVE

The reserve arose from the net effect of restatement of assets and liabilities previously denominated in the Zimbabwe dollar to the United States dollars following the introduction of the multi-currency regime in the Zimbabwean economy on 1 January 2009. The reserve is negative because, at the time of conversion, the fair value of the Group's liabilities exceeded that of its assets.

20 PREFERENCE SHARE CAPITAL

The preference share capital arose from the issuance of preference shares equivalent to the legacy debt amounting to $38.3 million as at 30 November 2014 to Government of Zimbabwe pursuant to the legacy debt assumption by Zimbabwe Asset Management Corporation (Privated) Limited on behalf of Government. The preference shares are non-cumulative, non-redeemable, paid up and carry a 5% dividend payable out of distributable profits.

The preference shares have a nominal value of US$100.00 per share

Issued preference share capital	**Number of shares**	**Preference Share capital US$**	**Total US$**
At 1 January 2014	-	-	-
Issue of shares	382 830	38 283 003	38 283 003
At 31 December 2014	382 830	38 283 003	38 283 003
At 1 January 2015	382 830	38 283 003	38 283 003
Issue of shares	-	-	-
At 31 December 2015	382 830	38 283 003	38 283 003

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

21 DEPOSITS FROM CUSTOMERS

	2015 US$	2014 US$
Deposits from customers are primarily comprised of amounts payable on demand and term deposits.		
Large corporate customers	44 661 855	51 060 175
Retail customers	3 946 063	718 545
	48 607 918	51 778 720

Included in term deposits are mortgage backed deposits secured to the tune of US$5 504 697 by the Bank's investment properties and land and buildings. (Refer to notes 15 and 17)

21.1 Maturity analysis of deposits from customers

	2015 US$	2014 US$
Up to one month	33 884 119	42 844 857
Up to three months	5 375 976	3 433 863
Up to six months	9 347 823	5 500 000
	48 607 918	51 778 720

Deposits due to customers only include financial instruments classified as liabilities at amortised cost. The fair value of the deposits approximate the fair value due to their short tenure.

21.2 Sectorial analysis of deposits from customers

	2015 Percentage (%)	US$	2014 Percentage (%)	US$
Financial markets	15%	7 316 400	4%	1 900 000
Fund managers and pension funds	24%	11 521 994	38%	19 430 068
Individuals	8%	3 946 063	1%	718 545
Government and public sector institutions	47%	22 744 680	55%	28 521 715
Other services	6%	3 078 781	2%	1 208 392
	100%	48 607 918	100%	51 778 720

22 FOREIGN LINES OF CREDIT

	2015 US$	2014 US$
Lines of credit	-	8 618 656
22.1 Maturity analysis of loans		
Principal balances not yet due	-	8 618 656
	-	8 618 656
22.2 Maturity analysis of gross amount		
Maturity within 1 year	-	8 618 656
	-	8 618 656
22.3 Current	-	8 618 656
	-	8 618 656

During the year, the Group repaid the Zimbabwe Economic Trade Revival Facility (ZETREF) balance of $8.6m. The facility extended to the Group was a 3 year $10 million facility expiring in 2015 advanced by Afreximbank focusing on key sectors of the economy for trade revival after a period of economic downturn.

22 FOREIGN LINES OF CREDIT (Cont'd)

22.4 Detailed analysis by currency

Year ended 31 December 2015 Foreign currency	Interest rate	Final redemption date	Principal balance opening	Draw down FC	Repayment FC	Principal balance closing FC	Arrears own currency FC	Arrears Exchange rate FC	closing balance US$	Total lines of credit US$
USD										
CBZ Bank Limited - Zimbabwe Economic Trade Revival Facility	5.19%	2015	8 618 656	-	(8 618 656)	-	-	1.000	-	-
									-	-
Year ended 31 December 2014										
Foreign currency										
USD										
CBZ Bank Limited - Zimbabwe Economic Trade Revival Facility	5.19%	2015	9 705 529		(1 086 873)	8 618 656	-	1.000	8 618 656	8 618 656
									8 618 656	8 618 656

Exchange rates have been rounded off to the nearest 3 decimal places.

