INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE

CONTENTS

CORPORATE INFORMATION

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AUDITORS
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Borrowdale, Harare

LEGAL ADVISORS
Sawyer & Mkushi
Gill, Godlonton & Gerrans
Cheda & Partners - Bulawayo

BANKERS
CBZ Bank Limited
FBC Bank Limited
BancABC Limited

GROUP SECRETARY
K Kanguru
IDBZ House, 99 Rotten Row
Harare, Zimbabwe
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Fax: 263 4 749012

SHAREHOLDING STRUCTURE

ORDINARY SHARES

Shareholder	Shares Held	%
Government of Zimbabwe	2,136,536	87.2395%
Reserve Bank of Zimbabwe	304,408	12.4296%
ZIMRE Holdings Limited	8,001	0.3267%
Staff Share Trust	78	0.00320%
Fidelity Life Assurance Company of Zimbabwe Limited	6	0.00024%
Finnish Fund for Industrial Cooperation	5	0.00022%
African Development Bank	4	0.00016%
German Investment & Development Company	3	0.00012%
Netherlands Development Finance Company	3	0.00012%
European Investment Bank	1	0.00004%
TOTAL	**2,449,045**	**100.00000%**

PREFERENCE SHARES

Shareholder	Shares Held	%
Government of Zimbabwe	382,830	100.00000%

BOARD OF DIRECTORS

Willard Lowenstern Manungo
(Non Executive Chairman)

Charles Chikaura
(Chief Executive Officer)

Vavarirai Humwe Choga
(Non Executive Director)

Nelson Kudenga
(Non Executive Director)

Joseph Mhakayakora
(Non Executive Director)

Shadreck Sariri Mlambo
(Non Executive Director)

Margaret Mukahanana -Sangarwe
(Non Executive Director)

Charles Simbarashe Tawha
(Non Executive Director)

BOARD COMMITTEES

Audit Committee
Vavarirai H Choga – Chairman
Norbert H C Chiromo
Joseph Mhakayakora
Shadreck S Mlambo

Corporate Governance Committee
Nelson Kudenga - Chairman
Vavarirai H Choga
Shadreck S Mlambo
Margaret Mukahanana-Sangarwe
Charles S Tawha

Human Resources Committee
Joseph Mhakayakora – Chairman
Charles Chikaura
Nelson Kudenga
Emmanuel Jinda
Margaret Mukahanana-Sangarwe

Investment Committee
Willard L Manungo – Chairman
Charles Chikaura
Vavarirai H Choga
Nelson Kudenga
Joseph Mhakayakora
Shadreck S Mlambo
Margaret Mukahanana-Sangarwe
Charles S Tawha

Risk Management Committee
Margaret Mukahanana-Sangarwe- Chairperson
Joseph Mhakayakora
Charles Chikaura
Charles S Tawha

EXECUTIVE MANAGEMENT

Charles Chikaura
(Chief Executive Officer)

Cassius Gambinga
(Director – Finance)

Desmond Matete
(Director – Infrastructure Projects)

Francisca Zinyemba
(Director – Corporate Services and Human Resources)

Norbert Munengwa
(Executive Assistant to CEO)

Norbert Mutasa
(Assistant Director Credit & Operations)

Reggie Dangarembwa
(Assistant Director Corporate Banking)

Kennias Kanguru
(Group Secretary)

VISION, MISSION AND VALUES

VISION

To be the preferred provider of development and related finance for economic growth and social transformation in Zimbabwe and the region

MISSION STATEMENT

To champion infrastructure development through effective mobilization of appropriate resources for sustainable socio-economic development

CORPORATE VALUES

In carrying out its Vision and Mission, the Bank's operations are underpinned by the following values:

- **Integrity.** This forms the Bank's core value as it undertakes its work in a transparent and honest manner, which nurtures trust and client confidence as we deliver value to customers.
- **Professionalism.** In pursuit of our specialist mandate, the Bank's work will be anchored on high quality, expert application, knowledge and proficiency.
- **Team Work.** Our work mainly comprises collaborative efforts to harness value-driving partnerships through deliberate co-operation with various stakeholder groups.
- **Service Orientation.** Development banking is about sustainable value delivery to the community. Our focus is thus geared towards optimal service delivery to our clients.
- **Social Responsibility.** Deriving from the Bank's statutory mandate, IDBZ's activities are centred on developmental interventions to communities and the public at large with a view to improving the living standards of the population of Zimbabwe.

MANDATE AND CORPORATE OBJECTIVES

The Infrastructure Development Bank of Zimbabwe mandate and corporate objectives are stated in the establishing statute, the Infrastructure Development Bank of Zimbabwe Act [*Chapter 24:14*]. These are stated as follows:

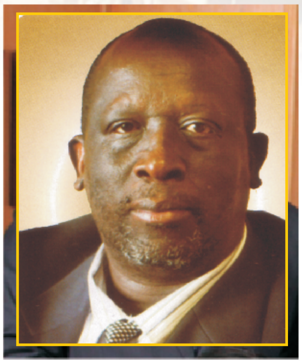
i. the mobilization of debt and equity funds from both internal and external sources drawn mainly from private and public sector investor-institutions, including Government and quasi-government institutions for investment in infrastructure projects;

ii. the promotion of economic development and growth through investment in infrastructure development in all sectors such as energy, housing, water, agriculture, transport, information communication technology and other infrastructure critical for national development;

iii. the development of institutional capacity in business undertakings and enterprises of all kinds in Zimbabwe through enhanced capacity-building and utilization; and

iv. the overall improvement of living standards and quality of life of Zimbabweans through the development of infrastructure which includes roads, dams, water reticulation, sewerage, housing, technology, and other amenities and utilities for both urban and rural communities.

CHAIRMAN'S STATEMENT



Introduction

It is my pleasure to report, against the background of the challenging economic environment that the Group has continued to sustain a profitability trend that began in 2010 and posted its fifth successive profit since dollarisation.

I am equally gratified that Government, the majority shareholder, took a bold decision and hived off the legacy foreign debt from the IDBZ statement financial position and, in the process, transformed the Group into a relatively strong development finance institution with equity capital in excess of US$32 million as at 31 December 2014.

The Group is now in a strong position to fully exploit business opportunities and raise external lines of credit on the strength of its statement of financial position.

Economic Environment

Growth

The operating environment remained challenging due to persistent tight liquidity conditions, weak commodity prices and frequent power outages.

More significantly, low business confidence and negative country risk perceptions had a deleterious effect on investment and capital flows into the economy.

Notwithstanding this, gross domestic product (GDP) rose by 3.2% in 2014.

Sectoral performance

i. Agriculture

The agricultural sector was the major contributor to economic growth in 2014, with output rising by 23.4% on the back of a favourable 2013/14 rainfall season, as well as support from Government and cooperating partners that facilitated timely preparations for the season.

ii. Mining

Preliminary mineral output figures from the Chamber of Mines show that gold and nickel surpassed projections for 2014, whilst platinum slightly missed the forecast. This was in spite of the pull back in international mineral prices.

iii. Manufacturing

Capacity utilisation in the manufacturing industry continued to be weighed down by antiquated plant and machinery, cheap imports and high production costs, among other constraints.

Low capacity utilisation in turn leads to high per unit cost of production, which renders industries uncompetitive, resulting in increased imports to fill the supply gaps in the economy.

Prices

Inflation was negative during the course of the year, with the annual inflation rate averaging -0.1% against an average inflation rate of 1% in 2013.

Factors contributing to the deflationary environment included weak domestic demand, tight liquidity conditions and an appreciation in the US dollar- Rand exchange rate.

Inflation is projected to remain low and stable in 2015.

Financial Sector

Further restoration of confidence in the domestic financial sector remained central to Government's financial sector reforms. These related to:

- confidence building through amendments to the Banking Act;
- Reserve Bank capitalisation and debt redemption;
- bank supervision, surveillance and capitalisation;
- resolution of non-performing loans;
- establishment of the Credit Reference Bureau; and

CHAIRMAN'S STATEMENT (*continued*)

- introduction of the interbank facility.

The Reserve Bank, through the 2014 mid-term Monetary Policy Statement, categorised banks into three segments, namely Tier 1, Tier 2 and Tier 3 for purposes of compliance with the 2020 minimum capital requirements.

The decision to promote strategic groups was informed by the need for a strong, well capitalised banking sector, while also taking cognisance of the lack of financial capacity facing most local shareholders in light of the macro-economic challenges constraining capitalisation efforts.

As at 31 December 2014, a total of 13 out of 19 operating banking institutions, excluding the POSB, were in compliance with the prescribed minimum capital requirements.

Fiscal Developments

Government finances continued to be constrained by limited fiscal space in 2014. Cumulative revenue collections for the year amounted to US$3.769 billion, against a target of US$4.120 billion, resulting in a negative variance of US$350 million or 8.5%.

Tax revenue contributed US$3.518 billion or 93%, whilst non-tax revenue contributed US$251 million or 7%.

Cumulative expenditures and net lending to 31 December 2014 amounted to US$3.912 billion, against a projected target of US$4.030 billion, giving a positive variance of US$118.5 million.

The under-performance of revenues reduced the capacity to support discretionary expenditures, particularly on capital projects.

Recurrent expenditure accounted for US$3.565 billion or 91.12%, whilst capital expenditure amounted to US$347 million or 8.88% of total expenditures.

Capitalisation

The IDBZ Group statement of financial position was successfully restructured by hiving off the legacy foreign debt which had accumulated to US$38.2 million as at 30 November 2014. The Zimbabwe Asset Management Company ("ZAMCO") assumed the debt, against issuance of Treasury Bills by Government as security.

The transaction was completed through the issuance of preference shares by IDBZ to Government to the value of the debt assumed by ZAMCO.

The removal of the debt is a significant development in the affairs of IDBZ which had hitherto operated as a technically insolvent institution, since its transformation from the Zimbabwe Development Bank.

The Group now boasts a healthy statement of financial position with equity capital of US$32.3 million as at 31 December 2014 and should be able to leverage on this strength to access lines of credit from the local, regional and international capital markets for deployment into key sectors of the economy.

Whilst the capitalisation level of US$32.3 million is significant in the context of the local financial sector, it is not enough in relation to the infrastructure mandate of the Group.

To this end, the Group remains open to take up of equity in the Group by new institutional investors who share its vision of infrastructure finance and development.

A well capitalised Group, with a broad institutional shareholder base will enhance its capacity to raise debt capital to fund bankable infrastructure projects in its pipeline.

According to its Five Year Strategic Plan, the IDBZ Group aspires to have a billion dollar bank by asset base by the year 2018. Whilst this is an ambitious target, it is well within reach.

Support for Infrastructure

No meaningful economic development can take place without an adequate and efficient supporting infrastructure.

CHAIRMAN'S STATEMENT (*continued*)

Hence, Government has prioritised investment in key infrastructure sub sectors of energy, transport, water and ICT as a pre-requisite for sustainable economic development and growth. As a development finance institution, the Group is ready to play a catalytic role in advancing the country's development agenda under the Infrastructure and Utilities Cluster of ZIMASSET.

To this end, the IDBZ Group remains alive to its statutory mandate of mobilising resources for investment in infrastructure and related developmental projects, and has taken the lead in stimulating capital market development in Zimbabwe through structured infrastructure bond issues which have been well received in the local market in spite of the well documented liquidity challenges.

The bonds are guaranteed by the Government and are accorded liquid asset status by the Reserve Bank and prescribed asset status by the Insurance and Pension Commission ("IPEC") to increase their appeal to investors.

Towards the end of 2014, IDBZ Group issued two bonds with a total value of US$65 million to support the energy sector, raising the local funding required for the Kariba South Power Station expansion project, as well as additional funding required to complete the Zimbabwe Elecricity Transmision and Distribution Company ("ZETDC") prepaid metering project and re-powering of the Harare Power Station.

With the support of the Ministry of Local Government and National Housing, the Group has an ambitious programme of housing development which is expected to deliver 20,000 low cost housing units by 2018.

The Marimba mixed density housing project in Harare was used by Government to launch the Group's programme in 2014.

The project has received overwhelming support from the public who view the Group as a trusted and strong partner, with the technical and financial wherewithal to help them realise their dreams of owning a home.

The Group's role is limited to servicing of land and construction of related offsite infrastructure.

The initiative is expected to contribute significantly to ameliorating the dire housing situation across all major urban centres, whilst ensuring sustainable income streams for the Group.

Government continues to rely on the technical expertise available in the Group which, through its advisory and project monitoring role, provides cost effective solutions to infrastructure rehabilitation programmes being undertaken by Government through its implementing agents.

The Group will, in implementing its resource mobilisation strategy, continue to collaborate with regional and international development finance institutions, building relationships on the strength of its relatively stronger balance sheet.

Other Developmental Activities

Subject to availability of suitable funding, the Group will continue to support the private sector with medium term finance as part of its developmental mandate.

The Group has extended financial support to all sectors of the economy, including but not limited to tourism, manufacturing, mining and agriculture.

This support is expected to increase as the Group's capacity to mobilise lines of credit has been enhanced by its strong statement of the financial position.

The Group continues to manage the Youth Development Fund, which is largely funded by Government.

The fund provides loans to small scale youth projects with potential for employment creation and poverty alleviation.

