

BOND PROSPECTUS HOUSING BOND ISSUE IDB SERIES 1 2017B

**Offer by the Infrastructure Development Bank of
Zimbabwe of Variable Rate Housing Bonds of up
to US\$12.2 Million to finance the development of
the Sumben Housing Project**

27 OCTOBER 2017



Infrastructure Development Bank of Zimbabwe



NATIONAL GROWTH AND TRANSFORMATION ENABLERS

*A development finance institution established in terms of section 3 of the
Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14]*

ISSUER & ARRANGER

Government of the Republic
of Zimbabwe



Guarantor



SCANLEN & HOLDERNESS

SOLICITORS SINCE 1894

Bond Trustee



Independent Assurance
Provider



Guarantor Sponsoring Broker



Registrar & Transfer Agent

Deloitte.

Independent Auditor and Report-
ing Accountant

Kantor | Immerman
LEGAL PRACTITIONERS

Legal Advisors

Offer Timetable

Event	Date
Announcement of the Offer	27 October 2017
Offer Opens – 0900Hrs	2 November 2017
Offer Closes – 1600Hrs	15 November 2017
Allotment Date	15 November 2017
Announcement of Results of the Issue*	16 November 2017
Processing of Refunds and Certificates to Subscribers	16 November 2017

**This announcement will be made through public media*

These dates may be changed at the instance of the Issuer. Prospective investors will be duly notified of any changes to the Offer Timetable.



Investors' Diary

The Bonds were initially offered to institutional investors through a private placement which opened on 12 June 2017 and closed on 30 June 2017. To maintain the Maturity Date of the Bonds of 4 July 2022, the Investor Diary below is therefore based on the Private Placement Allotment Date ("Initial Allotment Date") of 3 July 2017. As the Bonds have a fixed tenor of 5 years from the Initial Allotment Date, this means investors who invest in the Bonds through this Public Offer will hold the Bonds for less than their full term of 5 years.

Initial Allotment Date * Monday, 03 July, 2017

Initial Allotment Date *		Monday, 03 July, 2017
Interest and Principal Record and Payment Dates		
Event	Value Date	Actual Payment Date
First Interest Record Date	Tuesday, 12 December, 2017	
First Interest Payment Date	Tuesday, 02 January, 2018	Tuesday, 02 January, 2018
Second Interest Record Date	Tuesday, 12 June, 2018	
Second Interest Payment Date	Tuesday, 03 July, 2018	Tuesday, 03 July, 2018
Third Interest and Principal Record Date	Wednesday, 12 December, 2018	
Third Interest and Principal Payment Date	Wednesday, 02 January, 2019	Wednesday, 02 January, 2019
Fourth Interest and Principal Record Date	Wednesday, 12 June, 2019	
Fourth Interest and Principal Payment Date	Wednesday, 03 July, 2019	Wednesday, 03 July, 2019
Fifth Interest and Principal Record Date	Thursday, 12 December, 2019	
Fifth Interest and Principal Payment Date	Thursday, 02 January, 2020	Thursday, 02 January, 2020
Sixth Interest and Principal Record Date	Thursday, 11 June, 2020	
Sixth Interest and Principal Payment Date	Thursday, 02 July, 2020	Thursday, 02 July, 2020
Seventh Interest and Principal Record Date	Friday, 11 December, 2020	
Seventh Interest and Principal Payment Date	Friday, 01 January, 2021	Monday, 04 January, 2021
Eighth Interest and Principal Record Date	Friday, 11 June, 2021	
Eighth Interest and Principal Payment Date	Friday, 02 July, 2021	Friday, 02 July, 2021
Ninth Interest and Principal Record Date	Saturday, 11 December, 2021	
Ninth Interest and Principal Payment Date	Saturday, 01 January, 2022	Monday, 03 January, 2022
Tenth Interest and Principal Record Date	Saturday, 11 June, 2022	
Tenth Interest and Principal Payment Date	Saturday, 02 July, 2022	Monday, 04 July, 2022
Maturity Date	Monday 02 July 2022	

**The Initial Allotment Date relates to the private placement allotment date which was used to structure the maturity of the Bonds*



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This Prospectus is important and should be read as a whole. It contains information and particulars given in compliance with the requirements of the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14], the Public Finance Management Act [Chapter 22:19] and the Public Debt Management Act [Chapter 22:21] for the purpose of providing information about the Issuer, the Guarantor and the Housing Bonds (“the Bonds”) issued in terms of the Prospectus, which is necessary to enable investors to make an informed assessment of the financial position and prospects of the Issue.

A copy of this Prospectus is lodged with the Registrar and Transfer Agent and the Bond Trustee together with the documents referred herein which are available for inspection.

An investment in the Bonds involves certain investment risks, including but not limited to those set out under the “Key Investment Considerations” section of this Prospectus. Investors are advised to seek independent professional advice in relation to the Issue, the terms of the Bonds and the merits and risks involved. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, you should consult your stockbroker, attorney, accountant or other professional advisor.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the Issuer’s knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to materially affect the import of such information. To the best of the knowledge of the Guarantor, having taken all reasonable care to ensure that such is the case, the Guarantor information contained herein is in accordance with the facts as at the date hereof and does not omit anything likely to affect the importance of such information. The Guarantor accepts no responsibility for any other information contained in this Prospectus. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Guarantor as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in connection with the Bonds or their distribution.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Bonds and, if given or made, such other information or representation must not be relied upon as having been authorised by the Issuer or the Guarantor. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy securities by any person in circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs or financial position of the Issuer or the Guarantor or the project funded from the proceeds of the Bond since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented.

Neither this Prospectus nor any other information supplied in connection with the Bonds or their distribution is intended to provide the basis of any credit or other evaluation and should not be considered as recommendations by the Issuer that any recipient of this Prospectus, or of any other information supplied in connection with the Bonds or their distribution, should purchase the Bonds.

The Bonds may not be offered or sold, directly or indirectly, and neither this Prospectus nor any form of application, advertisement, other offering material or other information relating to the Issuer or the Bonds may be issued, distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Bonds have not been registered under any securities legislation whether in Zimbabwe or any other country. The Issuer intends to list the Bonds on the FINSEC Alternative Trading Platform (“ATP”), a securities exchange which is operated by Financial Securities Exchange (Private) Limited (“FINSEC”). The FINSEC ATP is licensed by the Securities and Exchange Commission of Zimbabwe (“SECZ”) in terms of the Securities Act [Chapter 24:25] and the Securities (Alternative Trading Platform) Rules S.I. 100 of 2016.

The distribution of this Prospectus in or into certain countries may constitute a violation of the laws of such countries. Accordingly, this Prospectus does not constitute an offer for the sale or the solicitation of an offer to buy bonds in any jurisdiction in which such offer or solicitation is unlawful.

This Prospectus has not been registered in any jurisdiction under any applicable securities legislation. Accordingly, this Prospectus is, and the persons receiving it confirm that it is, issued and being distributed only to persons who are of a kind to whom this Prospectus may lawfully be issued under any applicable securities legislation and/or any other applicable laws and regulations in the relevant country, territory or jurisdiction.

Further copies of this Prospectus and Application Forms may be obtained, free of charge, during business hours, from 09:00 hours on 2 November 2017 to 12:00 hours on 15 November 2017, from the following organisations: Infrastructure Development Bank of Zimbabwe, FBC Securities (Private) Limited and Corpservice Registrars (Private) Limited at the addresses given in this Prospectus.

Important Notice

All communications or enquiries relating to this Prospectus should be addressed to the representatives of IDBZ shown below:

Willing Zvirevo, Taurai Duku or Blessings Chiwandire

All of
Infrastructure Development Bank of Zimbabwe
IDBZ House
99 Rotten Row
Harare
Zimbabwe

Telephone: +263 4 750171-8
Fax: +263 4 774 225/749012
Email: wzvirevo@idbz.co.zw
tduku@idbz.co.zw
bchiwandire@idbz.co.zw



Forward Looking Statements

Some statements in this Prospectus as well as written and oral statements that the Issuer, the Guarantor or their respective representatives make from time to time in reports, filings, news releases, conferences, teleconferences, web postings or otherwise, may be deemed to be “forward-looking statements”.

Forward-looking statements include statements concerning the Issuer’s or Guarantor’s plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. Throughout this Prospectus, the Issuer and Guarantor use words such as “should”, “may”, “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “will”, “seeks”, “projections”, “future”, “likely” and any similar expressions to identify forward-looking statements.

The Issuer and Guarantor have based these respective forward-looking statements on the current view of their respective officials with respect to future events and financial performance. These views reflect the best judgment of the Issuer’s and Guarantor’s respective officials but involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the Issuer’s and Guarantor’s forward-looking statements and from past results, performance or achievements. Although the Issuer and Guarantor believe that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer and Guarantor have identified in this Prospectus, or if any of the Issuer’s or Guarantor’s underlying assumptions prove to be incomplete or incorrect, the Issuer’s or Guarantor’s actual results of operations may vary from those expected, estimated or projected. These forward-looking statements speak only as at the date of this Prospectus. Neither the Issuer nor the Guarantor are obliged to, and neither the Issuer nor the Guarantor intends to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer or the Guarantor, or persons acting on either the Issuer’s or the Guarantor’s behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective investor in the Bonds should not place undue reliance on these forward-looking statements.

By their very nature, forward-looking statements involve

inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements. These factors include but are not limited to the following:

- the Issuer’s ability to refinance its indebtedness on reasonable terms or at all, if necessary regard being had to prevailing market conditions;
- the Issuer’s ability to timeously recover subsequent loans extended to beneficiary projects from the proceeds of this Bond;
- the Issuer’s ability to maintain its liquidity levels above the minimum holding of liquid assets in compliance with section 20(4) of the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14];
- changes in the Issuer’s establishing Act;
- changes in the Issuer’s shareholding;
- fluctuations in inflation, interest rates and other economic conditions in Zimbabwe;
- the effects of, and changes in, the fiscal and monetary policy of the Zimbabwean government as announced from time to time by the Ministry of Finance and Economic Development and regulations promulgated by the Reserve Bank of Zimbabwe (“RBZ”);
- the effects of changes in laws, regulations, taxation or accounting standards or practices in Zimbabwe;
- global, regional and domestic socio-political and economic developments;
- such other factors as discussed in the “Project Risk Matrix” and “Key Investment Considerations” sections of this Prospectus, and
- the Issuer’s ability to manage the risks associated with the aforementioned factors.

When relying on forward-looking statements, prospective investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Issuer and the Guarantor operate. The Issuer and the Guarantor do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario and/or outcome.



“By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved.”

Corporate Information and Details of Professional Advisors

Bank Secretary and Registered Address

Kenias Kanguru
Infrastructure Development Bank of Zimbabwe
IDBZ House
99 Rotten Row
Harare
Zimbabwe
Tel: +263 4 750 171-8
Fax: +263 4 774 225/749012

IDBZ Regional Office

5th Floor, First Mutual House
9th Avenue/Main Street
Bulawayo
Zimbabwe
Tel: +263 9 70035
Fax: +263 9 67389

Registrar and Transfer Agent

Corpserve Registrars (Private) Limited
2nd Floor, ZB Centre
Corner First Street and Kwame Nkrumah Avenue
P.O. Box 2208
Harare
Zimbabwe
Tel: +263 4 702561 – 9
Fax: +263 4 752629

Independent Auditor and Reporting Accountant

Deloitte & Touche Chartered Accountants (Zimbabwe)
West Block, Borrowdale Office Park
Borrowdale Road
Harare
Zimbabwe
Tel: +263 (0) 8677 000 261 / +263 (0) 8644 041 005
Fax: +263 4 852130

Guarantor

The Government of the Republic of Zimbabwe
C/o The Ministry of Finance and Economic Development
New Government Complex
Fourth Street and Samora Machel Avenue
P.O. Box 7705
Harare
Zimbabwe
Tel: +263 4 797759
Fax: +263 4 792750/ 250614

Bond Trustee

Scanlen & Holderness
13th Floor, CABS Centre
74 Jason Moyo Avenue
P.O. Box 188
Harare
Zimbabwe
Tel: +263 4 799636 – 42
Fax: +263 4 702569/ 700826

Independent Assurance Provider

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Building No.4, Arundel Office Park
Norfolk Road
Mount Pleasant
P. O. Box 453
Harare
Tel: +263 4 338362 - 8
Tel: +263 4 338395

Legal Advisors

Kantor & Immerman Legal Practitioners
McDonald House
10 Selous Avenue
P.O. Box 19
Harare
Zimbabwe
Tel: +263 4 793 626 – 9
Fax: +263 4 707 141

Sponsoring Broker

FBC Securities (Private) Limited
2nd Floor, Bank Chambers
76 Samora Machel Avenue
P.O. Box 1227
Harare
Tel: +263 4 797775
Fax: +263 4 704492

Bankers

FBC Bank Limited
Bank Chambers
76 Samora Machel Avenue
P.O. Box 1227
Harare
Zimbabwe
Tel: +263 4 700928/797764-8
Fax: +263 4 783440



The following definitions apply throughout this Prospectus, unless otherwise stated or the context requires otherwise. In this Prospectus, unless otherwise indicated, the words or phrases in the left hand column bear the meaning stipulated in the second column. Words in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons (whether corporate or incorporate and vice versa) and words in the masculine shall import both the feminine and neuter.