23 LOCAL LINES OF CREDIT AND BONDS

	2015 US$	2014 US$
Bonds	41 172 319	24 000 581
Lines of credit	5 457 416	1 993 565
Total	46 629 735	25 994 146
Current	16 260 190	13 499 746
Non current	30 369 545	12 494 400
	46 629 735	25 994 146

The movement in the balances during the year was as follows;
Bonds Lines of credit Bonds Lines of credit

	BONDS 2015 US$	LINES OF CREDIT 2015 US$	BONDS 2014 US$	LINES OF CREDIT 2014 US$
At 1 January	24 000 581	1 993 565	22 620 180	485 187
New issues	38 140 299	3 463 851	15 618 000	1 508 378
Repayments	(20 968 561)	-	(14 237 599)	-
At 31 December	41 172 319	5 457 416	24 000 581	1 993 565

Lines of credit and bonds are recognised initially at fair value, net of transaction costs incurred. Lines of credit and bonds 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.

24 OTHER LIABILITIES

	2015 US$	2014 US$
Accruals	40 432	30 690
Provision for outstanding employee leave (note 24.1)	339 231	435 304
Dividend payable	245 040	500 114
Deferred income	5 470 779	1 367 400
Other	1 285 619	1 763 463
	7 381 101	4 096 971
Current	7 381 101	4 096 971

During the year the Group disposed off-plan, residential stands under the New Marimba Housing project, amounting to $4.1million. At the time of reporting, the Group could not ascertain the quantity surveying estimates of the total costs to be incurred to project completion and therefore deems it prudent to classify the sales value of the residential stands sold as deferred income pending finalization of the estimation of costs.

During the year the Group incurred $54 327 under the Marimba project being preliminary costs at project initiation which is classified under work in Progress (Note 14 " Inventories)

24.1 Provision for outstanding employee leave

Employee entitlements to annual leave are recognised when they accrue to employees. The provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the reporting period and the charge is recognised in the statement of comprehensive income within "employee benefit costs" (note 32.1).

	2015 US$	2014 US$
Balance at 1 January	435 304	512 810
Provisions/(reversals)	11 677	(68 094)
Utilised during the year	(107 750)	(9 410)
Balance as at 31 December	339 231	435 306

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

		2015 US$	2014 US$
25	**NET INTEREST INCOME**		
25.1	**Interest and related income:**		
	Loans and advances to large corporates	8 796 199	9 140 976
	Loans and advances to individuals	101 164	108 826
	Held to maturity investments	459 245	18 404
	Placements with local banks	1 509 937	404 052
	Home loans	223 040	-
	Cash and cash equivalents	271 394	270 680
		11 360 979	9 942 938
25.2	**Interest and related expense:**		
	Deposits from large corporates	(5 740 578)	(4 483 010)
	Deposits from individuals	(122 575)	(103 087)
	Foreign lines of credit	(525 205)	(1 746 333)
		(6 388 358)	(6 332 430)
26	**SALES**		
	Property sales (note 14)	1 155 000	-
		1 155 000	-
26.1	**COST OF SALES**		
	Cost of construction of property	(1 092 108)	-
		(1 092 108)	-
27	**FEE AND COMMISSION INCOME**		
	Advisory and management fees	597 342	1 467 455
	Capital raising fees	683 282	264 270
	Retail service fees	179 117	245 095
	Structured deal income	-	668 330
	Credit related fees	223 092	189 053
		1 682 833	2 834 203
28	**NET LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Listed equity securities (note 7)	(797)	(687)
29	**OTHER INCOME**		
	Rental income	356 434	369 899
	Other operating income	313 904	1 482 968
		670 338	1 852 867
30	**FAIR VALUE LOSS ON INVESTMENT PROPERTY**		
	Profit on disposal of investment property	1 000	59 693
	Unrealised loss from fair value adjustment of investment property	(1 843 268)	(207 190)
		(1 842 268)	(147 497)
31	**NET FOREIGN EXCHANGE GAINS**		
	Net realised gains from dealing in foreign currency	477 674	2 970 230
	Net unrealised losses from translation of foreign currency balances	(3 914)	(2 855)
		473 760	2 967 375