The Group also provides technical support in the form of capacity building to ensure projects are undertaken in a business-like manner.

Financial Performance

Against the background of a difficult operating environment, epitomised by the acute liquidity challenges that prevailed during the year under review, the financial performance of the Bank for the year under review was commendable.

The institution recorded total comprehensive income of US$0.9 million, compared to US$2.2 million achieved in the prior year. This performance was achieved in spite of declining interest margins and a reduced loan book.

Both net interest income and non interest income recorded significant declines.

The Group employed strict cost containment and judicious management of the loan book as key strategies in ensuring alignment of costs to revenue generation.

Loan impairment charges declined by 37% to US$0.8 million, as a result of effective collection efforts, loan rehabilitation and creation of quality loan assets.

The Group's financial position increased by 16% to US$122.8 million, from US$105.9 million recorded in 2013.

The improved financial position came on the back of financial resources raised through infrastructure bonds issued during the year.

Bonds and other structured financing instruments will increasingly be deployed by the Group in its efforts to mobilise resources for infrastructure development.

Dividend

The Group is committed to a policy of rewarding shareholders for their continued support to the institution.

For the financial year under review, the Board has recommended a final dividend of US$0.10 per share on the issued ordinary shares.

Strategic Alliances

The Group will continue to forge strategic alliances with regional and international development finance institutions in order to share experiences and leverage on these relationships to build a strong foundation upon which to champion and project the country's development agenda through infrastructure development.

Corporate Governance

The Group subscribes to, and actively champions, the principles of sound corporate governance and ethical standards in the conduct of the institution's affairs and always strives to ensure that the principles of fairness, transparency, accountability and responsibility inform all business decisions.

To that end, the Board regularly reviews its governance structures to ensure conformity to international best practice, and as a minimum to ensure adherence to the Group's primary governance instruments, namely the IDBZ Act *(Chapter 24:14),* the Shareholders Agreement and the Corporate Governance Framework for State Enterprises and Parastatals.

Other governance standards, including the King 111 Code of Governance, are also vital sources of corporate governance standards and principles in the Group.

In line with global trends in financial sector regulation, the IDBZ Group will, effective January 2015 fall under the direct supervision of the Reserve Bank of Zimbabwe.

Consultations are ongoing regarding the form and content of the proposed supervisory framework, given the need to ensure the Group remains true to its mandate as stipulated and provided in the enabling statutes. This is a welcome development which is expected to enhance the appeal of the Group to international capital and investors.

To ensure effective oversight over the business of

CHAIRMAN'S STATEMENT (*continued*)

the Group, the Board constituted a number of Board Committees, including the Audit Committee, as specialist organs to assist the Board. The Board and the various Committees meet regularly, and at least quarterly, to discharge their mandates.

The Minister is currently considering the Board's recommendations regarding full compliance with the IDBZ Act *(Chapter 24:14)* and the Corporate Governance Framework for State Enterprises and Parastatals on board composition.

The Group has embraced Integrated Reporting in its governance matrix. To this end, there is a recognition that the Group does not operate in a vacuum. In pursuing its business objectives aimed at attaining financial sustainability, the Group has an abiding responsibility to ensure that its business strategies do not harm the environment and are supportive of communities' rights to benefit from developments taking place within their environs.

Strategic Plan

The 2014-2018 Strategic Plan remains the principal document guiding the strategic thrust of the institution. The plan rides on, and largely derives its objectives from Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET). In terms of the Strategic Plan, the Bank aims to be a US$1 billion financial Group by total asset size by the year 2018.

Outlook

Notwithstanding the difficult operating environment, the Group remains optimistic and is bullish about its future prospects, and believes the economic challenges the country is facing are but a passing phase and that economic recovery is on the horizon.

The Group will leverage on its strong statement of financial position and increase focus and resource allocation towards the key mandate of infrastructure development by leveraging on its key competencies in advisory service and project management.

In the execution of the various projects and developmental programmes, the Group will continue to be guided by the principle of financial sustainability and the need to achieve optimal economic and social impacts.

Appreciation

I wish to commend Management and Staff for a commendable financial performance under what was clearly a very difficult year. The Group places a high premium on the human capital as a driver of competitive advantage and source of value creation, and will, thus, continue to provide an appropriate work environment and compensation structure to ensure its retention and constant renewal.

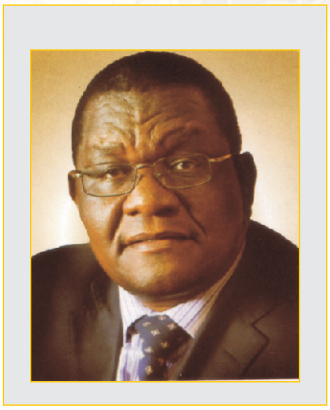
I also wish to place on record my appreciation to our valued customers, suppliers and other stakeholders who have made the Group their preferred business partner. We can only achieve more for our Stakeholders and the Communities in which we operate in if we work together in advancing the national development agenda.

My colleagues on the Board, working through the various Board Committees, have been a source of strength and inspiration. I wish to thank them for their wise counsel and for providing guidance and astute leadership to the Group at a strategic level.

On behalf of the Board, Management and Staff, I wish to extend my appreciation to the Shareholders, especially the Government of Zimbabwe as the major shareholder, for their continued support.

W L Manungo **3 June 2015**
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT



Introduction

It is my pleasure to report on the operations of the Group for the year ended 31 December 2014.

The year 2014 marked the first year of a major strategic shift by the Group from the short term to the long term infrastructure development and financing business. In terms of the Group's 2014-2018 Strategic Plan, 80% of the income will be derived from the long term infrastructure business by the year 2018. In transitioning to the long term business, a deliberate strategy of scaling down the short term business and redeploying resources to infrastructure projects was employed, even though it was clear that this strategy involved sacrificing the good operating profit margins that are characteristic of the short term business.

The transition to the long term business has been made possible by the statement of financial position restructuring which involved the hiving off of the legacy foreign debt against issuance of preference shares to the Government of Zimbabwe. Resultantly, the Group is now relatively well capitalized with capacity to attract funding on the strength of its healthy statement of financial position.

Operating Environment

The operating environment deteriorated further in 2014 on the back of persistent tight liquidity conditions, weak commodity prices and frequent power outages. This resulted in the economy experiencing significant decline in activity particularly in the formal sector. The country failed to attract meaningful investment and capital flows on account of negative country risk perceptions which continued to militate against sustained economic recovery despite the abundance of investment opportunities in different economic sectors. As a result of the challenging operating environment, an economic growth rate of 3.2% was recorded and this was well below the prior year's growth rate of 4.5% as well as the country's initial projection of 6.1% in terms of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation(ZIMASSET) programme.

The slowdown in economic growth also mirrored the subdued performance in the global economy including the BRICS (Brazil, Russia, India, China and South Africa) which had hitherto spurred global economic growth for the last decade as Europe and the United States grappled with the effects of the financial crisis.

Sectoral Performance

The agricultural sector was the major contributor to economic growth in 2014 with output rising by 23.4% on the back of a favourable 2013/14 rainfall season, as well as support from Government and cooperating partners that facilitated timely preparations before the onset of the season.

Mining output is estimated to decline by 2.1% in 2014, a reflection of a pull back in international mineral prices. Preliminary mineral output figures from the Chamber of Mines show that gold and nickel surpassed the projections for 2014 whilst platinum slightly missed the forecast.

The manufacturing sector is estimated to have declined by 5.1% in 2014 on account of persistent challenges affecting the economy, which include incessant power outages, antiquated plant and machinery, inflexible labour laws, influx of cheap imports, high cost of production and weak effective demand associated with the prevailing liquidity constraints. Average capacity utilisation in the manufacturing industry continued to trend downwards from 44.9% in 2012 to 39.6% in 2013 and 36.3% in 2014.

Resource Mobilization

The core mandate of the Group is premised on

CHIEF EXECUTIVE OFFICER'S REPORT(*continued*)

effective resource mobilization for infrastructure projects and other developmental needs. In that regard, resource mobilization from both the domestic and international capital markets remains a key focus area for the Group. With the legacy foreign debt having been successfully restructured, the Group will leverage on its relatively strong statement of financial position to mobilize financial resources for the country's developmental needs.

The Group is fully aware of the role it is expected to play in the context of the country's development agenda as outlined in the Zimbabwe Agenda for Sustainable Socio-Economic Transformation ("ZIMASSET"). In terms of that blueprint, the Group is expected to play a key role under the Infrastructure and Utilities Cluster.

Lines of Credit

The Group's technical insolvency as a result of the legacy foreign debt overhang limited its capacity to raise debt and equity capital in the regional and international capital markets. With the restructured balance sheet showing a healthy level of equity in excess of US$30 million as at 31 December 2014, coupled with the re-licensing of the institution by the United States Office of Foreign Assets Control ("OFAC"), the Group will leverage on these newly acquired strengths to intensify efforts to mobilize external lines of credit from regional and international development finance institutions for deployment into key infrastructure projects.

In 2015, the Group expects to draw down on lines of credit from regional and international development finance institutions totaling US$65 million. These resources, which will have medium to long term maturity profiles, will be channeled to key productive sectors of the economy to meet re-tooling and other capital expenditure requirements as well as the financing of low cost urban housing development.

Bonds

On the domestic front, bond issues will remain the tool of choice in mobilizing resources for infrastructure development. Pursuant to that objective and strategy, in November 2014 the Group floated two bonds with a combined value of US$65 million to fund infrastructure projects in the energy sector. The Group plans to issue more bonds in 2015 to fund projects in the housing, ICT, transport and water and sanitation sub-sectors. These bonds have been accorded prescribed asset status to demonstrate the importance Government attaches to infrastructure development as a key enabler of economic recovery and growth.

The maiden US$30 million infrastructure bond floated in 2012 to fund projects in the energy sector has been acknowledged as a success and has performed extremely well, largely due to the structure of the instrument which is secured through ring-fencing of receivables from major consumers of electricity. The bond which was fully subscribed will be paid off in December 2015 when the third and final tranche matures.

Operations Review

Whilst the Group's strategic focus has shifted towards the core long term infrastructure business, it will nevertheless continue to support industry through the provision of medium term finance sourced from appropriately priced and tenured lines of credit.

Corporate Banking Division

The short and medium term business of the Group is managed through its Corporate Banking Division (formerly Private Sector Projects Division) which also incorporates the International Banking Unit.

i. **Corporate Banking**

   In line with the shift in the strategic direction of the Group and in response to the liquidity challenges that continue to negatively impact the economy, the Group took a deliberate decision to scale down lending to the private sector. Collection efforts on outstanding loans were intensified in order to create liquidity to re-invest in new assets. The

CHIEF EXECUTIVE OFFICER'S REPORT (*continued*)

Group will continue to support performing companies through loans and self liquidating profit sharing funding structures.

For the period under review, the Group approved new credit facilities amounting to US$50 million. Utilization of the facilities averaged US$15 million down from US$36 million achieved in the prior year. The utilization level significantly declined due to the increased thrust on loan collections and low levels of new disbursements.

The medium term loan business is forecast to increase in the ensuing year upon drawdown of the expected lines of credit aggregating US$65 million.

ii. **International Banking**
The Group continued to leverage on established correspondent banking relationships with a number of reputable international banks. The Group no longer relies on third party counterparties to conduct international banking business, a development that has significantly reduced transaction costs for the institution's valued customers, whilst also providing an opportunity for the Group to benefit directly from foreign currency trading.

Treasury Operations

The Treasury Unit is a critical cog in the resource mobilization machinery of the Group and performs the important functions of mobilizing short term funding, trading, liquidity management, assets and liabilities management and financial risk management.

The Group closed the year in a healthy liquidity position and did not experience liquidity challenges normally associated with end of year withdrawal of funds by the investing public, both individual and corporate, as the Group had built sufficient reserve buffers to withstand any shocks.

Special Programmes

The Group is involved in the implementation of a number of development programmes initiated and funded by Government which are aimed at resuscitating the national economy and uplifting the living standards of people. The Group manages the Youth Development Fund which was set up by Government to champion youth development and empowerment programmes. As at 31 December 2014, the fund had disbursed $294,600 to 182 projects which created a total of 709 jobs. A further 120 projects were appraised towards the end of the year and disbursements are expected during 2015. These projects are expected to create an additional 300 new jobs.

Infrastructure Development and Financing

Infrastructure development and financing are the anchor upon which the Group's mandate and corporate objectives will be realized. In that regard and pursuant to the corporate objectives as aptly captured in the 2014-2018 Strategic Plan, the Group continued to lay the groundwork for the realization of its infrastructure development objectives by negotiating and securing fund raising mandates from key infrastructure players in the public sector. This process has seen the Group assisting clients in developing technically feasible and financially viable infrastructure projects to bank ability. A number are now at fund raising stage.

The Group continues to collaborate with relevant Government departments with a view to turning the ZIMASSET objectives into reality. Representations regarding how the Group can be capacitated to effectively deliver against the set targets have seen the Group being allocated land in Harare by Government for housing development in line with the objective to deliver 20,000 housing units to the nation by the year 2018. More land for housing development is expected to be allocated to the

CHIEF EXECUTIVE OFFICER'S REPORT (*continued*)

Group in all urban centres in the forthcoming year.