“Act”

Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14).

“Applicant”

A person who applies for issuance of the Bonds pursuant to the terms of this Prospectus and Application Form.

“Application Form”

The form in terms of which the Applicant shall make an offer to subscribe for the Bonds and which will be considered as the application for issue of the Bonds in terms of this Prospectus.

“Arranger”

The Infrastructure Development Bank of Zimbabwe.

“ATP”

Alternative Trading Platform, a securities exchange other than the main securities exchange which facilitates trading of financial securities by market participants.

“ATP CSS”

The automated Clearing and Settlement System that facilitates the holding of securities in electronic accounts for processing of transactions on the FINSEC ATP.

“Auditors”

The current Independent Auditors of the Issuer.

“Bonds”

The Variable Rate Housing Bonds of up to **US\$12.2 million**, known as **IDB Series 1 2017B**, with a coupon of 8.5% per annum for the first two (2) years and 9.5% per annum for the remaining three (3) years to maturity, in registered form, issued by the Issuer in terms of this Prospectus and subject to the Trust Deed.

“Bond Certificate”

A definitive certificate substantially in the form set out in this Prospectus representing a Bondholder’s holding of the Bonds.

“Bondholder”

Any person who is for the time being a holder of the Bonds (being a person whose name is entered in the register of holders of the Bonds as the holder thereof) and the words “holder” and “holders” and related expressions shall, where appropriate, be construed accordingly.

“Bondholder’s registered account”

The bank account maintained by or on behalf of the Bondholder with a bank, details of which appear on the register of Bondholders.

“Business Day”

A day (other than a Saturday or Sunday or public holiday) which is a day on which commercial banks and foreign exchange markets settle payments in or from Harare, or such other place in Zimbabwe where commercial banks and foreign exchange markets settle payments.

“Certificate”

a Bond Certificate.

“CoH”

City of Harare.

“DFI”

Development Finance Institution.

“EFT”/ “RTGS”

Electronic Funds Transfer / Real Time Gross Settlement, an electronic funds transfer from one banking institution or bank account to another through a computerized system recognized under Zimbabwe’s National Payment System.

“Exchange Control Regulations”

The Exchange Control Regulations and Exchange Control (General Order) of 1996, Statutory Instruments 109 and 110 of 1996, respectively as amended and currently in force in Zimbabwe.

“Event of Default”

Any of the events of default as described in the Terms and Conditions of the Bonds section of this Prospectus and the Trust Deed.

“EMA”

the Environmental Management Agency, established in terms of the Environmental Management Act [*Chapter 20:27*].

“Financial Year”

the accounting year of the Issuer commencing each year on 1st January and ending on the following 31st December, or such other period as the Issuer may from time to time designate as its accounting year.

“FINSEC”

Financial Securities Exchange (Private) Limited, a company incorporated in Zimbabwe, licensed by the Securities and Exchange Commission of Zimbabwe (SECZ) in terms of the Securities Act [*Chapter 24:25*] and the Securities (Alternative Trading Platform) Rules S.I. 100 of 2016 to operate a securities exchange and an ATP.

“FINSEC ATP”

The Alternative Trading Platform or securities exchange operated by FINSEC in terms of the Securities (Alternative Trading Platform) Rules S.I. 100 of 2016 and Securities Act [*Chapter 24:25*].

Definitions

“Guarantor”

The Government of the Republic of Zimbabwe.

“Interest Commencement Date”

The date on which the interest on the Bonds begins to accrue, being the Allotment Date.

“Interest Period”

The period of six (6) months from the Interest Commencement Date and every subsequent 6-month interval period to the next interest payment date as defined in the Investors’ Diary set out in this Prospectus.

“Issue” or “Offer”

The issue of the Bonds described in this Bond Prospectus.

“Issue Date”

The date on which the issue opens in accordance with the Offer Timetable set out in this Prospectus.

“Issue Price”

The price of the issue of the Bonds.

“Issuer” or “IDBZ” or “the Bank”

The Infrastructure Development Bank of Zimbabwe.

“Payment Date”

Any date Interest and Principal becomes payable to a Bondholder as set out in the Investors’ Diary.

“Principal Repayment Date”

any one of the Principal Repayment Dates as set out in the Investors’ Diary.

“Project” or “Sumben Housing Project”

the project which is to be financed from this Bond issue which involves the acquisition, servicing and disposal of 370 low density residential stands in the Mount Pleasant suburb in Harare.

“Prospectus”

This Bond Prospectus dated 27 October 2017.

“RBZ”

The Reserve Bank of Zimbabwe, a central bank, financial services regulator and national monetary authority established under the Reserve Bank Act [*Chapter 22:15*].

“Receiving Bank”

FBC Bank Limited.

“Register”

A register of Bondholders kept at the office of the Registrar on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them, the Bondholders’ registered bank accounts and of all transfers and redemption of the Bonds.

“Registrar” or “Transfer Agent”

Corpserve Registrars (Private) Limited.

“SDGs”

Sustainable Development Goals, which are a universal set of goals initiated by the United Nations (UN) which UN member states are expected to use to frame their developmental agendas in order to end poverty, protect the environment and ensure that all people enjoy peace and prosperity.

“Securities and Exchange Commission” or “SECZ”

The Securities and Exchange Commission established in terms of the Securities Act [*Chapter 24:25*] of Zimbabwe.

“Special Resolution”

A resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions of the Trust Deed by a majority consisting of not less than 75% of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 75% of the votes given on such poll.

“Sponsoring Broker”

FBC Securities (Private) Limited

“SPV” or “Project SPV”

Special Purpose Vehicle, namely Mazvel Investments (Private) Limited, a company incorporated in Zimbabwe through which the Sumben Housing Project will be implemented.

“Terms and Conditions”

the Terms and Conditions to be endorsed on and regulating the Bonds in definitive form in the form or substantially in the form set out in the Trust Deed as the same may from time to time be modified and any reference in the Prospectus to a particular specified Condition or paragraph of a Condition shall be construed accordingly.

“Trust Deed”

The Trust Deed, entered into between the Issuer and the Bond Trustee as modified and/or supplemented and/or restated from time to time.

“Trustee” or “Bond Trustee”

Scanlen & Holderness Legal Practitioners, its successors-in-title and any other trustee who may be appointed from time to time in terms of the Trust Deed, whilst acting in that capacity.

“US Dollar”, “USD” or “US\$”

The Issue currency being the lawful currency of the United States of America and a lawful trading currency under the multicurrency trading system in Zimbabwe.

“ZIMASSET”

Zimbabwe Agenda for Sustainable Socio-Economic Transformation, a five year policy document and roadmap for the Zimbabwean economy by the Government of Zimbabwe.

“ZIMRA”

Zimbabwe Revenue Authority established in accordance with Revenue Authority Act [*Chapter 23:11*].





1. Salient Features of the Offer

1. Salient Features of the Offer

This summary presents the salient features of the Bond Issue, the detailed terms and conditions of which are more fully set out in this Prospectus. The Prospectus should be read in its entirety for a full appreciation of the Offer.

1.1. Principal Purpose of the Offer

The IDBZ seeks to raise up to US\$12.2 million through a Bond Issue for purposes of financing the development of the Sumben Housing Project. The Issuer raised and allotted US\$1 million through a private placement prior to this public offer. Therefore, through this public offer the Issuer seeks to raise the balance of US\$11.2 million.

The Bond proceeds will be utilized as follows:

Use of Funds	Amount Utilised (US\$)
Development Planning	2,063,610
Development of Onsite Infrastructure	7,842,900
Outright Purchase of 15ha of Land	1,600,000
Medium Term Loan to Markaram	600,000
Professional Fees	93,490
Total Financing Requirement	12,200,000

1.2. Salient Features of the Bond

Subject	Description
Issuer and Arranger	Infrastructure Development Bank of Zimbabwe.
Name of Issue	IDB Series 1 2017B.
Method of Issue	Public Offer.
Type of Instrument	Variable Rate Bonds.
Issue Amount	Up to US\$12,200,000 (Twelve Million Two Hundred Thousand United States Dollars)
Purpose	To finance: <ul style="list-style-type: none"> • Outright acquisition of 15ha of land from Markaram Investments via the SPV; • Development of 370 fully serviced residential stands; and, Loan to Markaram Investments (owner of Project SPV) to buyout existing shareholders who have opted out of the project implementation arrangement.
Guarantor	The Government of the Republic of Zimbabwe.
Bond Trustee	Scanlen & Holderness Legal Practitioners.
Registrar and Transfer Agent	Corpserve Registrars (Private) Limited
Currency of Issue	United States Dollars.
Issue Price	The Bonds will be issued on a fully paid up basis at par.
Issue Date	Thursday, 2 November, 2017
Coupon Rate	Years 1-2: Eight Comma Five Percent (8.5%) per annum. Years 3-5: Nine Comma Five Percent (9.5%) per annum.
Tenor	Five (5) years (inclusive of a 1-year grace period on Principal Repayments)
Grace Period	The Bonds have a grace period of twelve (12) months on Principal Repayment to allow for servicing of stands. Interest accruing during the Grace Period will be paid to bondholders in line with the Interest Payment Terms.
Interest Payment	Interest on the Bond will be paid semi-annually in arrears (each such date an "Interest Payment Date") commencing six (6) months after the Initial Allotment Date and will be based on a 365 day year.
Principal Repayment	The face value of the Bond will be repaid in equal semi-annual payments over the remaining four (4) years of the Bond term after the Grace Period. The semi-annual Principal Repayments will be done together with the interest payments.

Salient Features of the Offer

Subject	Description
Denominations	The Bonds will be denominated in the principal amount of US\$10,000 and integral multiples of US\$1,000 thereof.
Allotment Method	At the sole discretion of the Issuer.
Taxation	The coupon payments shall be exempt from tax.
Listing and Tradability	To enhance liquidity and facilitate secondary market trading, the Bonds will be listed on the FINSEC ATP, where they will be traded through an Automated Trading System (ATS) and dematerialised on ATP CSS.
Compliance	Upon introduction of the Bonds on the FINSEC ATP, the Issuer shall comply with the following: <ol style="list-style-type: none"> the Listing Requirements and Ongoing Issuer Obligations under the FINSEC ATP Issuer Admission Rules; the FINSEC ATP reporting requirements from time to time; and any other applicable provisions of the law in Zimbabwe relating to statutory corporations and capital markets that is in existence or that may be passed before or during the pendency of the issue of the Bonds.
Investment Rating	Both the Guarantor and Issuer have not been rated for investment purposes. The Bonds are also not rated.
Form of Bonds	The Bonds will be issued in definitive certificated registered form, serialized. The Certificate(s) issued will be evidence of the total amount of Bonds held by a Bondholder. However, the Bonds will be dematerialised once listed on the FINSEC ATP.
Status of Bonds	The Bonds constitutes registered, direct, general, secured and unconditional obligations of the Issuer, which will at all times rank pari passu among themselves. The Bonds are Prescribed Securities as defined in the Insurance Act [<i>Chapter 24:07</i>].
Security	<ol style="list-style-type: none"> Dedicated Sinking Fund, and Guaranteed by the Government of the Republic of Zimbabwe.
Sinking Fund	Ring-fenced receivables from sale of stands on the Project are ceded to Bondholders and es-crowed into a Sinking Fund Account, which will be overseen by the Bond Trustee, for purposes of meeting interest and capital payments throughout the tenor of the Bond.
Early Redemption	Issuer may, at its election, redeem all or part of the outstanding Bonds at par (plus any interest accrued at the date of redemption) (the “Early Redemption Amount”) on any Principal Repayment Date provided that the Bondholders shall have received from the Issuer not less than thirty (30) days prior written notice specifying the amount to be redeemed and the Principal Repayment Date on which such redemption is to take place.
Bond Applications	Applications shall be made by submitting the Subscription Form, along with a copy of payment into the nominated account at the Receiving Bank.
Governing Law	The Bonds will be governed by and interpreted in accordance with the laws of the Republic of Zimbabwe.