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

		2015 US$	2014 US$
32	**OPERATING EXPENSES**		
	Repairs and maintenance	84 567	105 792
	Employee benefit costs (note 32.1)	7 157 042	6 488 666
	Telecommunication and postage	32 809	34 655
	IT and software costs	187 868	246 345
	Directors remuneration:		
	- for services as directors	245 876	197 048
	Operating lease payments	106 918	172 340
	Water, electricity and rates	71 719	92 397
	Professional fees	103 598	93 351
	Audit fees	149 500	111 780
	Depreciation	256 988	505 418
	Amortisation	190 417	263 922
	Fuel and lubricants	30 999	43 826
	Travel and entertainment	44 508	63 606
	Marketing and public relations	115 049	62 463
	Insurance and security	213 018	262 184
	Subscriptions	54 819	55 182
	Printing and stationery	42 361	69 719
	Bank charges	38 782	49 931
	Strategic planning expenses	2 539	27 833
	Canteen expenses	6 002	35 863
	Staff training	18 609	31 253
	Refreshments	16 810	24 097
	Other administrative costs	969 329	502 062
		10 140 127	9 539 733
32.1	**Employee benefit costs**		
	Salaries and bonuses	3 815 337	4 879 951
	Pension costs	472 720	595 892
	Post employment medical benefits	203 516	245 357
	Leave pay expense/(recovery)	105 672	(68 094)
	Retrenchment expenses	2 258 039	-
	Other staff expenses	301 758	835 560
		7 157 042	6 488 666

Post employment benefits

Pension Fund

The Group operates a defined contribution plan for all permanent employees. 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 obligation 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. Contributions are paid to a separately administered fund on a mandatory basis. Contributions to this fund are charged against income when incurred. The Group has no further obligations once the contributions have been paid.

	2015	2014
Contributions for during the year	407 661	503 704

National Social Security Authority Scheme

The Group and all its employees contribute to the National Social Security Authority Scheme, which was promulgated under the National Social Security Act (Chapter 17:04). The Group's obligations under the scheme are limited to specific contributions legislated from time to time.

	2015	2014
Contributions for the year	65 059	92 188

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

33 EARNINGS PER SHARE

Basic and diluted earning per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Bank by the number of ordinary shares in issue during the year. No dilutive instruments were held during the year. (2014 - US$nil)

The calculation of basic earnings per share at 31 December was based on the following:

	2015 US$	2014 US$
Profit attributable to equity holders (US$)	(5 059 853)	484 301
Weighted average number of issued ordinary shares	2 449 046	2 449 046
Basic (loss)/earnings per share (US cents)	(207)	20

34 CONTINGENCIES

a) Contingent assets

The Group has 20% shareholding in both Shungu Engineering (Private) Limited and Bestafoam (Private) Limited and there are shareholder issues in these entities, hence the Group is not able to have access to financial records and operations on the respective companies.

b) Contingencies on investment property

The Group acquired a property valued at US$1.2 million in lieu of loan exposures from clients in prior financial years. These clients were subsequently placed under judicial management and liquidation before the process of transferring title of the property to the Group could be finalised. The Group has a valid claim on the legal title of the property, and therefore the properties should not be included as part of the liquidation process in terms of the insolvency laws, given that the transaction occurred more than six months prior to the affected clients being placed under judicial management (Refer to note 15).

c) Contingent liability on a litigation case

The Group is involved in a case where Engen Petroleum Zimbabwe (Private) Limited (Engen) is making a claim against Wedzera Petroleum (Private) Limited (Wedzera) as first defendant for payment of the sum of USD847,848 in respect of fuel supplied to Wedzera on the back of a guarantee purportedly issued by IDBZ. IDBZ is cited as a second defendant in the matter. The bank guarantee was attained fraudulently hence it has no binding effect on the Bank. At the conclusion of the trial at the High Court of Zimbabwe, a judgement was entered against IDBZ on 15 April 2016 imputing liability on IDBZ to pay USD847,848 per the guarantee. IDBZ has since appealed against the judgement of the High Court to the Supreme Court of Zimbabwe thus effectively staying execution of the High Court judgment. The Bank's appeal is on the basis that the guarantees relied upon by Engen were invalid by virtue of them having been fraudulently procured.