Infrastructure Mandates

i) **Kariba South Power Station Rehabilitation Project**
In the period under review, the Group embarked on a resource mobilisation exercise towards the financing of Kariba South Power Station Refurbishment Project which required an amount of US$38.8 million to fund the regular maintenance of the power station. This was one of the conditions precedent that had to be met by the Zimbabwe Power Company in order to unlock the US$320 million China Exim Bank Facility to fund the expansion project which would result in the generation of an additional output of 300 MW. The Group sought to raise US$38.8 million through a public bond issue which opened in November 2014. As at the end of the year, the offer was still open to investors. The Group also pursued the private placement route as a way of enhancing the subscription success rate.

ii) **Harare Power Station Repowering Project**
The Group also secured a mandate to raise US$11.2 million for the Zimbabwe Power Company's own contribution and insurance cover for the Harare Power Station Repowering Project, which was being funded with a concessional loan amounting to US$70.2 million from India Exim Bank. The Group made a strategic decision to raise funding for Kariba South Power Station Rehabilitation Project and the Harare Power Station Repowering Project through a single bond issue totaling US$50 million.

iii) **ZETDC Pre-paid Metering Project Additional Facility**
Following the successful issuance in 2012 of a US$30 million bond that was needed to kick start Zimbabwe Electricity Transmission and Distribution Company's (ZETDC) prepaid metering project, the company requisitioned the Group once again in November 2014 for an additional facility amounting to US$15 million. The Group approached the market at the end of the year to raise the required amount. I am pleased to report that by the end of the year, the Group had managed to raise in excess of US$13 million and there were a number of pledges from different corporate investors to take up the balance.

iv) **National Railways of Zimbabwe (NRZ) Capacity Enhancement Project**
The project entails the rehabilitation of the railway entity's rolling stock. The NRZ mandated the Group to raise US$25 million for the project. The project was fully appraised and the Group is awaiting the issuance of a borrowing certificate by the responsible Minister.

v) **Powertel Fibre Optic Backbone Expansion**
The Group secured a mandate from Powertel to mobilize funding for the company's fibre optic backbone expansion. The total funding requirement is US$35 million and the Group intends to raise the amount in 2015 through a bond issue.

vi) **Marimba Housing Project**
In the period under review, the Group took a strategic decision to embark on housing development as a contribution towards reducing the national housing backlog in line with the objectives of ZIMASSET. An approach was made to Government for allocation of land in urban centres throughout the country. In response to this request, towards the end of the year, the Ministry of Local Government, Public Works and

CHIEF EXECUTIVE OFFICER'S REPORT (*continued*)

National Housing allocated the Group land in Harare, Marimba suburb for housing development. The project is expected to avail in excess of 700 high and medium density residential stands, plus a provision for commercial stands, flats, crèches, and school. The servicing of the area started in the first quarter of 2015 and, it is anticipated that the servicing will take about 15 months. The servicing costs are estimated at US$8 million and the Group intends to issue a housing bond to meet this requirement. The Group has been assured that more land will be availed in other urban centres during the course of 2015.

Government projects under IDBZ management

During the year 2014, the value of public sector investment projects under the management of the Group was US$ 117 million. Actual funds made available to projects by Government amounted to US$80 million and the whole amount was disbursed to the identified projects. The amount made available was not enough to cover all certificates presented by implementing agents for the work done. As at 31 December 2014, a cumulative amount of US$128 million worth of payment certificates had not been settled owing to the Government's limited financial resources emanating from liquidity challenges being experienced in the economy. The bulk (93%) of the outstanding obligations was owed to water infrastructure projects, with Tokwe Mukorsi dam project accounting for 69% of the outstanding obligations.

The key sectors which were allocated funds during 2014 are transport and communication, water and sanitation, housing, and institutional accommodation and offices.

ii. Dams and Major Water Supply Projects

The bulk of the allocation for dams and water supply projects was channelled towards the construction of Tokwe Mukosi dam project as shown in the table below.

	Project	Cumulative Cost (US$m)	Amount disbursed in 2014 (US$m)	Percentage state of completion %
1	Tokwe Mukorsi Dam	293.6	49 .2	92
2	Mtshabezi Pipeline	35.0	3.3	100
3	Gwayi Shangani Dam	33.5	1.4	18
4	Beitbridge Water Supply	19.5	3.2	98
5	Mutangi Dam	10.4	1.8	100

i. Housing Infrastructure

The Ministry approved and appointed contractors for eight housing projects viz. Mbizo 22 (Kwekwe), Dzivaresekwa, Carrick Creagh, Willowvale Flats, Sunway City (Harare), Chikanga (Mutare), Paradise Park (Marondera) and Parklands Mews (Bulawayo). Cumulative disbursements towards these projects amounted to US$43.6 million as at end of 2014. Most of the projects are now at selling stage and the proceeds from these sales have helped in creating a revolving fund that is contributing towards funding of new and uncompleted housing projects. A total amount of US$4.6 million was disbursed towards housing projects during the year.

iii. Transport Projects

Work at the Harare International Airport is ongoing and continued during the review period. The cumulative outstanding payment certificates for work done during the year amounted to US$718,000 and no disbursements were done in 2014.

iv. Institutional Accommodation and Offices

Projects included the construction of the Central Registry Building as well as the construction of Halls of Residence for Midlands State University, Bindura University of Science Education, and Lupane State University. Disbursements towards state universities halls of residence projects amounted to US$690,000 during the year under review.

Consolidated Financial Results for the Year Ended 31 December 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The Group recorded total comprehensive income of US$0.9 million compared to a prior year figure of US$2.2 million, thus a decrease of 59% from the corresponding period. The subdued performance was as a result of the worsening macro economic conditions as reflected in the persistent liquidity challenges and severely constrained aggregate demand.

Net interest income decreased by 33% from US$5.4 million recorded in 2013 to US$3.6 million in the year under review. The decline was largely attributed to a deliberate strategy by the Group to scale down short term lending for which funding costs had remained high due to market liquidity challenges. The Group refocused on medium term funding and long term infrastructure related lending which was funded mainly through lines of credit and bonds respectively.

Fees and commission income decreased by 47% to US$2.8 million against US$5.3 million recorded in the prior year. The decrease was attributed to liquidity challenges which adversely affected funding for projects.

The loan impairment charge for the year at US$0.8 million was a significant reduction from the prior year amount of US$1.3 million. The decline was ascribed to successful collection and loan rehabilitation efforts as well as the creation of quality loan assets.

Operating expenses were US$9.5 million (2013: US$10.1 million), a decrease of 5% from the previous year. The decrease was attributed to effective cost management strategies implemented by the Group in light of constrained revenue generation.

Consolidated Statement of Financial Position

Total assets increased by 16% from US$105.9 million in 2013 to US$122.8 million as at 31 December 2014, mainly due to proceeds of bond issues which had not been disbursed to the intended beneficiaries.

The Group's equity position increased by $38.7 million from a negative equity position of US$6.4 million in 2013 as a result of the successful restructuring and hiving off of the legacy foreign debt against the issuance of preference shares to Government of equal value.

Consolidated Statement of Cash Flows

The Group cash balances stood at US$22 million (2013: US$3.3 million) largely reflecting the US$15.6 million raised through infrastructure bonds which was yet to be disbursed as well as reserve funds being prudently maintained by the Group.

IT Systems

During the year under review, the Group continued to improve the current core banking system which resulted in a marked improvement on transaction processing. Significantly, improvements in the general IT controls environment were also recorded.

The Group engaged potential core banking system service providers during the year to get a feel of the systems currently available on the market and also the pricing. Work on this project continues in earnest and the Group expects to conclude the request for proposals exercise in 2015.

Organizational Restructuring

To give effect to the business reorganization envisaged in the 2014-2018 Strategic Plan, it was necessary for the Group to review its organizational structure and ensure that it was properly structured and resourced from a human capital point of view. Pursuant to that objective, the Group undertook an organizational restructuring exercise whose objective was to ensure there was a perfect fit between strategy and structure. An independent consultant was engaged to assist management and ensure the integrity of the exercise.

The Board approved a new organizational structure for the Group during the third quarter of 2014 and embraced most of the recommended action plans. In order to reflect the increased focus on the long term infrastructure business, the new structure puts emphasis on the need to strengthen the Infrastructure Projects Division by ensuring that the division is adequately resourced in terms of skills required to drive the mandate. The Board approved realignment of the short term business and scaling down of the support services consistent with the new strategic thrust of the institution.

Human Capital and Capacity Building

The Group will continue to invest in human capital, which is its most prized asset, more so in view of the nature of the Group's business which relies on specialist skills to deliver value to its stakeholders.

Accordingly, the Group always strives to create and sustain an environment that is conducive to attracting and retaining appropriate skills needed to drive the business. During the year under review, the Group enrolled a number of its specialist staff for training and capacity building programmes in the areas of corporate governance, project finance and financial modeling, risk management, public private partnerships (PPP), and project preparation, monitoring and evaluation, in association with the Southern Africa Development Community (SADC) - Development Finance Resource Centre.

Outlook

Management remains bullish about the prospects of the Group in the medium to long term and is even more encouraged by the timely interventions that saw the Group being relieved of the burden of the legacy foreign debt. The Group looks into the future with a sense of hope, purpose and optimism and believes the institution is now properly structured and equipped to play its part in the economic revival and growth of the country and contribute towards the realization of the national dream as outlined in ZIMASSET. At the institutional level, the Group will leverage on the leaner structure and vastly improved capitalization levels to grow shareholder value in a financially, economically and environmentally sustainable manner consistent with the Group's corporate values and objectives.

C Chikaura **3 June 2015**
Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

Introduction

The Infrastructure Development Bank of Zimbabwe ("IDBZ"), as development finance institution, has a special responsibility of ensuring that good corporate governance permeates all aspects of its business dealings and operations as the Group strives to build a profitable, socially responsible and economically sustainable business that serves the interest of all stakeholders. To that end, corporate governance in the Group is anchored on the principles of fairness, transparency, accountability and responsibility. The Board and Management are acutely aware that as a development finance institution, the Group has a responsibility that goes beyond profit maximization, and accordingly strives for balanced development by embracing the triple "P" principles of People, Planet and Profit.

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 Group was set up and charged with an expanded mandate mainly focusing on infrastructure development and finance. The Group is regulated by the Minister of Finance.

Whilst the IDBZ Act is the anchor in the institution's governance matrix, the Group also embraces to the extent possible the principles of good corporate governance enshrined in King iii Code of Governance. The IDBZ has also made great strides in its efforts to fully comply with the Corporate Governance Framework for State Enterprises and Parastatals.

Supervision by the Reserve Bank of Zimbabwe

Although IDBZ is not licensed or governed in terms of the Banking Act, the Group 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 regulation locally, regionally and internationally, the Group has accepted to be supervised by the Reserve Bank of Zimbabwe. To that end, the central bank and IDBZ are currently engaged in discussion regarding the form and content of the proposed supervision to ensure that areas of possible conflict between the IDBZ Act (Chapter 24:14) and the regulatory framework as applied to commercial banks are eliminated and that the supervisory tools to be applied on the Group do not constrain the capacity of the institution from fully discharging its mandate of infrastructure development and financing.

The IDBZ is required to adopt the Results-Based Management System ("RBMS") as a performance management tool in line with the Government reporting framework introduced for all government and government related institutions. The Bank's Five Year Strategic Plan 2014 – 2018 was formulated based on the RBM system.

In the preparation of financial statements, the Group fully complies with applicable International Financial Reporting Standards ("IFRSs") as well as provisions of the Infrastructure Development Bank of Zimbabwe Act *(Chapter 24:14)*.

In accordance with best practices in corporate governance, the Board has adopted a performance evaluation system for the Board. The Board Member self appraisal system is expected to enhance board effectiveness, whilst highlighting areas for further training and development.