2. Terms and Conditions of the Bond

2. Terms and Conditions of the Bond

Below are the Terms and Conditions applicable to the Bonds. Words and expressions defined in the Trust Deed shall have the same meanings wherever used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated. Any reference to a statute, any provision thereof or to any statutory instrument, order or regulation made there under shall be construed as a reference to such statute, provision, statutory instrument, order or regulation as the same may have been, or may from time to time be, amended or re-enacted. Headings and sub-headings are for ease of reference only and shall not affect interpretation.

2.1 Constitution

- 2.1.1 This IDB Series 1 2017B Bond, is issued by the IDBZ (the “Issuer”), constituted by the Trust Deed as modified and/or supplemented and/or restated from time to time by the Issuer and the Bond Trustee (which expression shall include any successor trustee appointed in accordance with the provisions of the Trust Deed).
- 2.1.2 The Trustee acts for the benefit of the Bondholders in accordance with the provisions of the Trust Deed. Original bond support documents are lodged at the Issuer’s Head Office. Copies of the Trust Deed for the Bonds are available for inspection during normal business hours at the specified offices of the Registrar/Transfer Agent and at the specified office of the Bond Trustee. The Bondholders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed.
- 2.1.3 The issue of the Bonds is authorised pursuant to authority granted by the Ministry of Finance and Economic Development and the resolution of the Board of Directors of the Issuer passed in December 2015.
- 2.1.4 The Bonds constitute registered debt obligations of the Issuer constituted by and owing under the Trust Deed and take the form of entries in the Register. Each entry in the Register constitutes a separate and individual acknowledgement to the relevant Bondholder of the indebtedness of the Issuer to the relevant Bondholder.
- 2.1.5 Bond Certificates will be issued to evidence ownership of the Bonds. Such Bond Certificates shall be security printed in accordance with the laws of Zimbabwe. The Bond Certificates shall be signed manually or electronically by authorised signatories of the Issuer and shall be authenticated by or on behalf of the Registrar/Transfer Agent. The Issuer may use on the Bond Certificate a facsimile signature of an authorised signatory of the Issuer which signature shall remain valid notwithstanding the fact that when the said Bond Certificate is delivered to any person, the authorized signatory shall have ceased to hold such office, provided, however, that the said signatory held office as at the date on which the Bond Certificate is issued. The Bond Certificate so executed and authenticated shall be a binding and valid obligation of the Issuer.
- 2.1.6 The Bonds shall, upon listing on the FINSEC ATP, be dematerialised and continue to constitute the registered debt obligation of the Issuer constituted by and owing under the Trust Deed. In that event a Bondholder’s rights will not be in any way affected by the dematerialisation of the bonds.

2.2 Independent obligations

The obligations of the Issuer in respect of each Bond constitute separate and independent obligations which the Bondholder to whom those obligations are owed is entitled to enforce subject to the Terms and Conditions of the Trust Deed.

2.3 Currency and Denomination

- 2.3.1 The Bonds will be denominated in United States Dollars.
- 2.3.2 The Bonds will be issued in the denomination of US\$10,000.00 or integral multiples of US\$1,000.00 in excess thereof. On the Allotment Date, the Certificates evidencing (but not representing) an individual Bondholder’s holding in the Bonds will show the total amount of Bonds held by them. Such value shall be expressed in denominations of US\$10,000.00 and integral multiples of US\$1,000.00 in excess thereof.

2.4 Registration and Title

2.4.1 Register

(a) The Issuer will cause to be kept at the registered office of the Registrar a Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them, the Bondholders’ registered bank accounts and of all

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transfers and redemption of Bonds.

(b) The Register shall set out the principal amount of the Bonds issued to the Bondholders and shall show the Issue Date. The Register shall show the serial number of Bond Certificates issued in respect of the Bonds and shall be open for inspection for at least two (2) hours during the normal business hours of the Registrar/Transfer Agent to any Bondholder or any authorised person on their behalf.

2.4.2 Register conclusive evidence of title

(a) Entries in the Register in relation to a Bond constitute conclusive evidence that the person so entered is the registered owner of the Bond subject to rectification for error or fraud.

(b) The Registrar/Transfer Agent shall not be obliged to record any transfer during the period of twenty one (21) calendar days ending on the maturity date for final redemption.

(c) The Transfer Agent shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether express or implied, to which any Bond may be subject or to enter the name of any minor, insane person or any other person under any legal disability as a Bondholder in the Register.

(d) No Bond will be registered in the name of more than three (3) persons. A Bond registered in the name of more than one person is held by those persons as joint owners. Bonds will be registered by name only without reference to any trusteeship. The registered Bondholder will be regarded as being the only person having title to any Bonds and such person shall be deemed, except as ordered by a court or as required by statute, to be and may be treated as absolute owner of the Bond in all circumstances and no person is, except as ordered by a court or as required by statute, obliged to take notice of any other claim to the Bonds.

2.4.3 Absolute Title

Upon a person acquiring title to any Bond by virtue of becoming registered as the owner of that Bond, all rights and entitlements arising by virtue of the Trust Deed in respect of that Bond vest absolutely in the registered owner of the Bond, such that no person who has previously been registered as the owner of the Bond has or is entitled to assert against the Issuer or the Registrar or the registered owner of the Bond for the time being and from time to time any rights, benefits or entitlements in respect of the Bond.

2.4.4 Location of Register

The Register will be established and maintained at the specified office of the Registrar unless otherwise agreed to the contrary between the Issuer and the Registrar.

2.5 Title

2.5.1 Subject to the terms and conditions set out below, title to the Bonds will pass upon registration of transfers in the Register of Bondholders.

2.5.2 The Issuer and the Registrar may deem and treat the registered holder of any Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

2.6 Mutilated, Lost, Stolen or Destroyed Bonds

2.6.1 In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer shall execute and the Registrar shall authenticate a replacement Bond Certificate of like series, date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Registrar for cancellation and, in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Issuer and the Registrar evidence of such loss, theft or destruction satisfactory to them, together with any indemnity satisfactory to them.

2.6.2 In the case of a past-due or a matured, lost, stolen or destroyed Bond, the face value of such past-due or matured Bond may be paid upon delivery to the Issuer and the Registrar of evidence of such loss, theft or destruction satisfactory to them, together with any indemnity satisfactory to them. The Issuer and the Registrar may charge the Bondholder of such Bond their reasonable fees and expenses for such replacement.

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- 2.6.3 Any such duplicate Bonds issued pursuant to this Clause shall constitute original contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of security for payment with all other Bonds issued hereunder.
- 2.7 Transfer, Exchanges and Registration of Bonds.**
- 2.7.1 During the subsistence of this Trust Deed, the Bonds shall be capable of being transferred in whole or in part in the specified denominations.
- 2.7.2 In order for any transfer of such Bonds represented by a Bond Certificate to be effected through the Register, and for the transfer to be recognised by the Issuer, the transfer of such Bond must be embodied in a Transfer Form. Bonds entered in the ATP Clearing and Settlement System (“CSS”) will be transferable only in accordance with the prevailing rules and regulations of the ATP.
- 2.7.3 The Transfer Form must:
- a) be signed by the relevant Bondholder and the transferee, or any authorised representatives of that registered Bondholder and/or transferee; and
 - b) be delivered to the Transfer Agent together with the Bond Certificate in question for cancellation.
- 2.7.4 Upon surrender for registration of transfer of any Bond at such office, the Registrar shall, within three (3) business days of receipt of a valid Transfer Form (or such longer period as may be required to comply with any applicable laws or applicable procedures), authenticate and deliver in the name of the transferee or transferees one or more new fully registered Bonds, if any, of authorized denomination of the same maturity and like aggregate principal amount. In the case of the transfer of part only of a Bond Certificate, a new Bond Certificate in respect of the balance of the Bond Certificate not transferred will be so authenticated and delivered or, at the risk of the transferor, sent to the transferor by registered mail.
- 2.7.5 Exchange of Bonds
- a) At the option of the Bondholder, Bonds may be exchanged for other Bonds of authorized denominations of the same series and maturity and like aggregate principal amount upon surrender at any such office.
 - b) Whenever any Bonds are so surrendered for exchange, the Registrar shall authenticate and deliver in exchange therefore the Bond or Bonds that the Bondholder making the exchange shall be entitled to receive.
- 2.7.6 Transmission
- a) Any person who is entitled to Bonds as a result of the legal incapacity of a Bondholder may on delivery of such evidence of his rights as the Issuer may deem necessary -
 - (i) be registered as the holder of those Bonds; and/or
 - (ii) transfer those Bonds subject to the Trust Deed.
 - b) The Issuer will be entitled to postpone the payment of interest in respect of any such Bonds until such time as the person referred to in clause 2.7.6(a) is registered as a Bondholder or has transferred the Bonds.
 - c) In the event of the legal incapacity of the joint holder of a Bond, the joint holder who is not subject to any legal incapacity will, subject to clause (d) below, be the only person recognised by the Issuer as having any title to or interest in such Bond.
 - d) For the purpose of this clause “legal incapacity” means death, sequestration or judicial management or liquidation, the placing under curatorship by reason of insanity or prodigality, infancy or minority or any other reason which in the opinion of the directors of the Issuer deprives a Bondholder of legal capacity to act. In the case of legal incapacitation other than death, a curator bonis or in the event of death, an Executor or any other lawful agent of the deceased joint holder shall be recognised as representing the title and interest in the Bond for the said joint holder.
- 2.7.7 The Registrar may require payment by the person requesting an exchange or registration of transfer of Bonds of a sum sufficient to cover any transfer fee, tax or other statutory charge that may be imposed in relation thereto provided that the Registrar shall not charge more than is reasonably necessary to meet such charges, fees and/or taxes.
- 2.7.8 The Issuer and the Registrar shall not be required to issue, register the transfer of or exchange any Bonds during a period of twenty one (21) days beginning at the Record Date preceding an Interest Payment Date or Principal Repayment Date and ending at the close of business on the Interest Payment Date or Principal Repayment Date.

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- 2.7.9 All Bonds delivered upon any registration of transfer or exchange of Bonds shall be valid obligations of the Issuer, evidencing the same debt and entitled to the same benefits under the Trust Deed as the Bonds surrendered.
- 2.7.10 Prior to presentment for registration of transfer of any Bond, the Issuer and the Registrar, and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the absolute owner thereof for all purposes subject to the provisions of the Trust Deed whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary.
- 2.7.11 The transferor of any Bonds shall be deemed to be the holder thereof until such a time as the name of the transferee is entered into the Register as the holder thereof;
- 2.7.12 The Issuer may require reasonable evidence to be furnished in respect of the identity, legal right and capacity of the transferor and/or the transferee.
- 2.7.13 On registration of transfer the Transfer Form and the cancelled certificate shall be retained by the Issuer.
- 2.7.14 All transfers of Bonds and entries will be made subject to the usual rules and procedures concerning transfers of Bonds set and applied by the Transfer Agents.

2.8 Cancellation and Destruction of Bonds

- 2.8.1 Whenever any outstanding Bond shall be delivered to the Registrar for payment of the Principal Amount, for replacement, registration of transfer or exchange, such Bond shall be cancelled and destroyed by the Trustee and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Issuer.
- 2.8.2 All Bonds so cancelled shall thereafter be forwarded to the Issuer and cannot be re-issued, traded or resold.