35 COMMITMENTS

a) Loan commitments, guarantees and other financial facilities

At 31 December 2015, the Group had contractual amounts for off-statement of financial position financial instruments that commit it to extend guarantees and loans as follows:

	2015 US$	2014 US$
Financial guarantees	-	2 859 083
Loan commitments	12 321 329	13 945 481

b) Operating lease commitments

The Group leases premises and lease terms are for five years and are renewable at the end of the lease period. The future aggregate minimum lease payments under non-cancellable leases are as follows:

	2015 US$	2014 US$
No later than 1 year	58 306	170 349

The lease rentals are renegotiated annually in January.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

		2015 US$	2014 US$
36	**FUNDS UNDER MANAGEMENT**		
a)	**Government funds under management**		

The Government of Zimbabwe disburses, through the Group, fiscal allocations to parastatals and government infrastructure projects. The funds are being managed by the Group for a fee and with no credit risk residual to the Group.

	2015 US$	2014 US$
Held on behalf of:		
Government of Zimbabwe	229 336 379	212 144 714
Represented by:		
Sinking fund	-	-
Amounts awaiting disbursement	5 457 416	1 993 565
Loans and advances to parastatals and government implementing agencies	223 878 963	210 151 149
	229 336 379	212 144 714

37 RELATED PARTIES

Related party transactions are a normal feature of business and are disclosed in terms of IAS 24: Related Party Disclosures. Related party transactions may affect the assessment of operations, risk and opportunity facing the organisation.

Identity of related parties

The Bank has a related party relationship with its major shareholders, associates and key management personnel.

The following transactions were carried out with related parties:

A number of banking transactions are entered into with related parties in the normal course of business. For the year ended 31 December 2015, these included:

a) Sales and purchases of goods and services

There were no sales and purchases of goods and services with any related parties.

b) Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	2015 US$	2014 US$
Salaries and other short-term employee benefits	1 549 919	1 717 321
Post-employment benefits	103 738	163 963
Termination benefits	100 101	-
Total	1 753 758	1 881 284

c) Loans and advances to related parties

	Directors and other key management personnel 2015 US$	Associated companies 2015 US$	Directors and other key management personnel 2014 US$	Associated companies 2014 US$
Loans outstanding at 31 December	324 984	-	384 840	463 549
Interest income earned	16 532	-	19 035	195 910

No allowance for impairment was required in 2015 (2014: US$ nil) for the loans made to key management personnel

The loans issued to directors and other key management personnel are unsecured, carry fixed interest rates and are payable on an amortising basis.

FOR THE YEAR ENDED 31 DECEMBER 2015 (Cont'd)

37 RELATED PARTIES (Cont'd)

d) Deposits from related parties

	Directors and other key management personnel 2015 US$	Associated companies 2015 US$	Directors and other key management personnel 2014 US$	Associated companies 2014 US$
Deposits at 31 December	55 322	93 421	86 348	314 558
Interest expense on deposits	3 326	11 050	6 701	5 296

The above deposits are unsecured, carry fixed interest rates and are repayable on maturity date.

e) Director's shareholdings

As at 31 December 2015, The Directors did not hold directly and indirectly any shareholding in the Group.

38 GOING CONCERN

The Group's operations have been significantly affected and may continue to be affected by the challenging environment particularly the lack of liquidity in the Zimbabwean economy. However, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

In the current year, the Group has made a loss of US$4.8 million (2014: profit of US$0.9 million),which has resulted in an accumulated loss of US$1.3 million (2014:retained earnings of US$4.7 million).

In addition, section 32 of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14), stipulates that the Bank cannot be wound up except by or under the authority of an Act of the Parliament of Zimbabwe.

The Directors have assessed the ability of the Group 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 economic environment a continuous assessment of the ability of the Group 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.

39 EVENTS AFTER THE REPORTING DATE

Following the decision by Commerzbank AG to move out of the United States Dollars (USD) clearing business in Zimbabwe by 31 March 2016, the Bank changed its correspondent banks. The decision taken by Commezbank AG does not only affect the Infrastructure Development Bank of Zimbabwe but affects all other banks who were using Commerzbank AG in Zimbabwe. Consequently, our customers can now receive USDs from offshore sources using our accounts with South Africa and Botswana. Given the swift action taken by management, the impact on the Bank's operations has been minimal.