Corporate Governance Charter

The Group has developed a corporate governance charter whose main objective is the codification of the various governance standards and instruments that impact on the operations of IDBZ into one document which would serve as a reference point on matters of governance and regulatory compliance. The charter is a consolidation of

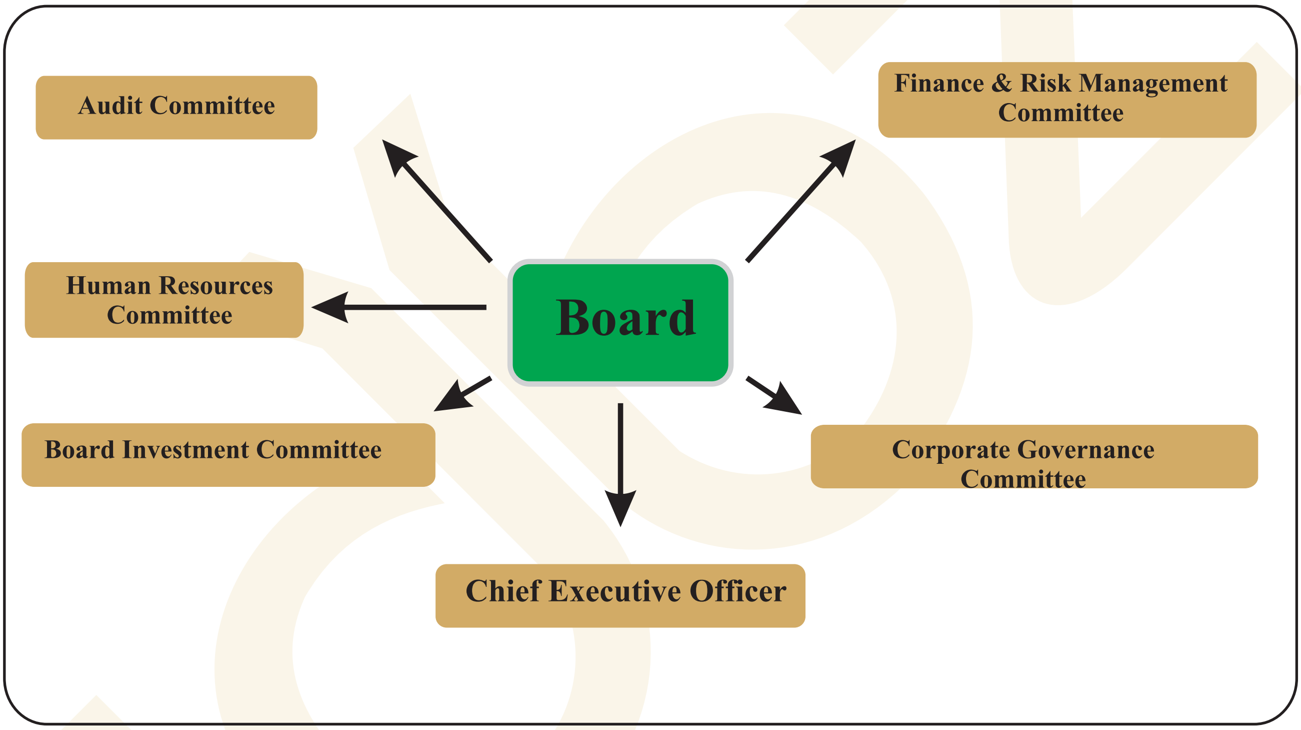
CORPORATE GOVERNANCE STATEMENT (*continued*)

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 Bank's Shareholder Regulations.

Code of Conduct and Ethical Framework

As a development finance institution whose mandate spans all the sectors of the economy, the Group has a special responsibility to ensure that its business operations are conducted on the highest ethical plane. To that end, IDBZ has in place policies that govern staff interactions with customers and other stakeholders. The Code of Ethics Policy provides a framework under which staff and people who interact with the Group are expected to conduct themselves. The Code is designed to promote honest and ethical conduct and is founded on the Group's core values of integrity, professionalism, team work, service orientation and social responsibility.

IDBZ Governance Structure



Board of Directors

Section 4 (2) of the Infrastructure Development Bank of Zimbabwe Act *(Chapter 24:14)* provides that the Board shall consist of no fewer than twelve (12) and not more than fifteen (15) directors. The current Board consists of eight (8) directors, only one of whom is an executive director. The chairman of the Board is a non executive director.

The Minister of Finance, as the regulator, is dealing with the issue of regularizing the IDBZ board composition to ensure compliance with the Act. In the process of regularizing the board composition, the Minister has also been sensitized to the recommendations of the King iii Report on Corporate Governance regarding board composition, which emphasizes the maintenance of an appropriate balance between executive and non executive directors, and to be alive to the need to strike an appropriate gender balance.

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

CORPORATE GOVERNANCE STATEMENT (*continued*)

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 Group ensuring that it has adequate control systems to monitor and manage risk, and further that there is an efficient and economic use of its resources. As an overarching responsibility, section 4A (e) of the Act enjoins the Board to formulate and enforce rules of good corporate governance and ethical practices for observance by the IDBZ directors, management and staff. At the first board meeting of the year, each director is required to declare any interest he/she may, directly or indirectly, have in the business of the IDBZ. A director is duty bound to recuse him/herself whenever an issue comes up for deliberation by the board in which the director has a direct or indirect interest.

To effectively discharge its oversight and stewardship over the business operations of the Group, the Board meets regularly and at least once every quarter to conduct business, particularly to review, consider and approve the Group's financial performance, the state and management of its financial affairs through budgetary processes, adherence to international financial reporting standards and practices; lending and risk management policies; resource allocation and utilization; the engagement and supervision of executive management and implementation of high level corporate and business strategy towards the achievement of the Group's overall goals and objectives.

Delegation of Authority

For effectiveness and efficiency on 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, with clear parameters and guidance on how to exercise those delegated functions and/or powers on behalf of the Board. 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.

Board attendance record for the year ended 2014

Director	4th March 2014	10th June 2014	21st August 2014	16th December 2014	Attendance (%)
Willard L Manungo *Non Executive Chairman*	✓	X	✓	X	50%
Charles Chikaura *Chief Executive Officer*	✓	X	✓	X	50%
Vavarirai H Choga *Non executive director*	✓	✓	✓	✓	100%
Nelson Kudenga *Non executive director*	✓	✓	✓	✓	100%
Joseph Mhakayakora *Non executive director*	✓	✓	✓	X	75%
Shadreck Sariri Mlambo *Non executive director*	✓	✓	✓	✓	100%
Margaret Mukahanana-Sangarwe *Non executive director*	X	X	✓	✓	50%
Charles Simbarashe Tawha *Non executive director*	✓	✓	✓	✓	100%

CORPORATE GOVERNANCE STATEMENT (*continued*)

Bank Secretary

In order to support the Board in exercising its functions and responsibilities, the office of the Group Secretary serves as the coordinating interface between the Management, the Board, its various Committees and Shareholders of the Group. 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 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 or aspect relating to the business operations of the IDBZ.

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. 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 Group's capacity to pay.

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 recommendation of the Committees to the main Board. Members of the Board Committees are able to seek independent professional advice when required subject to the consent of the Board Chairman. 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:

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 all equity investment proposals or applications; 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.

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:

CORPORATE GOVERNANCE STATEMENT (*continued*)

- to ensure financial statements are prepared in compliance with the enabling Act and in accordance with applicable International Financial Reporting Standards;
- to consider and/or review reasons for significant 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 plans 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.

Audit Committee attendance record for the year ended 2014

Member	14th April 2014	3rd October 2014	Attendance (%)
Vavarirai Humwe Choga *(Chairman)*	✓	✓	100%
Joseph Mhakayakora *(Member)*	X	✓	50%
Shadreck Sariri Mlambo *(Member)*	✓	✓	100%
Norbert HC Chiromo *(Member – Independent)*	✓	X	50%

Corporate Governance Committee

This Committee is at the centre of the Board's emphasis on 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 developments in 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.

CORPORATE GOVERNANCE STATEMENT (*continued*)

Corporate Governance Committee attendance record for the year ended 2014

Member	19th March 2014	27th August 2014	9th November 2014	Attendance (%)
Nelson Kudenga *(Chairman)*	✓	✓	✓	100%
Vavarirai H Choga *(Member – Executive)*	✓	✓	✓	100%
Margaret Mukahanana-Sangarwe *(Member)*	✓	X	X	33%
Shadreck S Mlambo *(Member)*	✓	✓	✓	100%
Charles Tawha *(Member)*	X	✓	X	33%

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.

CORPORATE GOVERNANCE STATEMENT (*continued*)

On the recommendation of the Corporate Governance Committee and pursuant to the promotion of gender equity in the Group's governance structures, Mr. Mhakayakora agreed to relinquish his chairmanship of the Committee in favour of Mrs. M. Mukahanana -Sangarwe.

Finance and Risk Management Committee attendance record for the year ended 2014

Member	21st February 2014	30th April 2014	7th August 2014	5th November 2014	Attendance (%)
Margaret Mukahanana-Sangarwe *(Chairperson)*	✓	✓	✓	✓	**100%**
Charles Chikaura *(Member – Executive)*	✓	✓	✓	✓	**100%**
Joseph Mhakayakora (Member)	✓	✓	✓	✓	**100%**
Charles Tawha *(Member)*	✓	✓	✓	X	**75%**

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 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.

CORPORATE GOVERNANCE STATEMENT (*continued*)

Committee's attendance record for the year

Member	20th Feb 2014	26th March 2014	9th May 2014	1st July 2014	7th November	Attendance (%)
Joseph Mhakayakora *(Chairman)*	✓	✓	✓	✓	✓	100%
Charles Chikaura *(Member – Executive)*	✓	✓	✓	✓	✓	100%
Nelson Kudenga *(Member)*	✓	X	✓	✓	✓	80%
Margaret Mukahanana -Sangarwe *(Member)*	✓	✓	✓	✓	✓	100%
Emmanuel Jinda *(Member-Independent)*	✓	✓	✓	✓	✓	100%

✓ - Attended
X - Apology

K Kanguru
Group Secretary

3 June 2015

RISK MANAGEMENT REPORT

The Group's Risk Management Strategy is to monitor risks through the Group's strategic planning process making use of the Board approved Enterprise Wide Risk Management ["EWRM"] framework. Risk is inherent in the Group'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 Group's continued profitability and going concern status, as such, risk champions have been appointed to coordinate mapping of departmental risks and implementation of corrective measures.

Risk Management Structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles, including defining the risk appetite. The Board appointed the Board Finance and Risk Management Committee which has the responsibility to superintend the implementation of the EWRM framework and other risk management guidelines and principles.

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

Risk Spectrum

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

Credit Risk

Credit risk is the risk that the Group will incur a loss on account of clients' failure to discharge their contractual obligations arising primarily from loans and advances and other off-balance sheet arrangements.

The Group 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 Group's Policy on Exposure Limits. The Group 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 Group's credit risk classification system is in conformity with the Reserve Bank of Zimbabwe recommended loan classification system as per Basel II requirements.

The Group'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. The Group's credit policies provide guidelines on the following issues:

i. loan credit evaluation and pricing guide;
ii. credit limits and approval authority;
iii. risk grading and provisioning requirements;
iv. credit origination and credit administration and loan documentation procedures;
v. risk mitigation and collaterals and procedure for exceptions to the credit policy; and
vi. procedure for handling problem loans including non-performing loans (NPL's).

Continuous monitoring of outstanding facilities is carried out by the Group's Credit and Operations Division.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

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 Group 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 department, 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.

MALCO ensures that asset growth initiatives are prudent in that asset growth is:

i. not funded by “Hot Money” and permanently by wholesale deposits;
ii. adequately considers the volatility of the source of funds;
iii. uses funds or capital resources that support profitable asset growth;
iv. do not disrupt the Group's ability to liquidate market positions at minimal cost; and
v. growth does not negatively affect the Group's capital adequacy.

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 Group's assets and liabilities positions are managed and monitored using other sensitivity analyses.

Market Risk Management Process

Market risks are monitored in real time by responsible treasury traders/dealers. Risk and Compliance is in turn responsible for reporting to the executive and regular MALCO meetings. 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 Group 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.

Operational Risk

Operational risk is the direct or indirect loss arising from a variety of causes associated with the Group`s processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks. Operational risks arise from all the Group`s operations and are faced by all divisions within the Group.

Operational Risk Management Process

In an effort to effectively manage operational risks the Group uses an operational risk system, CURA. By making use of the system, the Group has a defined methodology of quantifying, tracking and reporting on all operational risk issues and this has enhanced the Group’s risk awareness culture. Each division has a risk champion responsible for identifying risk areas and capturing risk events in the system as they occur. The solution encompasses all the key recommendations an organization must adopt to effectively manage

RISK MANAGEMENT REPORT (*continued*)

operational risks as it is aligned to the Group`s operational risk framework and other popular frameworks such as ISO 31000, Basel II, etc.

Whilst the Group does not expect to eliminate all operational risks, 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 projects and hence to the achievement of the project 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 IDBZ but could also expose the Group to impaired/tarnished reputation. The project sponsor/project manager is responsible for managing the risks on a daily basis.

Project Risk Management Process

The Group 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 grouping 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 project management processes; and
v. the Board supports and promotes risk management and understands and accepts the time and resource implications of any countermeasures.

Strategic Risk

Strategic risk arises where the corporate strategy is inappropriate to support long-term objectives of the Group resulting in an 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.

Strategic Risk Management Process

The Board is ultimately responsible for the development, approval and application of the Group`s strategic risk principles. The Board approves the Group`s strategy, whilst management is responsible for its implementation and ensuring regular reviews are undertaken in line with changes in operating conditions.

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 Group`s reputation is of paramount importance to its continued success and is the responsibility of each staff member.

Reputation Risk Management Process

IDBZ uses a multi-pronged strategy to manage this risk, with the public relations and corporate communications department as the risk champion. The Group 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 and Compliance Risk

Legal and compliance risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformance with laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. Legal and Compliance risk also arises in situations where the laws or rules governing certain products or activities of the Bank's clients may be ambiguous or untested. This risk exposes the Bank to fines, civil money penalties, payment of damages, and the voiding of contracts.

Legal and Compliance Risk Management Process

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

Money-laundering risk - relates to the financial or reputational loss suffered as a result of transactions in which criminal financiers disguise the true origin of funds deposited with subsidiaries of the Group and subsequent use of the funds to support illegal activities. The Group manages this risk through:

I. customer Due Diligence (CDD) in line with Know Your Customer (KYC) procedures;
ii. development of early warning systems; and
iii. integration of compliance into individual performance and reward system.