2.9 Security

- 2.9.1 The Bonds are secured by a Guarantee granted by the Government of Zimbabwe to the Bondholders and further securitized for repayment by a Sinking Fund established by the Issuer.
- 2.9.2 The Guarantor has in and under the terms of the Deed of Guarantee, irrevocably guaranteed to the Bondholders remittance of all scheduled principal and interest payments which may from time to time be due and payable by the Issuer in respect of the Bonds upon default by the Issuer and on provision of satisfactory proof that all available legal channels for recovering any outstanding debt from the Issuer have been exhausted.
- 2.9.3 The Guarantee constitutes a direct and irrevocable obligation of the Guarantor. The Guarantee is only enforceable by the Bondholders indirectly through the Trustee.
- 2.9.4 Payments by the Guarantor to, or to the order of, the Trustee under the Guarantee will, to the extent of the payment obligation in question, fully discharge the Guarantor's obligations thereunder and the Guarantor will have no obligation to make payments directly to the Bondholders.

2.10 Status of bonds

The Bonds constitute direct, general, secured, unsubordinated, and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves.

2.11 Interest

2.11.1 Interest on Bonds

- 2.11.1.1 The 5-Year Bonds carry variable coupon rates (the "Variable Interest Rate"), from the Issue Date of eight comma five per cent (8.5%) per annum for the first two years (Years 1 and 2) and nine comma five per cent (9.5%) per annum for the remaining three years to maturity (Years 3, 4 and 5).

- 2.11.1.2 Interest shall be payable semi-annually in arrears as highlighted in the Investors' Diary, each such date being an "Interest Payment Date".

2.11.2 Calculation of Interest Amount



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- 2.11.2.1 Interest in respect of any Bond shall be calculated on the principal amount of the Bonds outstanding (the “Calculation Amount”).
- 2.11.2.2 The amount of interest payable per calculation amount for any Interest Period shall be equal to the product of the Variable Interest Rate, the Calculation Amount and the actual number of days in the Interest Period divided by 365 for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
- 2.11.2.3 All certificates and calculations given by the Issuer or its authorised agent(s) shall be final and binding on the Trustee and Bondholders.

2.12 Payments

2.12.1 Method of payment

- 2.12.1.1 Payments of amounts due on the final redemption of the Bonds (the “Final Redemption Amounts”) will be made against presentation or surrender of the relevant Bond Certificates at the registered office of the Registrar, or otherwise in accordance with the ATP rules (if dematerialized).
- 2.12.1.2 Payments of principal and interest and any other amounts due in respect of the Bonds, will be made by EFT to the Bondholder’s registered bank account shown at the close of business on the Record Date being twenty one (21) days before the due date for the payment of the respective principal and/or interest.
- 2.12.1.3 Neither the Issuer, nor the Guarantor nor the Bond Trustee nor their agents, shall accept liability for any loss in transmission.
- 2.12.1.4 Payments in respect of principal and interest are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

2.13 Payment Day

- 2.13.1 Payment instructions will be sent on the Business Day preceding the due date (i.e. Value Date) of payment (for value on the due date or, if that is not a Business Day, for value on the first following day which is a Business Day).
- 2.13.2 If the Value Date (i.e. date for payment) of any amount in respect of the Bonds is not a Business Day, payment shall be on the next Business Day following the Value Date and shall include interest accrued up to and including the Value Date. Interest for the next Interest Payment Date shall accrue from the next day following the previous Value Date, without reference to the Payment Date.

2.14 Presentation of Bonds

- 2.14.1 In the case of any redemption payment or transfer of a Bond, the relevant Bondholder (and the recipient of the Bonds in the case of a transfer) shall be required, at least twenty one (21) days prior to the Payment Day or, in the case of a transfer, on the day such transfer is to take place, to surrender the Certificate evidencing such Bond (if applicable) to the Registrar at the offices of the Registrar. Such Certificate shall then be destroyed by the Registrar and the Bondholder given a new Certificate evidencing such Bondholder’s revised holding (if any) in the Bonds.
- 2.14.2 In the case of the Bonds being held in dematerialized form under the FINSEC ATP, the Bondholder shall provide such documentation for the surrender or transfer of the Bond as and when required under the ATP Rules.
- 2.14.3 No further interest claim or entitlement to a Bondholder shall be due beyond the Payment Day regardless of any reasons of the Bondholder delaying the presentation of the certificate for payment.

2.15 Redemption and purchase

All redemptions, purchases and sales of Bonds are required, after the listing of the Bonds on the ATP, to be executed on the ATP platform in accordance with the ATP Rules.

2.15.1 Redemption in Installments

- 2.15.1.1 The Bonds will be redeemed as set out in the Investors’ Diary, each such date being a “Principal Repayment Date”.
- 2.15.1.2 Each Installment will be effected through an equivalent reduction in the face value amount outstanding on each Bond.

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2.15.2 Early Redemption by Issuer/ Redemption at the Option of the Issuer

2.15.2.1 The Issuer may, at its election, redeem all or part of the outstanding Bonds at par (plus any interest accrued at the date of redemption) (the “Early Redemption Amount”) on any Principal Repayment Date (“Early Redemption”) provided that the Trustee and the Registrar shall have received from the Issuer not less than thirty (30) days prior written notice (which notice shall also have been given to Bondholders in accordance with the Deed) specifying the amount to be redeemed and the Principal Repayment Date on which such redemption is to take place. Once given by the Issuer in accordance with this Clause such notice shall be irrevocable but is only exercisable on acceptance by Bondholders.

2.15.2.2 Each Early Redemption Amount (if the Bonds are not redeemed in full) will be effected through an equivalent reduction in the face value amount outstanding on each Bond.

2.15.2.3 The amount of each Early Redemption shall either be applied to the installment amounts in inverse order of maturity of the installments or -pro rata against Bondholders’ holdings as evidenced in the Register to be maintained by the Registrar. The exact basis of application of Early Redemption proceeds shall be advised in writing by the Issuer in the relevant Early Redemption notice.

2.16 Purchases

2.16.1 Subject to compliance with applicable laws and regulations, the Issuer may at any time purchase Bonds at any price in the open market or otherwise.

2.16.2 If purchases are made by tender, tenders must be available to all Bondholders alike. Once the Bonds are listed on the ATP, the purchase of Bonds shall take place through the ATP.

2.16.3 Such Bonds may be held, reissued, resold or, at the option of the Issuer, surrendered to the Registrar for cancellation provided that any such Bonds, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders. Any such purchase shall also be notified to FINSEC in accordance with ATP Rules.

2.17 Cancellation

All Bonds which are redeemed, including any Bonds purchased for cancellation, in accordance with Condition 2.16 above, will forthwith be surrendered to the Registrar for cancellation. All Bonds so cancelled shall thereafter be forwarded to the Issuer and cannot be re-issued, traded or resold.

2.18 Taxation

2.18.1 The interest on the Bonds is exempt from taxation. A letter from the Ministry of Finance and Economic Development confirming the tax exempt status of the Bonds is available for inspection at the offices of the Issuer.

2.19 Extinctive Prescription

The Bonds will become void unless presented for payment of principal and interest within a period of six (6) years after the Relevant Date (as defined here below) thereof, subject to the Issuer or Registrar taking all reasonable and responsible steps to trace and advise the last recorded Bondholder as detailed in the Registrar’s registration records. For the purposes of this Condition, the “Relevant Date” means the date on which such payment first becomes due.

2.20 Events of default

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Bonds then outstanding or if so directed by a Special Resolution of the Bondholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall accordingly thereby forthwith become, immediately due and repayable together with accrued interest (if any) as provided in the Trust Deed, in any of the following events (each an “Event of Default”):

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- 2.20.1 **Non-payment:** the Issuer and the Guarantor fail to pay any principal of or interest on any of the Bonds when due and such failure continues for a period of thirty (30) days in either case; or
- 2.20.2 **Breach of other obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Bonds, the Prospectus or the Trust Deed which default is incapable of remedy or is not remedied within ninety (90) days after notice of such default shall have been given to the Issuer by the Trustee; or
- 2.20.3 **Legal Process:** attachment, execution or other legal process is levied, enforced or sued out on or against any revenues of the Issuer and is not discharged or stayed within 270 days after such levy, enforcement or suit; or
- 2.20.4 **Default of other security:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, including, for the avoidance of doubt, pursuant to the other existing borrowings, becomes enforceable and any step is taken to enforce it and which is not discharged or stayed within 270 days; or
- 2.20.5 **Creditor process:** the Issuer stops or suspends payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or
- 2.20.6 **Winding up and cessation of business:** an order is made or an effective resolution or an Act of Parliament is passed for the winding up or dissolution of the Issuer or the Issuer ceases or threatens to cease to carry on, or disposes of or transfers, all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by a Special Resolution of the Bondholders; or
- 2.20.7 **Authorisation:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, (ii) to ensure that those obligations are legally binding and enforceable or (iii) to make the Bonds admissible in evidence in the courts of Zimbabwe is not taken, fulfilled or done; or
- 2.20.8 **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under the Trust Deed or the Issuer so alleges; or
- 2.20.9 **Change of constitutional documents** - without the consent of the Trustee, any provision in the articles of association of any of the Issuer's subsidiaries which in the opinion of the Trustee materially affects the rights or interests of the Bond holders is breached; or
- 2.20.10 **Disposal of major asset** - without the Trustee's prior written consent, the Issuer or any of its subsidiaries convenes a meeting to consider a resolution authorising the alienation or disposal of the whole or a major portion of its assets; or
- 2.20.11 **Subsidiary's reduction in capital** - any of the Issuer's subsidiaries passes a resolution that it makes an application to court for the reduction or confirmation of the reduction of any class of its share capital or of its share premium account or any share capital redemption reserve; provided that:
- 2.20.11.1 any such reduction which does not result in a reduction in the assets of the Issuer will be deemed not to be a default in terms of this sub-clause;
- 2.20.11.2 the redemption of redeemable preference shares will be deemed not to be a default giving rise to a default in terms of this sub-clause;
- 2.20.11.3 the application of any share premium account or share capital redemption reserve in paying up fully paid capitalisation shares will be deemed not to be a reduction giving rise to a default in terms of this sub-clause; or
- 2.20.12 **Analogous events:** any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of events referred to in any of the foregoing paragraphs.
- 2.21 Additional Bonds**
- 2.21.1 Additional Bonds may be issued pursuant to the Trust Deed under the conditions and in the manner provided in this Clause.
- 2.21.2 Additional Bonds may be issued from time to time for financing the servicing of residential stands under the Sumben Housing Project.

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- 2.21.3 In the event Additional Bonds are issued, the Issuer and Trustee shall enter into a Supplementary Deed, the purpose of which shall be to authorize the Additional Bonds.
- 2.21.4 No Additional Bonds shall be authenticated and delivered by the Trustee unless there has been or is simultaneously with the issuance of the Additional Bonds delivered to the Trustee:
 - 2.21.4.1 The resolutions and documents required for delivery of the IDB Series 1 2017B Bonds; and
 - 2.21.4.2 An Issuer's Certificate to the effect that the Issuer is not in default hereunder.
- 2.21.5 Additional Bonds issued under the provisions and within the limitations of this Clause shall be issued at parity with the IDB Series 1 2017B Bonds, and all the covenants and other provisions of the Trust Deed (except as to details of such Additional Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Bondholders of the Series 1 2017B bonds and the Bondholders of any Additional Bonds subsequently issued from time to time within the limitations of and in compliance with this Clause.
- 2.21.6 All Bonds, regardless of the time or times of their issuance, shall rank without preference of any Bond over any other.
- 2.21.7 No Additional Bonds shall be issued at any time, however, unless all the payments into the respective funds and accounts provided for in the Trust Deed on account of the Bonds then outstanding, and any other payments provided for in the Trust Deed, shall have been made in full as required on the date of delivery of the Additional Bonds.