ANNEX 2:

RISK MANAGEMENT FRAMEWORK

The Bank's Risk Management Strategy involves screening risk holistically and horizontally throughout the entire organization. Insurable and non-insurable risks are both identified across all facets of the Bank, with the objective to eradicate, improve or relocate such risks or arrange to acknowledge them. The main thrust is to monitor risks through the Bank's strategic planning process making use of the Board approved Enterprise Wide Risk Management ["ERM"] framework. Risk is inherent in the Bank's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management remains critical to the Bank's continued profitability and going concern status.

Risk Management Architecture

The Board of Directors is accountable for the enterprise wide risk management methodology and for approving the risk management strategies and philosophies including defining the risk appetite. The Finance and Risk Management Committee is a specialised committee of the Board which has been appointed by the Board of Directors to superintend over the implementation of the ERM framework and other risk management guiding principles and philosophies.

The Board of Directors fully ascribe to the notion that strategic decisions have to be monitored at all levels of the business by pointing out that risk management is a discipline which clearly illustrates to management the risks and returns of every major strategic decision at both the institutional and transactional level.

The Risk Management Unit works meticulously with the Board Finance and Risk Management Committee to ensure that operating procedures are compliant with overall risk management framework and compliant with applicable laws or regulatory frameworks. The principles of Risk Based Audit (RBA) are embraced by the Bank's Internal Audit function which is tasked with examining both the adequacy of the operating procedures and the Bank's compliance therewith, whilst the Legal Unit provides advice and support on legal matters.

Risk Spectrum

The principal risks to which the Bank is exposed are classified as follows:

Credit Risk

Credit risk is the risk that the Bank will suffer on account of a counterparty failing to meet their payment obligations primarily from loans and advances and other off-balance sheet arrangements.

The Bank manages and controls credit risk through a comprehensive process of credit analysis, setting of credit exposure limits, and continuous monitoring of exposures in relation to limits as contained in the Bank's Policy on Exposure Limits. The Bank has an established credit quality review process which helps in early identification of possible changes in the creditworthiness of counterparties, including regular collateral review. Counterparty limits are established through the use of a credit risk classification system, which assigns each counterparty a risk rating. The Bank's credit risk classification system is in conformity with the Reserve Bank of Zimbabwe's recommended loan classification system as per Basel II requirements.
The Bank's Lending Policy, which is subject to continuous review, regulates the granting of all credit facilities and aspects of credit risk management. The analysis involves an assessment of the customer's risk profile and at a minimum an evaluation of the following:

I. Evaluation of the borrower`s industry, and macro-economic factors;
II. Purpose of credit and source and history of repayment;
III. Repayment capacity of the borrower;
IV. The proposed terms and conditions and covenants;
V. Adequacy and enforceability of collaterals; and
VI. Approval from appropriate authority.

Credit Risk Management Process

In order to maintain credit discipline; credit policy formulation, credit limit setting, monitoring of credit facilities and review of credit facilities are functions that are performed by a unit independent of the loan origination function. The lending units are responsible for marketing, credit transaction initiation and credit appraisal. The Risk Management Unit conducts an independent credit risk review of the application and produces a risk analysis report whose primary focus is the applicant's creditworthiness and compliance with policies on credit rating, obligor and sector limits, collateral, and risk pricing among others. Continuous monitoring of outstanding facilities is carried out by the Bank's Credit and Operations department.

Liquidity Risk

Liquidity risk of a Bank or funding risk is the risk that the cost of funding becomes high, up to the extreme case when raising funds becomes impossible. Liquidity risk is also dependent on the system wide market disruptions, such as the liquidity crisis. Extreme lack of liquidity results in failure and severe conditions are often the result of other risks, such as major market or credit losses. Substantial sudden withdrawals of funds by the public plus the unavailability of credit lines by others institutions are direct outcomes of such situations.

RISK MANAGEMENT FRAMEWORK (Cont'd)

Liquidity Risk Management Process

To manage liquidity risk, management has arranged for diversified funding sources in addition to its core deposit base, and balance sheet management is conducted in view of future cash flow commitments. The Bank continues to refine the internal control processes and contingency plans for managing liquidity risk. The Management Asset and Liability Management Committee ["MALCO"] which comprises of senior management, the treasury function and the risk management unit, is tasked with the responsibility of managing liquidity risk centrally. Daily liquidity management is however delegated to the Head of Treasury under the guidance of MALCO. MALCO endeavors to achieve a balance between the need to provide for liquidity and achieve profitability.