External Credit Rating

The Group's 2014 external rating which is based on the Prudential Standards, Guidelines and Rating System (PSGRS) for African Development Financial Institutions was certified by the Group's external auditors Deloitte & Touche. The July 2014 assessment assigned a **"B+"** rating which represented an improvement from the 2013 rating of **"C"**. The rating scale evaluates the Group's Governance, Financial Prudence, and Operational Standards. The risk assessment ratings are summarized in the table below.

Standard	Maximum Possible	IDBZ Self Rating (Reviewed by Deloitte) [2014]	IDBZ Self Rating (Reviewed by PWC) [2013]
Governance Standards	40%	39.1%	34%
Financial Prudential Standards	40%	20.7%	16%
Operational Standards	20%	16.0%	14%
Overall Score		**75.8%**	**64%**
PSGRS Rating		**B+**	**C**

T Mabuto

Head – Risk and Compliance

3 June 2015

DIRECTORS' REPORT

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 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 IDBZ by the Minister.

Authorized and Issued Share Capital
The authorized share capital of the Group 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
At an Extraordinary General Meeting shareholders approved a legacy debt restructuring transaction in terms of which Government of Zimbabwe agreed to take over the legacy foreign debt amounting to $38.2 million in exchange for preference shares of equal value.

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 propose a dividend of US$0.10 per share on the ordinary shares in issue as at 31 December 2014.

Corporate Governance and Performance Monitoring System
The Group 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. Furthermore the Group has fully embraced the Results Based Management ("RBM") system of performance management; the IDBZ Five Year Strategic Plan (2014-18) was formulated on the basis of the RBM system.

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. The areas of non-compliance were predominantly in section

DIRECTORS' REPORT (*continued*)

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. The Government of Zimbabwe took over the legacy foreign debt of US$38.2 million in terms of guarantees issued to secure the debt. The Group issued preference shares to Government equivalent to the amount of debt.

Accordingly, and taking into account the Group's performance in the period under review and 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.

Subsidiary and Associate Companies

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

Directorate

There were no movements on the Board of 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 2014.

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

WL Manungo	**C Chikaura**
Chairman	***Chief Executive Officer***

3 June 2015

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and integrity of the consolidated 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 Group 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 36 and 37 of this report.

The financial statements were approved by the Board of Directors on 3 June 2015 and are signed on its behalf by the Chairman and Chief Executive Officer.

W L Manungo
Chairman

C Chikaura
Chief Executive Officer

3 June 2015

Deloitte.

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

We have audited the accompanying consolidated financial statements of Infrastructure Development Bank of Zimbabwe and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 38 to 94.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Infrastructure Development Bank of Zimbabwe and its subsidiaries as at 31 December 2014 and their financial performance and 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 properly prepared in compliance with the disclosure requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14).

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)

3 June 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 US$	2013 US$
ASSETS			
Cash and bank balances	6	21 992 245	3 286 076
Investment securities	7	2 812 940	8 851
Financial assets at fair value through other comprehensive income	8	6 253 655	5 534 695
Loans and advances to customers	9	51 207 991	63 254 495
Trading assets pledged as collateral	9.2	17 839 181	12 494 118
Other receivables and prepayments	10	2 642 327	2 153 000
Investment in associates	11.4	1 601 291	1 892 580
Inventories	12	2 750 854	1 326 744
Investment property	13	11 942 500	11 472 305
Intangible assets	14	209 118	473 040
Property and equipment	15	3 539 315	4 023 038
Total assets		122 791 417	105 918 942
LIABILITIES AND EQUITY			
Liabilities			
Deposits from customers	19	51 778 720	36 164 718
Foreign lines of credit	20	8 618 656	49 595 104
Local lines of credit and bonds	21	25 994 146	23 105 367
Other liabilities	22	4 096 971	3 411 654
Total liabilities		90 488 493	112 276 843
Equity			
Share capital	16	24 490	24 490
Share premium	16	9 171 552	9 171 552
Non distributable reserve	17.1	(22 373 613)	(22 373 613)
Preference share capital	18	38 283 003	-
Fair value reserve		1 960 041	1 575 182
Retained earnings		4 766 651	4 782 329
Equity/(deficit) attributable to equity owners of the bank		31 832 124	(6 820 060)
Non-controlling interest in equity	11.3	470 799	462 159
Total shareholders' equity/(deficit)		32 302 923	(6 357 901)
Total equity and liabilities		122 791 417	105 918 942

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

Willard L. Manungo
(Chairman of the Board)

Charles Chikaura
(Chief Executive Officer)

Kenias Kanguru
(Bank Secretary)

3 June 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 US$	2013 US$
Interest and related income	23.1	9 942 938	13 421 294
Interest and related expense	23.2	(6 332 430)	(8 007 498)
Net interest income		3 610 508	5 413 796
Fee and commission income	25	2 834 203	5 340 967
Net (losses)/gains on financial assets at fair value through profit or loss	26	(687)	2 653
Dividend income		15 068	265
Revenue		6 459 092	10 757 681
Other income	27	1 852 867	897 226
Loan impairment charge	24	(807 874)	(1 289 021)
Fair value (loss)/gain on investment property	28	(147 497)	1 320 350
Net foreign exchange gains/(losses)	29	2 967 375	(329 063)
Operating expenses	30	(9 539 733)	(10 063 419)
Share of loss of associate	11.4	(291 289)	(706 757)
Profit for the year		492 941	586 997
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	384 859	1 575 182
Total comprehensive income for the year		877 800	2 162 179
Profit for the year attributable to:			
Equity holders of the parent entity		484 301	601 240
Non-controlling interest		8 640	(14 243)
		492 941	586 997
Total comprehensive income attributable to:			
Equity holders of the parent entity		869 160	2 176 422
Non-controlling interest		8 640	(14 243)
		877 800	2 162 179
Earnings per share from continuing operations attributable to the equity holders of the Bank during the year (expressed in US cents per share).	31	20	26

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Ordinary share capital US$	Share premium US$	Non distributable reserve ("NDR") US$	Preference share capital US$	Fair value reserve US$	Retained non-controlling earnings US$	Total before non-controlling interest US$	Non controlling interest US$	Total equity US$
Balance as at 31 December 2013	24 490	9 171 552	(22 373 613)	-	1 575 182	4 782 329	(6 820 060)	462 159	(6 357 901)
Profit	-	-	-	-	-	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
Balance as at 1 January 2013	23 311	5 847 969	(22 373 613)	-	-	4 681 066	(11 821 267)	476 402	(11 344 865)
Profit	-	-	-	-	-	601 240	601 240	(14 243)	586 997
Other comprehensive income:									
Net fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	1 575 182	-	1 575 182	-	1 575 182
Transactions with owners of the Group:									
Issue of shares	1 179	3 323 583	-	-	-	-	3 324 762	-	3 324 762
Dividend declared	-	-	-	-	-	(499 977)	(499 977)	-	(499 977)
Balance as at 31 December 2013	24 490	9 171 552	(22 373 613)	-	1 575 182	4 782 329	(6 820 060)	462 159	(6 357 901)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 US$	2013 US$
Cash flow from operating activities			
Profit for the year		492 941	586 997
Adjustments for:			
-Depreciation	15	505 418	522 443
-Amortisation	14	263 922	258 786
-Loan impairment charge	24	807 874	1 289 021
-Net unrealised losses from translation of foreign currency balances	29	2 855	1 103 110
-Gain on disposal of property and equipment		(79 766)	(123 643)
-Profit on disposal of investment property	28	(59 693)	(32 137)
-Unrealised fair value loss/(gain) on investment property	13	207 190	(1 288 213)
-Non-cash interest expense on foreign lines of credit		1 176 958	1 247 013
-Provisions and accruals		(46 815)	128 186
-Net loss/(gains) on financial assets measured at fair value through profit and loss	7	(2 804 089)	(2 653)
-Share of loss of associate	11.4	291 289	706 757
-Other non cash items		4 691	18 537
		762 775	4 414 204
Changes in			
- Loans and advances to customers		7 238 684	1 899 978
- Trading assets pledged as collateral		(5 345 063)	(1 249 698)
- Other receivables and prepayments		(489 327)	1 616 328
- Inventories		4 124	(1 141 495)
- Deposits from customers		15 614 002	(20 906 099)
- Other liabilities		(682 083)	(311 086)
Net cash generated from/(used in) operating activities		17 103 112	(15 677 868)
Cash flow from investing activities			
Acquisition of property and equipment	15	(29 187)	(161 746)
Proceeds from sale of property and equipment		72 274	138 226
Acquisition of available for sale financial assets	8	-	(461 595)
Acquisition of intangible assets	14	-	(66 194)
Proceeds from sale of investment property		258 043	976 137
Net cash generated from investing activities		301 130	424 828
Cash flow from financing activities			
Payment of dividends		(499 979)	-
Receipt of foreign lines of credit	20	-	8 113 750
Repayment of foreign lines of credit	20	(1 086 873)	(661 512)
Proceeds from issue of bonds	21	15 618 000	13 620 102
Repayment of bonds	21	(14 237 599)	(8 950 887)
Repayment of local lines of credit	21	1 508 378	(4 474 556)
Net cash (used in)/generated from financing activities		1 301 927	7 646 897
Net increase/(decrease) in cash and cash equivalents		18 706 169	(7 606 143)
Effect of exchange rate fluctuations on cash and cash equivalents held		-	(4 813)
Cash and cash equivalents at 1 January		3 286 076	10 897 032
Cash and cash equivalents at 31 December	6	21 992 245	3 286 076

1 BANK 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 12 May 2015.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation 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 revaluation 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 standards, amendments and interpretations, effective on or after 1 January 2014

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

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IAS 32 (amendment)	Financial Instruments: Presentation	1 January 2014
Amendments to IFRS 10,IFRS12 and IAS 27	Amends IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate consolidated financial statements	1 January 2014
IAS 36 (amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014

Amendment to IAS 32 Financial Instruments: Presentation. This amendment clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas of 1.)the meaning of 'currently has a legally enforceable right of set-off',2.) the application of simultaneous realisation and settlement, 3.) the offsetting of collateral amounts and 4.)the unit of account for applying the off setting requirements.

The application of this IFRS does not have a material effect on the Group's consolidated financial statements, as the Company does not offset any of its financial instruments.

Amendments to IFRS 10,IFRS 12 and IAS 27

The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, certain criteria have to met. Specifically, an entity is an investment entity when it:

- Obtains funds from one or more investors for the purpose of providing them with investment management services;
- Commits to investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measures and evaluates performance of substantially all of its investment on a fair value basis.
- Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

The application of this IFRS does not have a material effect on the Group's consolidated financial statements, as it is not an investment entity.

Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets.

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. The amendments require retrospective application.

The application of this IFRS does not have an effect on the Group's consolidated financial statements, as there were no impairments or impairment reversals arising on its non-financial assets during the year.

2.1.2 New standards, amendments and interpretations, effective on or after 1 January 2014

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2014 and are not relevant to the Group:

Standard/ Interpretation	Content	Applicable for financial years beginning on/after
IFRIC 21	Levies', on levies to be paid that are not income tax.	1 January 2014
IFRS 9	'‘Financial instruments', on classification, measurement and recognition of financial assets and financial liabilities.	1 January 2014
IAS 19 (amended)	Employee Benefits	1 July 2014

IFRIC 21, 'Levies', Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. 'The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies: The liability is recognised progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

The application of this IFRS does not have a material impact on the Group's consolidated financial statements, as the Group does not have any levies imposed on it by government that require accounting treatments proposed by IFRIC 21.

IFRS 9, 'Financial Instruments', issued in 2014 is a finalised version which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. It addresses the classification and measurement of financial instruments.

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The final 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 under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. Also, the final version introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The amendment is not mandatory for the Group until 1 January 2018, however the future application of this IFRS is not expected to have a material impact on the Group's consolidated financial statements, as it currently complies with IAS 39 Financial Instruments: Measurement requirements, and does not have any complicated financial instruments.

Amendment to IAS 19: 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 remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the corridor approach' permitted by the existing IAS 19). The amendment also introduced 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. 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 are clarified. The future application of this IFRS will not have a material effect on the Group's consolidated financial statements, with respect to accounting for defined benefit plans, as it does not operate or participate in defined benefit pension schemes. The entity participates in a defined contribution scheme where it already distinguishes benefits provided in exchange for service and benefits provided in exchange for the termination of employment in prior consolidated financial statements.

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 Group 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 Bank and all its subsidiaries.

(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 translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

All foreign exchange gains and losses are presented in the statement of profit or 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies. 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 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 profit or loss and other 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.

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 profit or loss and other 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.

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 profit or loss and other 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 it 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 and other comprehensive income 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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.

<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="10">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></td><td colspan="2"></td><td></td></tr>
<tr><td>financial assets at fair value through other comprehensive</td><td colspan="2">Investment securities - equity securities</td><td>Unlisted equity securities</td></tr>
<tr><td colspan="5"></td></tr>
<tr><td rowspan="5">Financial liabilities</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 rowspan="2">Contingent liabilities and commitments</td><td colspan="4">Loan commitments</td></tr>
<tr><td colspan="4">Guarantees and letters of credit</td></tr>
</table>

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:

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.

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 profit or loss and other 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. Impairments recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of profit or loss and other 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 expempted 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.

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.