2.22 Enforcement

- 2.22.1 The Bond Trustee may at its discretion and without further notice take such proceedings against the Issuer and the Guarantor as it may think fit to enforce the obligations of the Issuer under the Trust Deed, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by a Special Resolution of the Bondholders or so requested in writing by holders of at least over 50.1% in nominal amount of the Bonds outstanding and (ii) it shall have been indemnified to its satisfaction.
- 2.22.2 No Bondholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to do, fails so to do within a reasonable period and such failure is continuing.
- 2.22.3 The right to declare Bonds due terminates if the situation giving cause to it has been cured or is otherwise no longer continuing before such right is exercised and any notice or demand issued by the Trustee in accordance with this Clause shall be of no effect.

2.23 Notices

2.23.1 Notices to Bondholders

2.23.1.1 Notices given by the Trustee or the Issuer to the Bondholders will be deemed to be validly given if delivered by hand to them, or sent by registered mail and will be deemed to have been validly given when such communication or document is left with or, as the case may be, seven (7) business days after its being posted to the intended recipient at its address as recorded on the Register.

2.23.1.2 In the case of joint holders of a Bond all notices will be given to that holder whose name stands first in the register and such notice shall be deemed sufficient notice to all the joint holders.

2.23.1.3 All notices regarding the Bonds shall also be published in an English language daily newspaper of nationwide circulation in the Republic of Zimbabwe.

2.23.2 Notices to Trustee or the Issuer

All notices required to be served by the Issuer on the Trustee or by the Trustee on the Issuer will be given in writing by prepaid registered post or delivered by hand to the physical addresses of the Trustee and Issuer appearing in this Prospectus or such other address in Zimbabwe of which the party concerned may notify the other in writing marked in each case for the attention of the Chief Executive Officer.

2.24 Meetings of Bondholders

The Trustee will be entitled if it so deems to convene a meeting of Bondholders to obtain from them a specific mandate in regard to

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anything which the Trustee might do whether or not such act is within the Trustee's discretion.

- 2.24.1 Request for Meeting - Each of the Issuer and the Trustee at any time may, and the Trustee upon a request in writing of Bondholders holding not less than one-tenth in Principal Amount of the Bonds for the time being outstanding shall, convene a meeting of Bondholders. Every such meeting shall be held at such time and place as the Trustee, in consultation with the Issuer, may advise.
- 2.24.2 Notice of Meeting - At least twenty one (21) days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the day, time and place of meeting shall be given to the Bondholders. All notices regarding the Bonds shall also be published in an English language daily newspaper of nationwide circulation in the Republic of Zimbabwe.
- 2.24.3 Quorum
 - 2.24.3.1 At any such meeting any one or more persons present in person holding Bonds or Voting Certificates or being proxies or representatives and holding or representing in the aggregate not less than one-tenth in Principal Amount of the Bonds for the time being outstanding shall (except for the purpose of passing a Special Resolution) form a quorum for the transaction of business and no business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business.
 - 2.24.3.2 The quorum at any such meeting for passing a Special Resolution shall be one or more persons present in person holding Bonds or Voting Certificates or being proxies or representatives and holding or representing in the aggregate not less than three-quarters in Principal Amount of the Bonds for the time being outstanding.

2.25 Voting

- 2.25.1 Every question submitted to a meeting shall be decided in the first instance by a show of hands and in case of equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) which he may have as a Bondholder or as a holder of a Voting Certificate or as a proxy or representative.
- 2.25.2 If at any meeting a poll is so demanded, it shall be taken in such manner and either at once or after such an adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuation of the meeting for the transaction of any business other than the question on which the poll has been demanded.
- 2.25.3 At any meeting on a show of hands every person who is present in person and who produces a Bond or Voting Certificate or is a proxy or a representative shall have one vote and on a poll every person who is so present shall have one vote in respect of each US\$10,000.00 or portion thereof in excess in Principal Amount of the Bonds so produced or represented by the Voting Certificate so produced or in respect of which he is a proxy or a representative.

2.26 Attendance of Advisors

The Issuer and the Trustee (through their respective representatives) and their respective financial and legal advisors may attend and speak at any meeting of Bondholders. No one else may attend any meeting of Bondholders or join with others in requesting the convening of such a meeting unless he is the holder of a Bond or a Voting Certificate or is a proxy or a representative.

2.27 Resolutions

- 2.27.1 A Special Resolution passed at a meeting of Bondholders duly convened and held in accordance with the Trust Deed shall be binding upon all the Bondholders, whether or not present at such meeting and whether or not they vote in favour and each of the Bondholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of such resolution justify the passing of it. The expression "Special Resolution" shall have a meaning given to it under the definitions section of this Prospectus.
- 2.27.2 A resolution in writing signed by or on behalf of the holders of not less than ninety (90) per cent in Principal Amount of the Bonds who for the time being are entitled to receive notice of a meeting in accordance with these provisions shall for all purposes be as valid as a Special Resolution passed at a meeting of Bondholders convened and held in accordance with these provisions. Such resolution in writing may be in one document or several documents in like form each signed by or on behalf of one or more of the Bondholders.

Terms and Conditions of the Bond

2.28 Minutes of Meetings

Minutes of all resolutions and proceedings at every such meeting shall be made and entered in the books provided for that purpose by the Issuer or the Trustee and any such minutes, if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings transacted or by the Chairman of the next succeeding meeting of Bondholders, shall be conclusive evidence of the matters contained in them.

2.29 Trustee's Power to Regulate Meetings

Subject to all other provisions contained in the Trust Deed, the Trustee may without the consent of the Bondholders prescribe such further regulations regarding the holding of meetings of Bondholders and attendance and voting at them as the Trustee may in its sole discretion determine subject to certain limitations contained in the Trust Deed.

2.30 Amendments

2.30.1 To cure ambiguities - The Terms and Conditions may be amended by the Issuer, and the Trust Deed may be amended by the parties thereto without the consent of any Bondholder for the purposes of curing any ambiguity, or correcting or supplementing any defective or inconsistent provisions therein and such amendment does not adversely affect the interest of the Bondholders.

2.30.2 Approval by Bondholders - The Terms and Conditions and the Trust Deed may otherwise be varied by the Issuer with the approval of the Bondholders by Special Resolution. A variation will take effect in relation to all Bondholders who hold bonds on the date of any amending deed or other such instrument effecting the variation.

2.31 Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction.

2.32 Governing Law

The Trust Deed and the Bonds are governed by, and shall be construed in accordance with, the laws of the Republic of Zimbabwe.

2.33 Jurisdiction and Waiver of Immunity

2.33.1 The Issuer agrees that any legal action or proceedings arising out of or in connection with the Bonds may be brought before an independent arbitrator in the Republic of Zimbabwe and irrevocably submits to arbitration for the final determination of any disputes arising in connection with the Bond Issue.

2.33.2 Service of any legal process shall be received by being served on the office of the Chief Executive Officer of the Issuer in Harare, at the Issuer's offices or at such other address advised by the Issuer.

2.33.3 Nothing in this Condition shall affect the right of any Bondholder through the Trustee to serve any writ, judgement or other notice of legal process in any manner permitted by applicable law and the Issuer hereby consents to service being effected in any such manner, whether by mail or otherwise.

2.33.4 To the extent that the Issuer may be entitled at present or at any time in the future to claim immunity for itself or any of its assets, the Issuer irrevocably undertakes not to claim and irrevocably agrees that all its assets (whatever the purpose for which those assets are used) are and shall be subject to service of process, jurisdiction, suit, judgment, set-off, counterclaim, enforcement of or execution of a judgment, attachment (whether before judgment or in aid of execution) and all other legal processes, including without limitation the giving of relief, on account of the indebtedness and other obligations incurred by it pursuant to the Bonds.



3. Information on the Issuer

3. Information on the Issuer

3.1 Corporate Details and Mandate

The Infrastructure Development Bank of Zimbabwe was established in 2005 in terms of Section 3 of the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14] (“the Act”). The Bank is a development finance institution and a ‘Public Entity’ as defined under Section 2 of the Public Finance Management Act [Chapter 22:19] and thus is also subject to the provisions of the Public Finance Management Act. The objectives and mandate of the Bank are provided for under Section 16 of the Act as follows:

- to promote economic development and growth, and to improve the living standards of Zimbabweans, through the development of infrastructure including, but not limited to, roads, dams, water reticulation, housing, sewerage, technology, amenities and utilities;
- to develop institutional capacity in undertakings and enterprises of all kinds in Zimbabwe; and
- to support development projects and programmes in all sectors of the Zimbabwean economy;

through all or any of the following means—

- a) providing capital for the expansion or modernisation of existing infrastructure, undertakings and enterprises or the creation or development of new infrastructure, undertakings and enterprises;
- b) mobilising internal and external resources from the public and private sectors;
- c) facilitating the participation of the private sector and community organisations in development projects and programmes;
- d) appraising, planning and monitoring the implementation of development projects and programmes; and
- e) providing technical assistance with regard to the identification, preparation, evaluation, financing, implementation and management of development projects and programmes;

whether by itself or in co-operation with international, regional or national organisations or bodies.

3.2 Financing of Projects through Debt Instruments

The Bank is enjoined by its mandate to finance only those projects which are economically viable, technically feasible and likely to yield a financially acceptable return on investment. In pursuance of its statutory mandate to mobilize resources for key infrastructure projects, the Bank issues Housing Development Bonds to support critical and priority housing infrastructure projects. The bonds issued by the Bank are structured as self-liquidating instruments with clear sources of repayment in the form of ring-fenced revenue streams that are escrowed into sinking funds specifically to meet interest and capital repayment obligations to bondholders.

3.3 Powers of the Bank

In terms of the Act and for the purpose of achieving its objectives the Bank is empowered:

- (a) to lend or advance money to any person or organization proposing to establish or expand or modernize any infrastructure, undertaking or enterprise in any sector of the economy;
- (b) to invest in development projects in all sectors of the economy;
- (c) to lend or advance money on the security of a mortgage or hypothecation to enable or facilitate the construction of housing, buildings and other infrastructure;
- (d) to guarantee where necessary an undertaking given in relation to the financing of development projects;
- (e) to raise loans or borrow moneys subject to such limits as may be prescribed in shareholders regulations provided that the approval of the Minister of Finance and Economic Development shall be required where such loans or moneys are to be guaranteed by the State; and
- (f) to seek other specialized credit facilities including Euro-dollar credits

The Bank is specifically empowered to draw, make, accept, endorse, discount, execute and issue for the purposes of its functions or duties promissory notes, bills of exchange, bills of lading, securities and other negotiable or transferable instruments.

3.4 Shareholders and Shareholding Structure

Below is IDBZ's shareholding structure as at 30 September 2017.

Ordinary Share Capital

Shareholder	Shares Held	Percentage
Government of Zimbabwe	3,901,549	87.4377%
Reserve Bank of Zimbabwe	560,435	12.5599%
IDBZ Staff Share Trust	78	0.0018%
Fidelity Life Assurance Company of Zimbabwe Limited	12	0.0003%
Finish Fund for Industrial Cooperation (Finnfund)	5	0.0001%
Africa Development Bank (AfDB)	4	0.0001%
German Investment & Development Company (DEG)	3	0.0001%
Netherlands Development Finance Company (FMO)	3	0.0001%
European Investment Bank (EIB)	1	0.0000%
Total	4,462,090	100.0000%

In addition to the above ordinary shareholding structure, the Bank introduced preferred share capital into its capital structure in December 2014. The Bank hived off its legacy debt totaling US\$38.3 million and in the process issued preference shares to the Government of Zimbabwe equivalent to the legacy debt assumed by the Zimbabwe Asset Management Corporation (Pvt.) Ltd ("ZAMCO") on behalf of Government.

Preferred Share Capital

Shareholder	Shares Held	Percentage
Government of Zimbabwe	382,830	100.0000%

The preference shares, which were issued at US\$100 per share, are non-cumulative and non-redeemable and carry a preferred dividend of 5% per annum.

3.5 Corporate Governance

The IDBZ has a unitary Board comprising a Non-Executive Chairman, a Chief Executive Officer and six (6) Non-Executive Directors. In terms of the Act, shareholders nominate their representatives for appointment by the Minister of Finance and Economic Development after consultation with the President of the Republic of Zimbabwe. The Non-Executive Directors have a wide range of competencies, significant experience in socio-economic development, development finance, business, commercial and other experiences that enable them to discharge effective oversight and bring independent judgment to bear on the operations and decision-making processes of the Bank.