More specifically, it is the job of the MALCO to:

- ***Assess*** the probability of various liquidity shocks and interest-rate scenarios.
- ***Position*** the bank to handle the most likely of these scenarios at minimum cost (impact on earnings and capital) while still achieving a reasonable level of profitability.
- ***Allocate*** the bank's remaining assets and liabilities to meet risk and profitability objectives.

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 Bank's assets and liabilities positions are managed and monitored by employing the sensitivity analysis.

Market Risk Management Process

Market risks (Interest and foreign exchange risk) are monitored in real time by responsible Treasury traders/dealers and by Risk Management Unit responsible for regular reporting to the Executive, MALCO and the Board Finance and Risk Management Committee.

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 Bank has established limits on the interest rate gaps for stipulated periods and the policy is to monitor the positions on a daily basis to ensure positions are maintained within the established limits. A Contingency Funding Plan is in place to ensure efficient management of stress liquidity situations should they arise.

Foreign exchange risk occurs when the Bank accepts foreign currency during the normal course thereby assuming some level of foreign exchange risk, since the value of that currency in comparison to the Bank's home currency could fluctuate enough between the beginning of the contract and receipt of funds to seriously erode the underlying profit on the sale. The bank manages the foreign currency open positions is a timely fashion and losses or gains are closely monitored through valuations.

Operational Risk

Operational risk is the risk of loss resulting from insufficient or futile internal processes, people and systems or external events.

Operational Risk Management Process

In an effort to effectively manage operational risks the Bank uses an operational risk system, "CURA". By making use of the system, the Bank has a defined methodology of quantifying, tracking and reporting on all operational risk issues and this has enhanced the Bank's risk awareness culture. Each functionary area has a responsibility for identifying risk areas through self-assessments. The solution encompasses all the key recommendations an organization must adopt to effectively manage Operational risks as it is aligned to the Bank`s Operational Risk Framework and other popular frameworks such as ISO31000, COSO, Basel II, etc.

The Bank does not expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, dual authorization and reconciliation procedures, staff education and self-assessments.

Project Risk

This is the collection of threats to the management of the projects and hence to the achievement of the projects' milestones in terms of costs and timelines. This represents all types of project failures, e.g. financial, technical, environmental, etc., all of which could not only have a financial impact for the IDBZ but could also expose the Bank to impaired/tarnished reputation. The Project Sponsor/Project Manager is responsible for managing the risks on a daily basis.

Project Risk Management Process

The Bank has in place a system to minimize project risk by ensuring that:

I. Management of risks is an essential contribution to the achievement of business objectives;
II. Risk management systems: This Banking sets out principles related to the design, developing and management of systems, which will provide reliable information for risk management purposes;
III. Risk management policies and the benefits of effective risk management are clearly communicated to all staff;
IV. A consistent approach to risk management is fully embedded in the project management processes; and
V. The Board supports and promotes risk management, understands and accepts the time and resource implications of any countermeasures.

RISK MANAGEMENT FRAMEWORK (Cont'd)

Strategy Risk
Strategic risk arises where the corporate strategy is inappropriate to support long-term objectives of the Bank resulting in adverse impact on capital and earnings on account of business policy decisions [made or not made], changes in the economic environment, unnecessary delay and flawed implementation of strategic decisions, and failure to adapt to changes in the environment.

Strategy Risk Management Process
The Bank has a Board approved 5-Year strategic plan articulated in line with the Result Based Management [RBM] system adopted by the Government and affiliated institutions. The RBM articulates the Key Result Areas for the Bank and sets out the bank wide key indicators for strategic risk management. The Bank's Senior Management is responsible for the execution of the RMB plan and ensuring regular reviews are done in line with changes in operating conditions

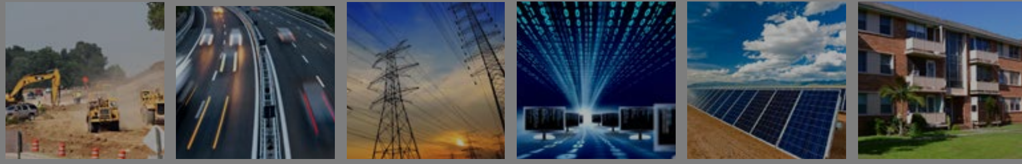
The Board is ultimately responsible for the development, approval and application of the Bank`s strategic risk principles. The Board approves the Bank`s strategy, whilst management is responsible for implementation and ensuring that regular reviews are done to monitor performance.