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.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, and is deducted from equity attributable to the equity holders until the shares are cancelled or reissued. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/(from) retained earnings/(accumulated losses).

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group'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.

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 2014 (2013: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.

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.

2.20 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 Bank 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.

2.22 Dividend distribution

Dividend distribution to the Bank'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, 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

2.24.2.1 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.

2.24.2.2 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.

2.24.2.3 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.

2.24.2.4 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 36.

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 the risk management and control environments; and the Group Legal Department provides advice and support on legal matters.

A Finance and Risk Management Committee has been set up at Board level and it consists of non-executive directors level to ensure the 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 2014 US$	Maximum Exposure 31 Dec 2013 US$
Cash and cash equivalents	21 992 245	3 286 076
Loans and advances to customers	59 628 527	73 678 763
Trading assets pledged as collateral	17 839 181	12 494 118
Other receivables and prepayments	2 642 327	2 153 000
	102 102 280	91 611 957
Credit risk exposure relating to off-balance sheet assets are as follows:		
Loan commitments	13 945 481	7 602 206
Financial guarantees	2 859 083	-
Maximum exposure to credit risk	118 906 844	99 214 163

Financial guarantees. Financial guarantees principally represent guarantees that require the Group to make certain payments if guarantee holders fail to meet their financial obligations. The maximum potential obligation resulting from these guarantees amounted to US$2.9 million as at December 31, 2014 (December 31, 2013:US$nil).

The increase in credit risk exposure was due to the following:
(a) increase in the bank's cash and cash equivalents invested on the interbank market.
(b) Increase in trading assets pledged as collateral

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 eporting date approximates the carrying amount.

Loans and advances (excluding trading assets pledged as collateral) are summarised as follows:	Loans and advances to customers 2014 US$	Loans and advances to customers 2013 US$
Neither past due nor impaired	38 117 983	40 030 260
Past due but not impaired	1 146 171	14 278 406
Individually impaired	20 364 373	19 370 097
Gross	59 628 527	73 678 763
Less: allowance for impairment	(8 420 536)	(10 424 268)
Net	51 207 991	63 254 495

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.

Contract maturity analysis

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

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	2 812 940	-	-	-	-	2 812 940
Other receivables and prepayments	-	2 642 327	-	-	-	2 642 327
Financial assets at fair value through other comprehensive income	-	-	-	-	6 253 655	6 253 655
Loans and advances to customers	4 512 310	479 147	-	15 235 398	30 981 136	51 207 991
Assets pledged as collateral	-	17 839 181	-	-	-	17 839 181
Total	29 317 495	20 960 655	-	15 235 398	7 495 739	102 748 338
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	25 994 146
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

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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$
Gap	(19 617 899)	17 526 792	(7 061 800)	(3 327 640)	(24 740 391)	(12 259 844)
Contingent liabilities:						
Loan commitments	13 945 481	-	-	-	-	13 945 481
Guarantees	2 859 083	-	-	-	-	2 859 083
Total gap	(36 422 463)	17 526 792	(7 061 800)	(3 327 640)	(24 740 391)	(4 544 719)
Total cumulative gap	(36 422 463)	(18 895 671)	(25 957 471)	(29 285 111)	(4 544 719)	-

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	3 286 076	-	-	-	-	3 286 076
Investment securities	8 851	-	-	-	-	8 851
Other receivables and prepayments	-	2 153 000	-	-	-	2 153 000
Financial assets at fair value through other comprehensive income	-	-	-	-	5 534 695	5 534 695
Loans and advances to customers	146 393	4 659 858	3 858 986	10 262 996	44 326 263	63 254 495
Assets pledged as collateral	-	12 494 118	-	-	-	12 494 118
Total	3 441 320	19 306 976	3 858 986	10 262 996	49 860 958	86 731 235
Liabilities						
Deposits from customers	-	36 164 718	-	-	-	36 164 718
Foreign lines of credit	39 889 575	-	-	4 852 765	4 852 765	49 595 104
Local lines of credit	485 187	-	-	11 310 090	11 310 090	23 105 367
Other liabilities	-	3 411 654	-	-	-	3 411 654
Total	40 374 762	39 576 372	-	16 162 855	16 162 855	112 276 843
Gap	(36 933 442)	(20 269 396)	3 858 986	(5 899 859)	33 698 103	(25 545 608)
Contingent liabilities:						
Loan commitments	7 602 206	-	-	-	-	7 602 206
Total gap	(44 535 648)	(20 269 396)	3 858 986	(5 899 859)	33 698 103	(33 147 814)
Total cumulative gap	(44 535 648)	(64 805 044)	(60 946 058)	(66 845 917)	(33 147 814)	-

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.

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 the 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.

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 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							
Cash and cash equivalents	21 992 245	-	-	-	-	-	21 992 245
Investment securities	2 812 940	-	-	-	-	-	2 812 940
Loans and advances to customers	4 512 310	479 147	-	15 235 398	30 981 136	-	21 468 939
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
Inventories	-	-	-	-	-	2 750 854	2 750 854
Investment property						11 942 500	11 942 500

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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$
Intangible assets	-	-	-	-	-	209 118	209 118
Property and equipment	-	-	-	-	-	3 539 315	3 539 315
Total assets	29 317 495	18 318 328	-	15 235 398	30 981 136	28 939 060	93 052 366
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	(15 520 928)	14 884 464	(7 061 800)	(3 327 640)	(11 252 316)	(7 460 834)	-
Total cumulative gap	(15 520 928)	(636 463)	(7 698 263)	(11 025 903)	(22 278 219)	-	-

Assets **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$
Cash and cash equivalents	3 286 076	-	-	-	-	-	3 286 076
Investment securities	8 851	-	-	-	-	-	8 851
Loans and advances to customers	146 393	4 659 858	3 858 986	10 262 996	44 326 263	-	63 254 496
Financial assets at fair value through other comprehensive income	-	-	-	-	-	5 534 695	5 534 695
Trading assets pledged as collateral	-	12 494 118	-	-	-	-	12 494 118
Other receivables and prepayments	-	-	-	-	-	2 153 000	2 153 000
Investment in associate	-	-	-	-	-	1 892 580	1 892 580
Inventories	-	-	-	-	-	1 326 744	1 326 744
Investment property	-	-	-	-	-	11 472 305	11 472 305
Intangible assets	-	-	-	-	-	473 040	473 040
Property and equipment	-	-	-	-	-	4 023 038	4 023 038
Total assets	3 441 320	17 153 976	3 858 986	10 262 996	44 326 263	26 875 402	105 918 943
Equity and liabilities							
Deposits from customers	36 164 718	-	-	-	-	-	36 164 718
Foreign lines of credit	39 889 575	-	-	4 852 765	4 852 765	-	49 595 105
Local lines of credit and bonds	485 187	-	-	11 310 090	11 310 090	-	23 105 367
Other liabilities	-	-	-	-	-	3 411 654	3 411 654
Shareholders' equity	-	-	-	-	-	(6 357 901)	(6 357 901)
Total equity and liabilities	76 539 480	-	-	16 162 855	16 162 855	(2 946 247)	105 918 943
Total interest repricing gap	(73 098 160)	17 153 976	3 858 986	(5 899 859)	28 163 408	29 821 649	-
Total cumulative gap	(73 098 160)	(55 944 184)	(52 085 198)	(57 985 057)	(29 821 649)	-	-

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 2014 US$	Effect on profit for the year 2013 US$
5% increase / (decrease)	497 147	671 065
10% increase / (decrease)	994 294	1 342 129

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 2014	US$	ZAR US$ equivalent	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	67 155	13 676	7 986	10 609	-	12 259 846

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As at 31 December 2013		ZAR	BWP	GBP	Euro	Other	
	US$	US$	US$	US$	US$	US$	Total
Assets		equivalent	equivalent	equivalent	equivalent	equivalent	US$
Assets							
Balances with banks and cash	3 225 981	22 900	4 297	8 504	25 294	-	3 286 976
Investment securities	8 851	-	-	-	-	-	8 851
Loans and advances to customers	63 254 495	-	-	-	-	-	63 254 495
Financial assets at fair value through other comprehensive income	5 534 695						5 534 695
Trading assets pledged as collateral	12 494 118	-	-	-	-	-	12 494 118
Other receivables and prepayments	2 153 000	-	-	-	-	-	2 153 000
	86 671 140	22 900	4 297	8 504	25 294	-	86 732 135
Equity and liabilities							
Deposits from customers	36 153 679	10 017	-	-	1 023	-	36 164 719
Foreign lines of credit	20 130 779	-	-	1 916 722	23 033 508	4 514 096	49 595 105
Local lines of credit and bonds	23 105 367	-	-	-	-	-	23 105 367
Other liabilities	3 411 654	-	-	-	-	-	3 411 654
	82 801 479	10 017	-	1 916 722	23 034 531	4 514 096	112 276 845
Net foreign exchange position	3 869 661	12 883	4 297	(1 908 218)	(23 009 236)	(4 514 096)	(25 544 710)

The Group had no off balance sheet foreign currency exposure as at 31 December 2014 (31 December 2013 - 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 2014. For 2014, the Group is mainly exposed to the ZAR compared to 2013 where the Group's exposure was mainly derived from the EURO as a result of the legacy debt.The legacy debt was successfully hived off from the bank's balance sheet during the year.

Exchange rate change	**Effect on profit for the year 2014 US$**	**Effect on profit for the year 2013 US$**
5% appreciation/(depreciation)	(3 358)	1 150 462
10% appreciation/(depreciation)	(6 715)	2 300 924

3.4.2. Price risk (*Continued*)

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$ 408 (2013 : US$443).

4 CAPITAL MANAGEMENT

The Group's objectives 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.

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 2014.

At 31 December 2014	Level 1 US$	Level 2 US$	Level 3 US$
Investment securities	2 812 940	-	-
Financial assets at fair value through other comprehensive income	-	-	6 253 655
Total assets	2 812 940	-	6 253 655
Total liabilities	-	-	-
At 31 December 2013			
Investment securities	8 851	-	-
Financial assets at fair value through other comprehensive income	-	-	5 534 695
Total assets	8 851	-	5 534 695
Total liabilities	-	-	-

5.1.2 Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities presented in the Group's statement of financial position at their fair values. Fair value of deposits from customers approximates carrying amount.

	Carrying value 2014 US$	Fair value 2014 US$	Carrying value 2013 US$	Fair value 2013 US$
Financial assets :				
Loans and advances to customers	51 207 991	51 207 991	63 254 495	63 254 495
Trading assets pledged as collateral	17 839 181	17 839 181	12 494 118	12 494 118
Financial liabilities:				
Deposits from customers	51 778 720	51 778 720	36 164 719	36 164 719
Lines of credit:				
- foreign	8 618 656	8 618 656	49 595 104	49 595 104
- local	25 994 146	25 994 146	23 105 367	23 105 367

It is assessed that the carrying amounts approximates their fair values because of their nature and their short tenure.

(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.

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.

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	2014 US$	2013 US$
Cash on hand	185 099	432 317
Balances with banks	21 807 146	2 853 759
	21 992 245	3 286 076
Current	21 992 245	3 286 076
Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:		
Cash and bank balances	21 992 245	3 286 076

7 INVESTMENT SECURITIES	2014 US$	2013 US$
At 1 January	8 851	6 198
Additions	2 804 776	-
Net (loss)/gains through profit or loss	(687)	2 653
At 31 December	2 812 940	8 851

During the year the Group received treasury bills from the Reserve Bank of Zimbabwe as a repayment arragement on a loan that had been advanced to one of its clients .The treasury bills are at a rate of 2% and the loan that had been advanced was at a rate of 32%. These treasury bills are measured at amortised cost.

Changes in fair value of investment securities are presented as 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").

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2014 US$	2013 US$
At 1 January	5 534 695	173 156
Additions	334 101	3 786 357
Net fair value gains on financial assets at fair value through other comprehensive income	384 859	1 575 182
At 31 December	6 253 655	5 534 695

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

	2014 US$	2013 US$
Unlisted securities:		
Equity securities - Zimbabwe	1 239 503	881 197
Equity securities - Botswana	5 014 152	4 653 498
	6 253 655	5 534 695

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

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

During the year the Group received 23 596 556 ordinary shares in National Blankets Limited in lieu of a loan outstanding of US$334,101.The Group's percentage shareholding in the company is 2.12% and management believes that the value received represents an approximation of fair value of the investment considered for initial recognition. No independent valuation of the investment was made due to non availability of adequate information of the company at the time of reporting.

The bank holds a US$300 000 mortgage bond on a commercial property located in Bulawayo, Zimbabwe owned by guarantors to the original National Blankets Limited exposure and is in the process of foreclosing.

None of these financial assets is either past due or impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013
9	**LOANS AND ADVANCES TO CUSTOMERS**	**US$**	**US$**
	Individual		
	- term loans	2 113 297	2 489 049
	Corporate		
	- corporate customers	57 515 230	71 189 714
	Gross loans and advances to customers	59 628 527	73 678 763
	Less: allowance for impairment (note 9.1)	(8 420 536)	(10 424 268)
	Net loans and advances to customers	51 207 991	63 254 495
	Current	20 226 855	44 326 263
	Non-current	30 981 136	18 928 232
		51 207 991	63 254 495
9.1	**Allowances for impairment of loans and advances**		
	Specific allowances for impairment		
	Balance at 1 January	10 424 268	9 644 084
	Allowance for loan impairment	807 874	1 289 021
	Loans written off	(2 811 606)	(508 837)
	Balance at 31 December	8 420 536	10 424 268
9.1.1	**Maturity analysis of loans and advances to customers**		
	Up to one month	4 512 310	146 393
	Up to three months	479 147	4 659 858
	Up to one year	15 235 398	14 121 982
	Up to 3 years	17 679 136	44 326 262
	Up to 5 years	13 302 000	-
		51 207 991	63 254 495

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 Control 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.