Certain functions and responsibilities have been delegated by the Board to Board Committees established in line with best practice corporate governance standards to address the Bank's specific operational requirements. The Board from time to time reviews the number and composition of its Committees as necessitated by the prevailing operating environment. All board committees have formal and approved terms of reference which are regularly reviewed. At every Board meeting, the Chairpersons of the respective Committees formally report to the full Board on responsibilities delegated to the committee together with appropriate recommendations for endorsement by the Board.

3.6 Board Committees

For the effective discharge of its functions and in order to enhance oversight on the various areas and facets of the Bank's opera-

Information on the Issuer

tions, the Board constituted and appointed four (4) Committees which operate under clearly defined areas of responsibility and terms of reference.

In the discharge of their respective terms of reference, the Board Committees ensure transparency, full reporting and disclosure of key decisions and recommendations of the Committees to the main Board. Members of the Committees are able to seek independent professional advice as and 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 certain expertise, technical and professional input.

The IDBZ's Board Committees, with brief descriptions, 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 approval of credit applications falling above set management thresholds from the Bank's business units; equity investment proposals or applications; the form and value of collateral/security to be taken against loan exposures; and the Bank's strategy for growing the loan book and the overall business portfolio.

Audit Committee

The Board 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 an expert and a non-Board member of the Bank appointed for his skills and experience in finance and audit.

Corporate Governance Committee

This Committee is at the centre of the Board's emphasis on good corporate governance standards and practices. The Corporate Governance Committee comprises five (5) members, inclusive of 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 members' self-evaluation process and ensuring its integrity and effectiveness as a governance tool.

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 Bank and to keep the Board fully apprised of the major risk areas within the business operations of the IDBZ. The Committee comprises four (4) members, including the Chairman. The Chief Executive Officer is a member of the Committee while all others are non-executive directors.

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 an expert and a non-Board member of the Bank appointed for his skills and experience in human resources, performance management systems and organizational development.

The Committee is charged with ensuring the prevalence and observance of good labour and employment practices by the IDBZ in order that harmonious industrial relations prevail throughout the Bank. In this role, the Committee is charged with ensuring that the

Bank adopts best practice human resources recruitment and compensation policies and that key skills are retained through competitive reward systems.

3.7 Details of Directors

The Table below shows a list of IDBZ’s Board of Directors as at 30 September 2017

Name	Nationality	Position
Manungo, Willard Lowenstern	Zimbabwean	Non-Executive Chairman
Sakala, Thomas Zondo	Zimbabwean	Chief Executive Officer
Choga, Vavarirai Humwe	Zimbabwean	Non-Executive Director
Kudenga, Nelson	Zimbabwean	Non-Executive Director
Mhakayakora, Joseph (Rtd. Col.)	Zimbabwean	Non-Executive Director
Mlambo, Shadreck Sariri (Dr.)	Zimbabwean	Non-Executive Director
Mukahanana-Sangarwe, Margaret Mazvita	Zimbabwean	Non-Executive Director
Tahwa, Charles Simbarashe	Zimbabwean	Non-Executive Director

Manungo, Willard Lowenstern – Chairman (Non-Executive)

Mr. Manungo is a holder of a Bachelor of Arts Economics (Honours) Degree and a Master of Science degree in Economics from the University of Zimbabwe. He is the Permanent Secretary in the Ministry of Finance and Economic Development, a former chairman of the PTA Bank Board of Directors and sits on the boards of the Zimbabwe Revenue Authority (“ZIMRA”), the Insurance and Pensions Commission (“IPEC”), the Zimbabwe Council of Higher Education and previously the Reserve Bank of Zimbabwe (“RBZ”).

Sakala, Thomas Zondo – Chief Executive Officer

Mr. Sakala joined the Bank in September 2015 as Chief Executive Officer. He is an experienced economist and development banker. He is the former Vice-President of the African Development Bank (“AfDB”) in charge of Country and Regional Programmes (as of October 2014). In May 2015 he was the SADC nominee for the Presidency of the AfDB. He holds a B.Sc. (Hons) and a M.Sc. in Economics from the University of Ibadan in Nigeria. Prior to joining the AfDB, Mr. Sakala worked for three years as Senior Research and Principal Planning Officer in Ministry of Manpower Planning and Development in Zimbabwe, which carried out Zimbabwe’s first post-independence National Manpower Survey.

Choga, Vavarirai Humwe – Non Executive

Mr. Choga is a member of the Zimbabwe Institute of Engineers. He holds a Bachelor of Science Degree in Engineering, a Master of Science Degree in Engineering and a Post Graduate Diploma in Hydrology. He is a former Director of Water Development in the then Ministry of Water Resources and Development. He chairs the Audit Committee of the Board and is also a member of the Corporate Governance Committee of the IDBZ Board.

Kudenga, Nelson - Non Executive

Mr. Kudenga holds a Bachelor of Science (Honours) Degree in Civil Engineering, and is a member of the Zimbabwe Institute of Engineers. He is a former Director of Roads in the Ministry of Transport, Communications and Infrastructure Development. He chairs the Corporate Governance Committee and is also a member of the Human Resources Committee of the IDBZ Board.

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Mhakayakora, Joseph - Non Executive

Retired Colonel Mhakayakora is a holder of a Bachelor of Architecture (Honours) Degree. He had a distinguished career in the Zimbabwe National Army where he rose to the rank of Colonel and was appointed Director of Defense Buildings and Estates. He is currently the Principal Director in the Ministry of Local Government, Public Works and National Housing. He is a council member of the National University of Science and Technology and also sits on the Advisory Committee of the Great Zimbabwe University. He chairs the Human Resources Committee of the IDBZ Board and is also a member of the Audit and Finance and Risk Management Committees of the IDBZ Board.

Mlambo, Shadreck Sariri - Non Executive

Dr. Mlambo holds a Doctor of Philosophy in Entomology from the University of Adelaide, Australia, and is a plant protection specialist/entomologist. He has over 35 years' experience in agricultural development and management. Dr. Mlambo sits on the boards of Tobacco Research Board, Agriculture and Rural Development Authority and the Biotechnology Trust of Zimbabwe. He is a member of the Corporate Governance and Audit Committees of the IDBZ Board.

Mukahana – Sangarwe, Margaret Mazvita– Non Executive

Mrs. Sangarwe holds a Bachelor of Administration and Political Science, a Master of Science Degree in Natural Resource Management and a Master of Business Administration Degree from the University of Zimbabwe. She is the former Permanent Secretary in the Ministry of Tourism and Hospitality Industry and sits on the board of the Biotechnology Trust of Zimbabwe. She chairs the Finance and Risk Management Committee of the IDBZ Board. She is also a member of the Corporate Governance and Human Resources Committees of the IDBZ Board.

Tawha, Charles Simbarashe - Non Executive

Mr. Tawha is a holder of a Bachelor of Science (Honours) Degree in Mining Engineering. He is the Principal Director in the Ministry of Mines and Mining Development. Mr. Tawha is a member of the Corporate Governance, Finance and Risk Management and Investment Committees of the IDBZ Board.

3.8 Executive Management

Set out below are the brief profiles of executive management;

Thomas Zondo Sakala - BSc. (Hons); MSc Economics University of Ibadan, Nigeria

Mr. Sakala is responsible for the overall management of the Bank's operations, its strategic thrust and discharge of its mandate as set out in its enabling Act. He is an accomplished development finance banker, having worked within the African Development Bank for 31 years and served as the AfDB's Vice-President until his early retirement in May 2015 [*see Directors Profiles – 3.7*].

Desmond Matete - LLB (Hons) UZ

Mr. Matete is a holder of a Bachelor of Laws (Honours) Degree (LLBs) from the University of Zimbabwe. He is a commercial lawyer with extensive experience in financial services, investment banking and development finance. He has successfully executed numerous mandates in corporate and project finance, project development and structuring, listings and capital-raising for high value mandates. Mr. Matete has held various directorships in industry and commerce and is a former Deputy Chairman of Zimbabwe Power Company, a subsidiary of the national power utility, ZESA Holdings Limited in the public sector. He joined the Bank at its inception in 2005 as Executive Director – Legal & Corporate Advisory Services. He is currently the Director in charge of Infrastructure Projects. In this role and in line with the Bank's core mandate, he is responsible for business development, project packaging and project implementation. He also oversees financial and technical advisory services, implementation monitoring and evaluation for government supported infrastructure projects through various implementing agencies for such projects.

Cassius Gambia - B. Acc (Hon); CA (Z)

As Finance Director, Mr. Gambia is responsible for the financial strategy of the Bank which includes management of lines of

credit, establishment of effective internal control systems, budgeting and financial reporting. He oversees the Bank's treasury function, ensuring at all times that the Bank's operations are properly and fully funded. Mr. Gambinga is a Chartered Accountant and Registered Public Accountant. He holds a Bachelor of Accountancy (Hon.) Degree from the University of Zimbabwe. He is a member of the Institute of Chartered Accountants of Zimbabwe ("ICAZ") and member of the Institute of Directors of Zimbabwe. He has extensive banking experience gained with Premier Finance Group (Pvt) Limited (2002-2007) where he rose to the position of Chief Operations Officer.

Phillip Tadiwa – BSc (Hon) Sociology UZ; MBA UZ

Phillip Tadiwa is a holder of a BSc (Hons.) Degree in Sociology, a Diploma in Law "Conciliation and Arbitration" and a Masters degree in Business Administration ("MBA"), from the University of Zimbabwe. Mr. Tadiwa has over 18 years' experience in Strategic Human Resources Management, industrial relations practice and change management. He joined the Bank as its Head of Human Resources and Capacity Building in June 2008 before assuming his current role.

3.9 Material Agreements (Detailed Disclosure available for inspection)

- IDBZ and IDB Bond Series 1 2014B Bondholders (balance of US\$7.6 million Principal Obligation)
- IDBZ and IDB Bond Series 2 2014B Bondholders (balance of US\$30.2 million Principal Obligation)
- Memorandum of Agreement between IDBZ and Markaram

3.10 Material Litigation (Detailed Disclosure available for inspection)

The Bank has no extraordinary cases of litigation. The following case(s) listed below arose from the normal conduct of the Bank's business. Detailed disclosure of the nature of the cases is available for inspection by the investors.

- *Engen Petroleum (Private) Limited vs IDBZ*

3.11 IDBZ Summary Financial Information

3.11.1 Statement of Comprehensive Income

	Audited 2016 US\$	Audited 2015 US\$	Audited 2014 US\$
Interest and related income	12 147 443	11 360 979	9 942 938
Interest and related expense	(6 301 291)	(6 388 358)	(6 332 430)
Net interest income	5 846 152	4 972 621	3 610 509
Profit on Property Sales	529 503	62 892	
Fee and commission income	1 004 969	1 682 833	2 834 203
Net (losses)/gains on financial assets at fair value through profit or loss			(687)
Dividend income	44 983	16 669	15 068
Revenue	7 425 607	6 735 015	6 459 092
Other income	1 771 021	670 338	1 852 867
Loan impairment charge	(1 597 558)	(720 613)	(807 874)
Fair value loss on investment property	(1 660 560)	(1 842 268)	(147 497)
Net gains/(losses) on investment securities	2 256	(797)	
Net foreign exchange gains	322 175	473 760	2 967 375
Operating expenses	(7 606 248)	(10 140 127)	(9 539 733)
Share of loss of associate	(162 453)	(228 530)	(291 289)
Profit for the year	(1 505 760)	(5 053 222)	492 941

Information on the Issuer

	Audited 2016 US\$	Audited 2015 US\$	Audited 2014 US\$
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net fair value gain on financial assets at fair value through other comprehensive income	207 965	1 056 872	384 859
Total comprehensive income for the year	(1 297 795)	(3 996 350)	877 800

Commentary on Consolidated Statement of Comprehensive Income

In 2015, the Bank underwent institutional transformation in order to refocus the business towards delivery of its infrastructure mandate and this culminated in an amicable voluntary separation of employees in non-core areas at a total cost of US\$2.1 million. The implications of the transformation meant that the Bank had to gradually sacrifice the high margin short-term business revenue stream for long-term infrastructure income. This measure, coupled with the tight liquidity challenges experienced in 2015 and high non-performing loans, negatively impacted the Bank's performance, resulting in a recorded financial loss of US\$4 million for the year ended 31 December 2015.