Reputation Risk
Reputation risk is the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. Safeguarding the Bank`s reputation is of paramount importance to its continued success and is the responsibility of each staff member.

Reputation Risk Management Process
The IDBZ uses a multi-pronged strategy to manage this risk, with Marketing and Public Relations Unit being the champion. The Bank employs corporate governance best practices and adheres to the values of professionalism, integrity, ethics, transparency and accountability in the market place, the workplace and the community at large.

Legal & Compliance Risk
The Bank manages this risk through a dedicated Legal Unit, which together with the Risk Management Unit identify, assess and monitor the Bank's exposure to legal and compliance risk in its business activities, products, processes, systems and practices.

Legal and Compliance Risk Management Process
The Bank manages this risk through a dedicated legal services and advisory department, which together with the Risk Management Unit identify, assess and monitor the Bank's exposure to legal and compliance risk in its business activities, products, processes, systems and practices.



NOTICE TO SHAREHOLDERS

31ST ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of Members of the Infrastructure Development Bank of Zimbabwe (IDBZ) will be held in the Boardroom, IDBZ House, 99 Rotten Row, Harare, Zimbabwe on Tuesday, 28 June 2016 at 11:00 hours to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Audited Financial Statements and Reports of the Directors and Auditors for the year ended 31 December 2015;

2. To approve the non-payment of a dividend for the financial year ended 31 December 2015;

3. To approve the remuneration of the auditors for the year ended 31 December 2015;

4. To approve the re-appointment Messrs. Deloitte & Touche Chartered Accountants (Zimbabwe) as external auditors of the Group for the year ending 31 December 2016 in terms of Section 25B (1) of the IDBZ Act [Chapter 24:14]), who will hold office until the conclusion of the next Annual General Meeting;

5. To approve the remuneration of the Directors for the year ended 31 December 2015;

6. To transact any other business that may be transacted at the Annual General Meeting.

SPECIAL BUSINESS

7. ORDINARY RESOLUTION

That the authority given to the Directors of the Bank to issue ordinary shares in the capital of the Infrastructure Development Bank of Zimbabwe (IDBZ) to institutional investors up to a maximum of 49% of the issued share capital through private placement, be and is hereby extended by a further twelve months from date of the Annual General Meeting. Upon its expiration and it being considered necessary to extend it, this authority shall be subject to further renewal by Shareholders at the Bank's next Annual General Meeting.

A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote in his stead. A proxy need not be a Member of the Bank. Proxy forms must be lodged at the Registered Office of the Bank not less than 48 hours before the time appointed for the meeting.

By Order of the Board

K Kanguru
Bank Secretary

7 June 2016

Registered Office:
99 Rotten Row
Harare Zimbabwe
Telephone 263 4 774 226/7, 750 171 - 8
Fax: 263 4 749012

PROXY FORM

I/WE ……………………………………………………………………………………........

of ……………………………………………………………………………………

being the registered holder of ……………………………………………………………

Ordinary Shares in the Infrastructure Development Bank of Zimbabwe

hereby appoint …………………………………………………………………………….

of ……………………………………………………………………………………..

or, failing him, the Chairman of the meeting as my/our proxies, to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the Bank to be held in the Boardroom, IDBZ House, 99 Rotten Row, Harare, Zimbabwe on Tuesday, 28 June 2016 commencing at 11:00 hours and at any adjournment thereof.

Signed this ……………….Day of …………………………….. 2016

Signature of Member ……………………………………

NOTE:

A member entitled to attend and vote at the meeting may appoint any person or persons to attend, speak and vote in his stead. A proxy need not be a Member of the Bank. Proxy forms must be lodged with the Secretary not less than forty-eight (48) hours before the time appointed for the meeting.

Registered Office:
99 Rotten Row
P O Box 1720 Harare
Zimbabwe
Tel: 774226/7, 750171-8
Fax: 749012

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