9.1.2 Sectorial analysis of loans and advances to customers	Percentage (%)	2014 US$	Percentage (%)	2013 US$
Manufacturing	25%	14 711 187	18%	13 208 852
Retail	8%	4 473 273	8%	5 550 454
Agro processing	5%	3 232 407	7%	5 442 569
Mining	6%	3 467 109	5%	3 824 498
Tourism and hospitality	13%	7 797 956	13%	9 456 835
Telecommunications	0%	225 545	4%	2 595 532
Construction	0%	305 754	3%	2 042 202
Energy	39%	23 302 000	27%	20 000 080
Individuals and other services	4%	2 113 296	15%	11 557 741
Gross value of loans and advances	100%	59 628 527	100%	73 678 763
Less allowance for impairment		(8 420 536)		(10 424 268)
		51 207 991		63 254 495

9.2 Trading assets pledged as collateral

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

	Asset		Related liability	
	2014 US$	2013 US$	2014 US$	2013 US$
Financial assets held to maturity	17 839 181	12 494 118	16 513 825	11 469 093
Current	17 839 181	12 494 118	16 513 825	11 469 093

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

All collateral agreements mature within 12 months.

10 OTHER RECEIVABLES AND PREPAYMENTS

	2014 US$	2013 US$
Receivables	3 199 324	2 162 628
Less: allowance for impairment	(704 329)	(136 638)
Net receivables	2 494 995	2 025 990
Pre-payments	147 332	127 010
	2 642 327	2 153 000
Current	2 642 327	2 153 000

11 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

11.1 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 and voting power held by the Group as at 31 Dec 2014 %	as at 31 Dec 2013 %
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	100

All subsidiaries have been consolidated in these financial statements.

11.2 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	
	2014	2013	2014 US$	2013 US$	2014 US$	2013 US$
Waneka Properties (Private) Limited	30%	30%	(8 211)	(18 912)	110 136	99 434
Norton Medical Investments (Private) Limited	40%	40%	28 260	30 321	360 663	362 724
Total					470 799	462 159

11.3 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

Waneka Properties (Private) Limited	**2014 US$**	**2013 US$**
Current assets	367 320	1 818 584
Non-current assets	-	-
Current liabilities	200	1 487 136
Non-current liabilities	-	-
Equity atrributable to owners of the Company	256 984	232 014
Non-controlling interests	110 136	99 434
Revenue	20 049	(104 610)
Expenses	(15 619)	(115 212)
Profit/(loss) for the year	4 430	(219 822)
Total comprehensive income attributable to owners of the Company	3 101	(153 876)
Total comprehensive income attributable to owners of the non-controlling interests	1 329	(65 946)
Total comprehensive income for the year	4 430	(219 822)
Dividends paid to non-controlling interests	-	-
Net cash inflow from operating activities	23 234	87 097
Net cash inflow from investing activities	-	-
Net cash inflow from financing activities	-	-
Net cash inflow	23 234	87 097

11 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

11.3 Investment in subsidiaries

Norton Medical Investments (Private) Limited	**2014 US$**	**2013 US$**
Current assets	-	-
Non-current assets	1 400 000	1 400 000
Current liabilities	498 343	493 189
Non-current liabilities	-	-
Equity atrributable to owners of the Company	540 994	544 086
Non-controlling interests	360 663	362 724
Revenue	-	231 610
Expenses	(5 153)	(102 351)
(Loss)/Profit for the year	(5 153)	129 259
(Loss)/profit attributable to owners of the Company	(3 092)	77 555
(Loss)/profit attributable to non-controlling interests	(2 061)	51 704
Other comprehensive (loss)/ income for the year	(5 153)	129 259
Total comprehensive (loss)/ income attributable to owners of the Company	(3 092)	77 555
Total comprehensive (loss)/ income attributable to owners of the non-controlling interests	(2 061)	51 704
Total comprehensive (loss)/ income for the year	(5 153)	129 259
Dividends paid to non-controlling interests	-	-
Net cash inflow/ (outflow) from operating activities	-	-
Net cash inflow/ (outflow) from investing activities	-	-
Net cash inflow/ (outflow) from financing activities	-	-
Net cash inflow/ (outflow)	-	-

11 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

11.4 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 and voting power held by the Group as at 31 Dec 2014 %	as at 31 Dec 2013 %
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.

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

	2014 US$	2013 US$
Current assets	563 210	150 475
Non-current assets	6 268 181	7 214 909
Current liabilities	(2 119 264)	(1 778 777)
Non-current liabilities	-	-
Revenue	(445 935)	(823 316)
Loss for the year	(874 480)	(1 974 622)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(874 480)	(1 974 622)
Dividends received from associate during the year	-	-

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

	2014	2013
Net assets of associate	4 712 127	5 586 607
Proportion of the Group's ownership interest	33.31%	33.31%
Goodwill	-	-
Carrying amount of the Group's interest	1 569 609	1 860 899

Aggregate information of associates that are not individually material	**2014 US$**	**2013 US$**
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.

12 INVENTORIES

Inventory - housing units	1 352 936	-
Inventory - land	1 367 400	-
Work in progress	-	1 292 102
Consumables and materials	30 518	34 642
	2 750 854	1 326 744
Current	2 750 854	1 326 744

During the year the bank received, by way of allocation and cession 27 two bed roomed flats from Waneka Properties (Private) Limited, a subsidiary of the bank, under the second phase development project as repayment of the loan advanced to the project. The value of the housing units transferred is US$1 352 936 and these have been recorded as Inventory-housing units. The Group expects to sell these in the 2015 financial reporting period.

The bank also received a government grant in the form of transfer of a land measuring 45.58ha in Marimba, Harare from the Ministry of Local Government, Public Works and National Housing in their pursuit of the National Housing Development Programme. The fair value of the land was determined as US$1 367 400 by an independent professional valuer at the end of the financial reporting period. The transaction was recorded as Inventory-land and plans are underway to service and develop the land into housing stands in 2015.

13 INVESTMENT PROPERTY	**2014 US$**	**2013 US$**
Balance as at 1 January	11 472 305	11 128 092
Additions during the year	969 000	-
Disposals during the year	(351 308)	(976 137)
Profit on disposal of investment property	59 693	32 137
Unrealised (loss)/ gains from fair value adjustments of investment property Net gain/(loss) from fair value adjustment :	(207 190)	1 288 213
Balance as at 31 December	11 942 500	11 472 305

	2014	2013
Analysis by nature	**US$**	**US$**
Residential stands	2 779 500	2 525 905
Commercial and industrial properties	9 163 000	8 946 400
	11 942 500	11 472 305

Investment properties to the value of US$3 794 000 (2013:US$7 380 000) are pledged as collateral security for fixed term deposits from customers (refer to Note 19).

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.

Rental income	369 898	406 413

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 judicial management 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. The fair value of the property cannot be determined reliably because of practical restrictions on the bank's access to and control over the property. 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 2014 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.

14 INTANGIBLE ASSETS

	2014	2013
	US$	**US$**
Carrying amounts of:		
Capitalised development	154 898	392 644
Licenses	54 220	80 396
	209 118	473 040

Cost	Capitalised development US$	Licenses US$	Total US$
Balance as at 1 January 2013	932 484	123 394	1 055 878
Additions	-	-	-
Balance as at 31 December 2013	932 484	123 394	1 055 878
Additions	-	-	-
Balance as at 31 December 2014	932 484	123 394	1 055 878
Accumulated amortisation and impairment			
Balance as at 1 January 2013	(309 735)	(14 317)	(324 052)
Amortisation expense	(230 106)	(28 681)	(258 787)
Balance as at 31 December 2013	(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)

The following useful lives are used in the calculation of amortisation

Capitalised development	4 years
Licenses	4 years

14.1 Significant intangible assets

The Group's capitalised development asset relates to the core banking system, Rubikon.The carrying amount of the intangible asset of US$154 898 (2013: US$392 644) will be fully amortised in one year (2013: 2 years).

15 PROPERTY AND EQUIPMENT

Year ended 31 December 2013	Land and buildings US$	Computer and office equipment US$	Motor vehicles US$	Fixtures and fittings US$	Capital work in progress US$	Total US$
Opening net book amount	1 782 991	326 540	878 391	10 415	1 400 000	4 398 337
Additions	-	136 689	1 236	23 821	-	161 746
Disposals	-	-	(14 601)	-	-	(14 601)
Depreciation charge	(36 147)	(186 884)	(280 309)	(19 104)	-	(522 444)
Net book amount	1 746 844	276 345	584 717	15 132	1 400 000	4 023 038

	Land and buildings	Computer and office equipment	Motor vehicles	Fixtures and fittings	Capital work in progress	Total
At 31 December 2013	US$	US$	US$	US$	US$	US$
Cost	2 000 000	964 526	1 448 468	505 068	1 400 000	6 318 062
Accumulated depreciation	(253 156)	(688 181)	(863 751)	(489 936)	-	(2 295 024)
Net book amount	1 746 844	276 345	584 717	15 132	1 400 000	4 023 038
Year ended 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	-	16 379	-	29 187
Disposals	-	(2 754)	(4 737)	-	-	(7 492)
Depreciation charge	(36 147)	(169 638)	(279 191)	(20 443)	-	(505 418)
Net book amount	1 710 697	116 762	300 789	11 068	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)	(855 121)	(947 112)	(510 379)	-	(2 601 914)
Net book amount	1 710 697	116 761	300 789	11 067	1 400 000	3 539 315

Land and buildings with a carrying amount of US$1 710 697 are pledged as collateral security for fixed term deposits (refer to Note 19).

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$ 505 418 (2013: US$ 522 443) has been charged to operating expenses (note 30).

16 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 2013	2 331 114	23 311	5 847 969	5 871 280
Issue of shares	117 932	1 179	3 323 583	3 324 762
At 31 December 2013	2 449 046	24 490	9 171 552	9 196 042
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

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

17 OTHER EQUITY RESERVES

17.1 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.

18 PREFERENCE SHARE CAPITAL

During the year, the bank issued 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 2013	-	-	-
Issue of shares	-	-	-
At 31 December 2013	-	-	-
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

19 DEPOSITS FROM CUSTOMERS

Deposits from customers are primarily comprised of amounts payable on demand and term deposits.

	2014 US$	2013 US$
Large corporate customers	51 060 175	35 577 510
Retail customers	718 545	587 208
	51 778 720	36 164 718

Included in term deposits are mortgage backed deposits secured to the tune of US$5 504 697 by the Group's investment properties and land and buildings. (Refer to notes 13 and 15)

19.1 Maturity analysis of deposits from customers

	2014 US$	2013 US$
Up to one month	42 844 857	34 182 323
Up to three months	3 433 863	1 982 395
Up to six months	5 500 000	-
	51 778 720	36 164 718

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.

19.2 Sectorial analysis of deposits from customers

	2014 Percentage (%)	2014 US$	2013 Percentage (%)	2013 US$
Financial markets	4%	1 900 000	18%	6 621 926
Fund managers and pension funds	38%	19 430 068	20%	7 133 289
Individuals	1%	718 545	2%	559 126
Government and public sector institutions	55%	28 521 715	42%	15 315 333
Other services	2%	1 208 392	18%	6 535 044
	100%	51 778 720	100%	36 164 718

20 FOREIGN LINES OF CREDIT

	2014 US$	2013 US$
Lines of credit	8 618 656	49 595 104

20.1 Maturity analysis of loans

	2014 US$	2013 US$
Principal balances not yet due	8 618 656	9 705 529
Arrears	-	39 889 575
	8 618 656	49 595 104

20.2 Maturity analysis of gross amount

	2014 US$	2013 US$
On demand, due to being in arrears	-	39 889 575
Maturity within 1 year	8 618 656	-
Maturity after 1 year but within 5 years	-	9 705 529
	8 618 656	49 595 104

20.3

	2014 US$	2013 US$
Current	8 618 656	39 889 575
Non-current	-	9 705 529
	8 618 656	49 595 104

20.4 Detailed analysis by currency

Year ended 31 December 2014 Foreign currency	Interest rate	Contractual redemption date	Principal balance opening FC	Draw down FC	Repayment FC	Principal balance closing FC	Arrears own currency FC	Debt converted to equity FC	Exchange rate	Arrears closing balance US$	Total lines of credit US$
GBP											
European Investment Bank I	5.00%	1999	-	-	-	-	121 750	(121 750)	1.571	-	-
European Investment Bank IV	4.35%	2004	-	-	-	-	1 088 600	(1 088 600)	1.571	-	-
CHF											
European Investment Bank I	5.00%	1999	-	-	-	-	555 670	(555 670)	0.966	-	-
European Investment Bank IV	3.00%	2004	-	-	-	-	1 676 033	(1 676 033)	0.966	-	-
JPY											
European Investment Bank II	5.00%	1999	-	-	-	-	88 060 163	(88 060 163)	0.008	-	-
European Investment Bank IV	3.00%	2002	-	-	-	-	137 897 178	(137 897 178)	0.008	-	-
EURO											
DEG INCOME NOTES	8.00%	2001	-	-	-	-	1 873 842	(1 873 842)	1.245	-	-
European Investment Bank II	3.00%	2002	-	-	-	-	7 060 395	(7 060 395)	1.245	-	-
European Investment Bank IV (ex ITL)	3.00%	2004	-	-	-	-	4 902 108	(4 902 108)	1.245	-	-
European Investment Bank IV (ex FFr)	3.00%	2004	-	-	-	-	3 531 246	(3 531 246)	1.245	-	-
USD											
European Investment Bank IV	2.61%	2004	-	-	-	-	5 960 414	(5 960 414)	1.000	-	-
FINN FUND II	3.00%	2004	-	-	-	-	4 730 719	(4 730 719)	1.000	-	-
Total shareholders' loans										-	-
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

The legacy debt was hived off as at 30 November 2014 (see Note 20.3).