By resizing, the Bank sought to strengthen its expertise in a number of critical technical areas, including project appraisal, public-private partnerships and procurement management. Since 2015, the Bank has taken steps to improve its policies and procedures to streamline its processes to achieve effectiveness and efficiency in its mandate execution, with a special emphasis on procurement and fiduciary processes.

These initiatives translated into an improved operational outturn in 2016, with revenue growing 10% to US\$7.4 million, spurred by a focused effort on underwriting stable and long term assets in line with the infrastructure development mandate. In addition, revenue growth also benefited from market operations as the Bank prudently maintained adequate liquidity and invested cash reserves to support timely execution of infrastructure projects.

A total comprehensive loss of US\$1.3 million was recorded in 2016, an improvement from the loss of US\$4 million recorded in 2015. The impairment of a substantial non-performing exposure to one corporate client in the tourism sector, together with the depressed valuations of investment property due to voids, contributed significantly to the loss the Bank recorded during the 2016 financial year.

3.11.2 Statement of Financial Position

	Audited 2016 US\$	Audited 2015 US\$	Audited 2014 US\$
ASSETS			
Cash and bank balances	22 833 256	17 525 187	21 992 245
Investment securities	51 513	13 563	2 812 940
Financial assets at fair value through other comprehensive income	7 518 492	6 969 069	6 253 655
Treasury bills and other financial assets	23 062 518	8 217 175	-
Loans and advances to customers	68 513 385	69 585 374	51 207 991
Trading assets pledged as collateral	16 560 872	8 873 706	17 839 181

	Audited 2016 US\$	Audited 2015 US\$	Audited 2014 US\$
Non-current assets held for sale	-	341 458	-
Other receivables and prepayments	3 002 693	2 061 786	2 642 327
Investment in associates	1 210 307	1 372 760	1 601 291
Inventories	4 280 997	2 183 684	2 750 854
Investment property	9 380 000	10 299 886	11 942 500
Intangible assets	14 105	18 701	209 118
Property and equipment	3 508 473	3 224 705	3 539 315
Total assets	159 936 611	130 687 054	122 791 417
Equity and liabilities			
Liabilities			
Deposits from customers	47 004 142	48 607 917	51 778 720
Foreign lines of credit	-	-	8 618 656
Local lines of credit and bonds	56 868 305	46 629 735	25 994 146
Other liabilities	7 393 688	7 381 101	4 096 971
Total liabilities	111 266 135	102 618 753	90 488 493
Equity			
Share capital	44 620	24 490	24 490
Share premium	8 934 396	9 171 552	9 171 552
Non distributable reserve	(256 617)	(22 373 613)	(22 373 612)
Preference share capital	38 283 003	38 283 003	38 283 003
Fair value reserve	3 224 878	3 016 913	1 960 041
(Accumulated loss)/Retained earnings	(1 822 797)	(531 474)	4 766 650
Equity/(deficit) attributable to equity owners of the Bank	48 407 483	27 590 871	31 832 124
Non-controlling interest in equity	262 993	477 430	470 799
Total Shareholders' Equity	48 670 476	28 068 301	32 302 923
Total Shareholders' Equity and Liabilities	159 936 611	130 687 054	122 791 417

Commentary on Consolidated Statement of Financial position

Total assets grew by 22% to US\$159.9 million in 2016 as a result of growth in the loan book and other financial assets. Cash balances closed the year at US\$22.8 million after growing 30% from the prior year, a reflection of improving financial solidity whilst the Bank cautiously lent and invested in the core mandate areas.

Information on the Issuer

One key area of activity since 2015 involved efforts towards reducing the volume of non-performing loans (NPLs). By the close of 2015, the NPL ratio stood at 10.4%, down from 26.29% as at December 2014. During 2016, the Bank scaled up collection efforts in line with its shift towards infrastructure development. The NPL ratio closed the year at 9.4% (on the back of a significant exposure to one tourism sector corporate client already mentioned under the commentary on the Consolidated Statement of Comprehensive Income above), against the Reserve Bank of Zimbabwe target of 5% and industry average of 7.8%. Significant progress has been made towards collection of the outstanding amounts which should see an NPL ratio of not more than 5% by the end of 2017.

The Bank is making initiatives to strengthen its capital position in the short to medium and expects to then leverage a clean and stronger balance sheet to raise long term funding to drive its infrastructure mandate.

3.11.3 Statement of Cash Flows

	Audited 2016 US\$	Audited 2015 US\$	Audited 2014 US\$
Cash flow from operating activities			
(Loss)/Profit for the year	(1 505 760)	(5 053 222)	492 940
Adjustments for:			
-Depreciation	159 793	256 988	505 418
-Amortisation	4 596	190 417	263 922
-Loan impairment charge	1 597 558	720 613	807 874
-Sundry debtors impairment/(recovery)	197 956	(290 771)	
-Net unrealised losses from translation of foreign currency balances	13 568	3 914	2 854
-(Gain)/Loss on disposal of property and equipment	(29 460)	46 558	(79 766)
-Loss/(Profit) on disposal of investment property	7 556	(1 000)	(59 693)
-Unrealised fair value loss/(gain) on investment property	1 652 994	1 843 268	207 190
-Non-cash interest expense on foreign lines of credit	-	-	1 176 958
-Provisions and accruals through profit and loss	871 348 (2 256)	52 108 797	(46 815) (2 804 089)
-Share of loss of associate	162 453	228 530	291 289
-Bad debts recovered	(1 268 624)	-	-
-Impairment of property and equipment	540 000	-	-
-Other non-cash items	52 308	-	4 690
	2 349 424	(2 001 770)	762 772
Changes in			
- Loans and advances to customers	274 422	(18 451 751)	7 238 684
- Trading assets pledged as collateral	(4 341 091)	8 965 475	(5 345 063)
- Other receivables and prepayments	309 869	(455 876)	(489 327)
- Inventories	(1 936 002)	(432 130)	4 124
- Deposits from customers	(1 603 775)	(3 170 802)	15 614 002
- Other liabilities	(449 418)	(564 174)	(682 083)

Information on the Issuer

	Audited 2016 US\$	Audited 2015 US\$	Audited 2014 US\$
Net cash (used in)/generated from operating activities	(5 396 571)	(16 111 028)	17 103 110
Cash flow from investing activities			
Acquisition of property and equipment	(1 002 128)	(37 229)	(29 187)
Proceeds from sale of property and equipment	193 158	48 245	72 274
Acquisition of investment property	(750 246)	-	-
Proceeds from sale of investment property	68 955	116 000	258 043
Net cash (used in)/generated from investing activities	(1 490 261)	127 016	301 130
Cash flow from financing activities			
Payment of dividends	-	(499 979)	(499 977)
Repayment of foreign lines of credit	-	(8 618 656)	(1 086 873)
Proceeds from issue of bonds	22 549 700	38 140 299	15 618 000
Repayment of bonds	(13 222 682)	(20 968 561)	(14 237 598)
Rights issue proceeds	1 956 332	-	-
Net increase/(decrease) of local lines of credit	911 551	3 463 851	1 508 378
Net cash generated from financing activities	12 194 901	11 516 954	1 301 930
Net increase/(decrease) in cash and cash equivalents	5 308 069	(4 467 058)	18 706 170
Cash and cash equivalents at 1 January	17 525 187	21 992 245	3 286 076
Cash and cash equivalents at 31 December	22 833 256	17 525 187	21 992 245

Commentary of Consolidated Statement of Cash Flows

The Bank's cash balances as at 31 December 2016 stood at US\$22.8 million (2015: US\$17.5 million). During the year the Bank raised US\$22.5 million through infrastructure bonds and also made total repayments of US\$13.2 million to bondholders, thus a net inflow of US\$9.3 million from the Bank's bond programme. The liquidity position of the Bank remains sound despite persistent market liquidity challenges. The Bank's strategic focus on long term infrastructure projects that have less recurring liquidity requirements compared to short term business, is set to ensure low liquidity risk in the future.

The cash balances are invested in short term and highly liquid money market investments with stable banks.

A nighttime photograph of a city skyline. In the foreground, a large, modern building with a distinctive facade of vertical slats and illuminated windows is visible. The background shows a dense urban area with numerous other buildings and streetlights, creating a vibrant cityscape under a dark sky.

4. Information on the Guarantor

4. Information on the Guarantor

- 4.1 The Guarantor is the Government of the Republic of Zimbabwe through the Minister of Finance and Economic Development (“the Minister”).
- 4.2 In terms of Section 20 of the Public Debt Management Act [Chapter 22:21] the Minister may, in such manner and upon such conditions as he or she thinks fit on advice of the External and Domestic Debt Management Committee (“the Committee”) and the Public Debt Management Office (“the Office”) within the Ministry of Finance and Economic Development, guarantee the repayment of the capital and the payment of expenses or charges incurred on or in connection with:
- (a) any indebtedness or other financial obligation raised, incurred or established, as the case may be, inside or outside Zimbabwe by a person approved by the Minister for purposes which will, in the opinion of the Minister, promote employment or the development of natural resources or the tourist industry or are otherwise in the public interest or in the interest of the economy of Zimbabwe; or
 - (b) any indebtedness or other financial obligation raised, incurred or established, as the case may be, outside Zimbabwe for the purposes of the trustee of the District Development Fund Act [Chapter 29:06] or a designated corporate body referred to in paragraph (a) of the definition of “public entity” in section 2 of the Public Finance Management Act, or a local authority.
- 4.3 The Minister has in accordance with Section 22 of the Public Debt Management Act approved the issuance of the Housing Bonds by the Bank and has issued a Guarantee to Bondholders. The projects that will be financed by the proceeds of the Bond issue are projects that complement Government efforts to provide affordable housing and uplift the living standards of citizens.

5. Housing Sector Overview



5. Housing Sector Overview

5.1 Introduction

There is an estimated backlog of 1.25 million housing units in the country's main urban and peri-urban centres, with the City of Harare ("CoH") alone estimating its housing at about 200,000 units as of July 2015. Consequently, there is high demand for both completed housing units and serviced residential stands. The supply of serviced stands and housing units has been constrained by limited investment in housing infrastructure by both public and private sector players, and this has partly been a result of limited long term capital to support housing projects. Whilst the demand for serviced residential stands continues to grow, the lack of key on-site and off-site infrastructure such as roads, water and sewerage facilities, all of which require huge capital outlays, remain the major bottleneck to housing development. The IDBZ seeks to finance and develop a low density residential suburb in Harare as part of its efforts to provide affordable housing and reduce the city's housing backlog. The population for Harare Province was estimated at 2,123,123 according to the 2012 National Census. Housing demand is also anticipated to increase due to the population growth trend of 2% per annum in Harare (ZIMSTAT estimate, 2015) also sustained by rural to urban migration and economic activity in the capital.

5.2 IDBZ Housing Sector Interventions

The IDBZ's intervention in the housing sector is consistent with its core mandate and strategic focus on infrastructure development, with the Bank giving priority to five sectors namely housing, energy, water and sanitation, transport and ICT. The Bank's focus in the housing sector is on the delivery of on-site and off-site infrastructure which has presented the biggest bottleneck to housing development. Therefore, the Bank supports the National Housing Delivery Strategy by ensuring that it delivers high quality but affordable housing projects that provide project beneficiaries with access to water, a sewer system, electricity and a fully tarred road network.

The proposed project promotes the attainment of Sustainable Development Goals ("SDGs") and the country's development objectives as contained under the Infrastructure and Utilities Cluster in the ZIMASSET programme. The housing project addresses the goals set out under SDG 6 and 11 which are:

- *Clean water and sanitation – ensuring availability and sustainable management of water and sanitation for all; and*
- *Sustainable cities and communities – make cities and human settlement inclusive, safe, resilient and sustainable.*

Whilst the proposed project involves the development of fully serviced housing stands, its developmental impacts include access to water and sanitation, electricity and communications infrastructure for about 370 households in Harare.