Year ended 31 December 2013 Foreign currency	Interest rate	Contractual redemption date	Principal balance opening FC	Draw down FC	Repayment FC	Principal balance closing FC	Arrears own currency FC	Debt converted to equity FC	Exchange rate	Arrears closing balance US$	Total lines of credit US$
GBP											
European Investment Bank I	5.00%	1999	-	-	-	-	116 415	-	1.648	191 816	191 816
European Investment Bank IV	4.35%	2004	-	-	-	-	1 046 857	-	1.648	1 724 906	1 724 906
CHF											
European Investment Bank I	5.00%	1999	-	-	-	-	531 318	-	1.126	598 061	598 061
European Investment Bank IV	3.00%	2004	-	-	-	-	1 631 176	-	1.126	1 836 082	1 836 082
JPY											
European Investment Bank II	5.00%	1999	-	-	-	-	84 200 953	-	0.010	801 868	801 868
European Investment Bank IV	3.00%	2002	-	-	-	-	134 206 499	-	0.010	1 278 084	1 278 084
EURO											
DEG INCOME NOTES	8.00%	2001	-	-	-	-	1 745 819	-	1.379	2 407 309	2 407 309
European Investment Bank II	3.00%	2002	-	-	-	-	6 740 426	-	1.379	9 308 678	9 308 678
European Investment Bank IV (ex ITL)	3.00%	2004	-	-	-	-	4 770 908	-	1.379	6 578 606	6 578 606
European Investment Bank IV (ex FFr)	3.00%	2004	-	-	-	-	3 436 736	-	1.379	4 738 916	4 738 916
USD											
European Investment Bank IV	2.61%	2004	-	-	-	-	5 821 143	-	1.000	5 821 143	5 821 143
FINN FUND II	3.00%	2004	-	-	-	-	4 604 106	-	1.000	4 604 106	4 604 106
Total shareholders' loans										39 889 575	39 889 575
USD											
CBZ Bank Limited - Zimbabwe Economic Trade Revival Facility	5.19%	2015	2 253 292	8 113 750	661 512	9 705 529	-	-	1.000	9 705 529	9 705 529
										49 595 104	49 595 104

80% of the loans were guaranteed by the Government of Zimbabwe.
Exchange rates have been rounded off to the nearest 3 decimal places

During the year, the Group's foreign currency denominated shareholders loans, legacy debt, amounting to US$38.3 million were hived off from the statement of financial position (refer to Note 18: Preference Shares). These loans were advanced to Zimbabwe Development Bank,the predecessor company to Infrastructure Development Bank of Zimbabwe, by European Investment Bank, Finnish Fund for Industrial Development Corporation, Commonwealth Development Corporation, Netherlands Development Company and German Investment & Development Company.

21 LOCAL LINES OF CREDIT AND BONDS

	2014 US$	2013 US$
Bonds	24 000 581	22 620 180
Lines of credit	1 993 565	485 187
Total	25 994 146	23 105 367
Current	13 499 746	8 025 247
Non current	12 494 400	15 080 120
	25 994 146	23 105 367

The movement in the balances during the year was as follows;

	Bonds 2014 US$	Lines of credit 2014 US$	Bonds 2013 US$	Lines of credit 2013 US$
At 1 January	22 620 180	485 187	17 950 965	4 959 743
New issues	15 618 000	1 508 378	13 620 102	-
Repayments	(14 237 599)	-	(8 950 887)	(4 474 556)
At 31 December	24 000 581	1 993 565	22 620 180	485 187

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.

22 OTHER LIABILITIES

	2014 US$	2013 US$
Accruals	30 690	464 569
Provision for outstanding employee leave (note 22.1)	435 304	512 810
Dividend payable	500 114	499 978
Deferred income	1 367 400	-
Other	1 763 463	1 934 297
	4 096 971	3 411 654
Current	4 096 971	3 411 654

The deferred income arises as a result of government grant received during the year (see note note 12).

22.1 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 30.1).

	2014 US$	2013 US$
Balance at 1 January	512 810	533 502
Additional (reversals)/provisions	(68 094)	18 520
Utilised during the year	(9 410)	(39 212)
Balance as at 31 December	435 304	512 810

23 NET INTEREST INCOME

23.1 Interest and related income:

Loans and advances to customers	9 942 938	13 421 294

23.2 Interest and related expense:

Deposits due to customers	(5 155 472)	(6 760 485)
Foreign lines of credit	(1 176 958)	(1 247 013)
	(6 332 430)	(8 007 498)

24 LOAN IMPAIRMENT CHARGE

Loans and advances to customers (note 9) Impairment charge	(807 874)	(1 289 021)

25 FEE AND COMMISSION INCOME

Advisory and management fees	1 467 455	3 167 397
Other	1 366 748	2 173 570
	2 834 203	5 340 967

26 NET (LOSSES)/GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Listed equity securities (note 7)	(687)	2 653

27 OTHER INCOME

	2014 US$	2013 US$
Rental income	369 898	406 413
Other operating income	1 482 969	490 813
	1 852 867	897 226

28 FAIR VALUE (LOSS)/GAIN ON INVESTMENT PROPERTY

	2014 US$	2013 US$
Profit on disposal of investment property	59 693	32 137
Unrealised (loss)/gains from fair value adjustment of investment property	(207 190)	1 288 213
	(147 497)	1 320 350

29 NET FOREIGN EXCHANGE GAINS/(LOSSES)

	2014 US$	2013 US$
Net realised gains from dealing in foreign currency	2 970 230	774 047
Net unrealised losses from translation of foreign currency balances	(2 855)	(1 103 110)
	2 967 375	(329 063)

30 OPERATING EXPENSES

	2014 US$	2013 US$
Repairs and maintenance	105 792	163 195
Employee benefit costs (note 30.1)	6 488 666	6 800 496
Telecommunication and postage	34 655	81 214
IT and software costs	246 345	245 081
Directors remuneration:		
- for services as directors	197 048	204 038
Operating lease payments	172 340	201 317
Water, electricity and rates	92 397	199 898
Professional fees	93 351	120 271
Audit fees	111 780	192 360
Depreciation	505 418	522 443
Amortisation	263 922	258 786
Fuel and lubricants	43 826	61 922
Travel and entertainment	63 606	121 388
Marketing and public relations	62 463	81 485
Insurance and security	262 184	277 264
Subscriptions	55 182	69 712
Printing and stationery	69 719	83 748
Bank charges	49 931	36 193
Strategic planning expenses	27 833	37 146
Canteen expenses	35 863	38 807
Staff training	31 253	50 435
Refreshments	24 097	41 825
Other administrative costs	502 062	174 395
	9 539 733	10 063 419

	2014 US$	2013 US$
30.1 Employee benefit costs		
Salaries and bonuses	4 879 951	5 137 395
Pension costs	595 892	605 638
Post employment medical benefits	245 357	254 475
Leave pay (recovery)/expense	(68 094)	18 520
Other staff expenses	835 560	784 467
	6 488 666	6 800 496

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.

	2014 US$	2013 US$
30 OPERATING EXPENSES (continued)		

30.1 Employee benefit costs (continued)

	2014 US$	2013 US$
Contributions for during the year	503 704	523 027

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.

	2014 US$	2013 US$
Contributions for the year	92 188	82 611

31 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. (2013 - US$nil)

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

	2014	2013
Profit attributable to equity holders	484 299	601 240
Weighted average number of issued ordinary shares	2 449 046	2 331 114
Basic earnings per share (cents)	20	26

32 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. The directors are of the opinion that the results of recent and continuing negotiations with co-shareholders have given strong indications that access to financial records and operations is probable in full in the near future.

b) Contingencies on investment property

As part of the Group's strategy on recovering non-performing loans, foreclosures on bonded assets are pursued. As at reporting date, properties valued US$1.2 million were acquired in 2012 by the Group in lieu of loan exposures from clients. The affected clients were subsequently placed under judicial management before title transfer was finalised. The transaction had reached an irreversible stage in the title transfer. However, progress on transfer has been slowed due to the finalisation of the judicial management processes on the relevant clients. (Refer to note 13).

33 COMMITMENTS

a) Loan commitments, guarantees and other financial facilities

At 31 December 2014, the Group had contractual amounts for off-statement of financial position financial instruments that commit it to extend guarantees and loans as follows:

	2014 **US$**	**2013** **US$**
Financial guarantees	2 859 083	-
Loan commitments	13 945 481	7 602 206

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:

No later than 1 year	158 031	172 602

The lease rentals are renegotiated annually in January.

	2014	2013
34 FUNDS UNDER MANAGEMENT	**US$**	**US$**

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.

	2014 US$	2013 US$
Held on behalf of:		
Government of Zimbabwe	212 144 714	191 478 587
Represented by:		
Amounts awaiting disbursement	1 993 565	485 187
Loans and advances to parastatals and government implementing agencies	210 151 149	190 993 400
	212 144 714	191 478 587

35 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 2014, these included:

a) Sales and purchases of goods and services

During the year the Group disposed of Georgian Mansion flat, an investment property, to the Group's Pension Fund at a value of US$157 500. The fair value of the property was US$175 000 as at 31 December 2013. The board of trustees of the Pension Fund includes key members of management of the Group. Management believes that the property was sold at a fair value at the time of the execution of the transaction as the general economic environment and market liquidity had deteriorated from the time the Group had an independent professional valuation. The disposal was part of a Group wide rationalization of investment properties in order to improve the Group's liquidity and profitability.

Also the bank received, by way of allocation and cession 27 two bed roomed flats from Waneka Properties (Private) Limited, a subsidiary of the bank, housing units valued at US$1 352 936 as repayment of the loan advanced to the project (refer Note 12: Inventories).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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:

	2014 US$	2013 US$
Salaries and other short-term employee benefits	1 717 321	1 705 092
Post-employment benefits	163 963	161 731
Other long-term benefits	-	-
Termination benefits	-	-
Total	1 881 284	1 866 823

c) Loans and advances to related parties

	Directors and other key management personnel 2014 US$	Associated companies 2014 US$	Directors and other key management personnel 2013 US$	Associated companies 2013 US$
Loans outstanding at 31 December	384 840	463 549	426 688	1 349 917
Interest income earned	19 035	195 910	16 996	98 549

No allowance for impairment was required in 2014 (2013: US$ nil) for the loans made to key management personnel and a general allowance of US$4 635 was made on loans advanced to associated companies (2013: US$ 12 184).

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

d) Deposits from related parties

	Directors and other key management personnel 2014 US$	Associated companies 2014 US$	Directors and other key management personnel 2013 US$	Associated companies 2013 US$
Deposits at 31 December	86 348	314 558	4 124	234 388
Interest expense on deposits	6 701	5 296	-	15 387

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

e) Director's shareholdings

As at 31 December 2014, the directors did not hold directly and indirectly any shareholding in the Group.

36 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.

The Group successfully had the legacy debt hived off the Group's statement of financial position after the Government of Zimbabwe through Zimbabwe Asset Management Corporation (Private) Limited assumed the legacy debt amounting to US$38 283 003 with effect from 30 November 2014. Pursuant to that, the Group issued 382 830 preference shares to Government (see Note 18:Preference shares). The removal of the legacy debt resulted in the Group's total assets exceeding total liabilities by US$33 651 692 as at 31 December 2014 (2013: negative US$6 357 901).

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.

37 EVENTS AFTER THE REPORTING DATE

There were no significant reporting events that occurred post the reporting date.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 30th 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 Thursday, 25 June 2015 at 11:00 hours to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Financial Statements and Reports of the Directors and Auditors for the year ended 31 December 2014;

2. To declare a dividend for the financial year ended 31 December 2014;

3. To approve the remuneration of the auditors for the year ended 31 December 2014;

4. To re-appoint Messrs Deloitte & Touche, Chartered Accountants (Zimbabwe) as external auditors of the Group for the year ending 31 December 2015 in terms of Section 25B (1) of the IDBZ Act [Chapter 24:1]), 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 2014;

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
Group Secretary

4 June 2015

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 Thursday, 25 June 2015 commencing at 11:00 hours and at any adjournment thereof.

Signed this ………………. Day of ………………… 2015

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