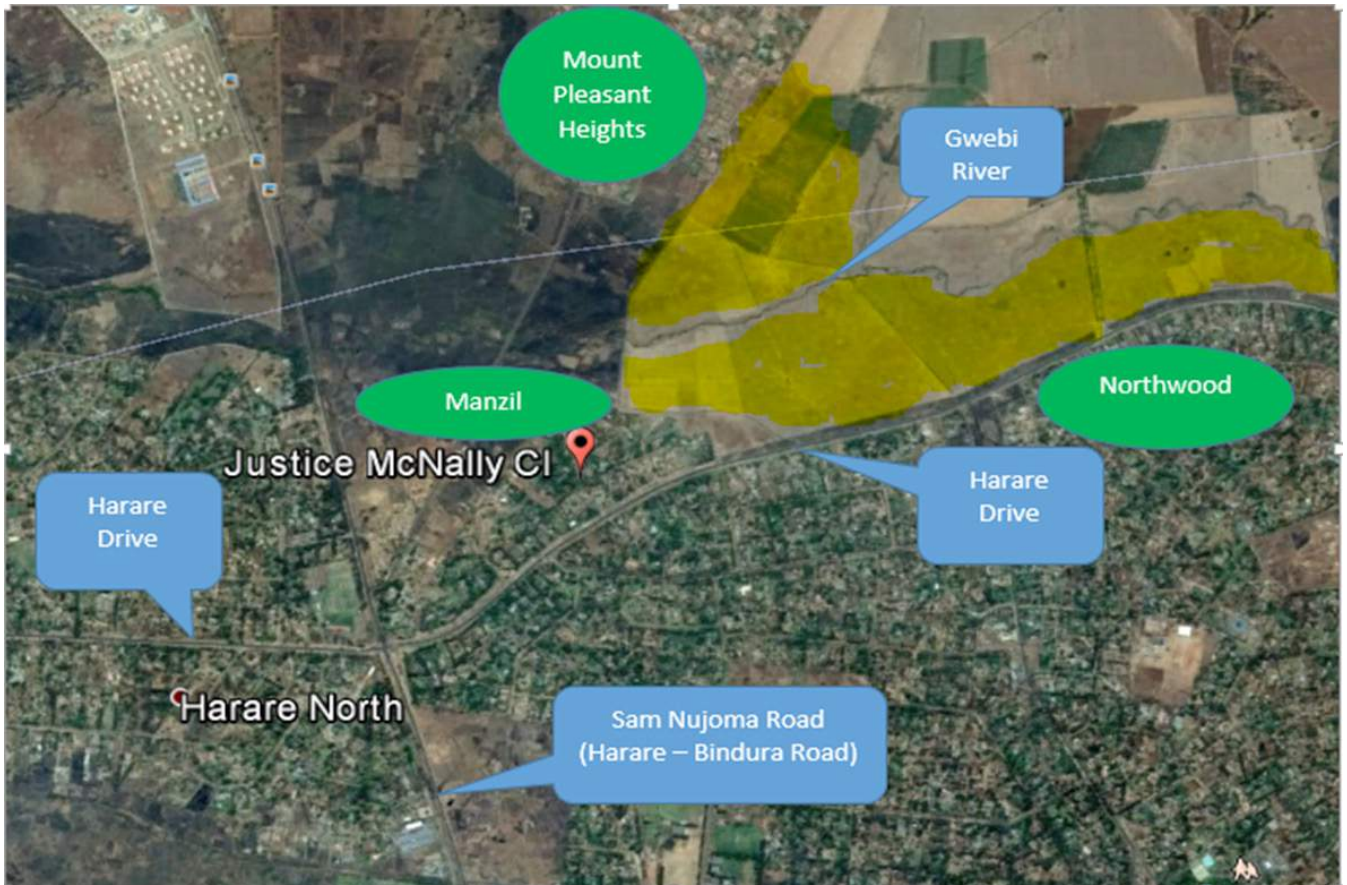
6.

Project Overview

6.1 Project Site Location

The property is a farm called Remainder of Sumben, measuring 119.26 hectares (ha) held under Title Deed No. 212/2009, and is located in the Mount Pleasant area of Harare Metropolitan Province. It is located to the North of Harare Drive, opposite Northwood low density suburb and can be accessed directly from Harare Drive. It is bound to the West and North West by residential neighbourhoods of Manzil and Mount Pleasant Heights, respectively. The exact piece of land is marked in gold on the map below.

Figure 6 1 Project Location Map



The nearest robot controlled intersection to the site is from two major distributor roads namely Sam Nujoma Road (Harare–Bindura Road) and Harare Drive. The initial subdivision layout design, which may be adopted for reapplication for the subdivision permit, provided for a single access and exit point into the proposed housing development from Harare Drive in order to reduce the number of potential traffic conflict points along the major distributor road.

6.2 Housing Gap Assessment

Being the capital of the country, the City of Harare has a high demand for both completed housing units and serviced residential stands. As of July 2015, the City of Harare had about 165,000 individuals on its waiting list and estimated its housing backlog at about 200,000 units. The middle and upper classes both in Zimbabwe and in the diaspora constitute the target market for this the low density suburb development in Mt Pleasant offering 370 residential stands with no competing stands servicing projects abutting or in proximity to the location.

6.3 Project Implementation Framework

Implementation of the Project will be through a Joint Venture (“JV”) between the IDBZ and Markaram Investments (Private) Limited, a company incorporated in Zimbabwe (“the Parties”). The Project’s scope of works involves the servicing of an area covering

Project Overview

98.47 hectares of land with water, sewer, roads and electricity. Upon completion, the Project is expected to yield 370 low density residential stands with an average size of 2,100m² as well as serviced stands for institutional facilities and a shopping centre.

Markaram Investments holds the entire issued share capital of Mazvel Investments (Private) Limited (“Mazvel Investments”) which in turn directly holds title to the 119.26ha of land (i.e. Project site). It is therefore proposed that Mazvel Investments will be the JV Company to undertake the Sumben Housing Project. The IDBZ has signed a Joint Venture Agreement with Markaram Investments according to which the Bank will **make an outright purchase of 15ha** of land under Mazvel Investments for a consideration of US\$1.6m. The 15ha is expected to yield 55 serviced stands which will accrue directly to the IDBZ.

Out of the total land of 119.26ha held by Mazvel Investments, an area covering 20.79ha which is designated as a “Green Belt” or “Public Open Space” and is not suitable for development will be retained by Markaram Investments. Therefore, after taking into account the 15ha that will be purchased outright by the IDBZ, the remaining **83.47ha valued at US\$3.9m** will be the subject of the Joint Venture agreement between the Bank and Markaram Investments.

6.4 Project Description

The project involves the servicing of 370 stands of about 2,100sqm each with water, surfaced roads and electricity over land spanning 98.5ha in a low density suburb. Of the 370 serviced stands, 361 will be available for disposal while the remaining 9 shall be ceded as commonage. The table below details the technical features of the project;

Table 6 1 Project Technical Features

Item	Proposed Subdivision Land Use	No. of Stands	Coverage (Ha)	Coverage (sqm)	Length of Roads (km)	Coverage (% Ha)
	Gross Land Allocation					
	Land Allocated to Mazvel Investments (JV Company)		83.47	834,700		69.99
	IDBZ Land		15.00	150,000		12.58
	Land Retained by Markaram Investments (Green Belt)		20.79	207,893		17.43
	TOTAL LAND		119.26	1,192,593		100.00
1.0	Stands					
	2,189m ² Residential Stands	370	80.99	809,900		67.91
	Church	1	0.45	4,500		0.38
	Functions Site	1	0.48	4,800		0.40
	Neighbourhood Shopping Centre	1	1.55	15,500		1.30
	Sub-Total (Stands)	373	83.47	834,700		69.99
2.0	Open Spaces		21.33	213,300		17.89
3.0	Roads					
	15m Roads		10.3412	103,412	6.8941	
	12m Roads		4.1181	41,181	3.4318	
	Sub Total (Roads)		14.4593	144,593	10.3259	12.00
4.0	TOTAL LAND UTILISED		119.2593	1,192,593	10.3259	100.00

6.5 Project Outputs

The Project is set to improve the living standards of people in Harare through the provision of 370 fully serviced residential stands with access to clean water, a sewer system, surfaced roads and electricity. Through the delivery of this Project, opportunities for

local companies through procurement of goods and services shall ensue and additional revenues for the CoH through water and rate payments shall be created.

Below is a summary of the outputs from the housing development project:

Table 6 2 Project Outputs

Residential Land Allocation	Number of Units	Area (Ha)	Total Area (m2)
Gross Residential Stands (average of 2,189 m2)	370	80.99	809,900
Less: Impaired Stands (i.e. Commonage)	9	1.97	19,700
Residential Stands for Disposal	361	79.02	790,200
Allocation of Residential stands			
JV Residential Stands (out of 83.47ha)	306	66.98	669,828
IDBZ Residential Stands (out of 15ha)	55	12.04	120,372
Total	361	79.02	790,200
Endowments and Public Amenities			
Shopping Centre	1	1.55	15,500
Church	1	0.45	4,500
Functions Site	1	0.48	4,800
Roads		14.46	144,593
Open Spaces		21.33	213,300
Total Land for Endowments		38	382,693

6.6 Project Components

The Project has two distinct phases of activities, namely the Project Preparation phase and the Project Implementation phase. The two phases are summarised below:

Table 6 3 Project Components and Activities

Stage	Process	Cost	Works to be covered
Project Preparation Phase	Planning, Survey, Design and preparation works	US\$2,063,610.00	<ul style="list-style-type: none"> Subdivision permit Geotechnical and soil investigation surveys surveying of the area and approval of general plans engineering designs environmental certification
Implementation Phase	On-site and off-site infrastructure construction	US\$7,842,900.00	<ul style="list-style-type: none"> Roads and Stormwater Drainage Sewer reticulation Electricity Reticulation and public lighting Water Reticulation

Project construction works will be undertaken over a period of 18 months with works set to commence during the first quarter of 2018.


Project Overview

6.7 Project Status

The table below outlines the status of the Project as regards to all municipal and town planning approvals.

Table 6 4 Project Status Summary

Activities	Issued/Approved By:	Status
Title Deeds	Deeds Office	Completed – Title Deeds Available
Development Permit	City of Harare (“CoH”)	- Awaiting CoH approval
Topographical Surveys	Surveyor General	- Completed
Sub-Division Permit - Layout Plan	Department of Physical Planning/CoH	- -Proposed layout plan completed - Subdivision permit applied for and awaiting CoH approval
Cadastral Surveys - General Plan	Surveyor General	- Ongoing with two thirds completed awaiting approval
Engineering Designs for infrastructure	Consultant Approval By CoH	- Completed and awaiting CoH approval
Cost Estimates (Bill Of Quantities)	Consultant	- Completed
EIA Certificate/ Environmental Management Plan	EMA	- In progress
Tendering	IDBZ	- Process to begin after securing all approvals

A top-down view of architectural blueprints spread on a wooden surface. Various drafting tools are scattered across the plans: a yellow tape measure on the left, a silver compass and a ruler with a scale of 1:24,000 on the right, a pair of black calipers in the center, and a silver pencil at the bottom left. The blueprints show detailed floor plans with dashed lines and various annotations. A yellow semi-transparent banner is overlaid on the center of the image, containing the text '7. Project Cost Structure'.

7. Project Cost Structure

ARCHITECTS:

STRUC. ENG.:

DRAWN:

ELEC. ENG.:

CHECKED:

APPROVED:

REVISION:

7. Project Cost Structure

The main components to be funded under the Project include project preparation and implementation. The table below shows the breakdown of the Project costs

Table 7 1 Project Preparation and Implementation Costs

Activity	Description	Estimated Cost (US\$)
Component 1: Project Preparation		
Pre-development Costs	Planning, survey (cadastral and topographical), EIA and design costs incurred by shareholder exiting the Project arrangement.	343,000
Professional Fees and Statutory Payments	Planning, Civil and electrical engineering designs, land surveys, cadastral surveys and environmental compliance for new stands	1,720,610
Component 2: Project Implementation		
Sewer reticulation	Clearance of the site, excavation of the trenches, preparation for bedding of pipes and laying the PVC pipes.	1,000,000
Roads (14.46 km), Bridge and Water reticulation	<ul style="list-style-type: none"> Laying of water pipes, installation of water valves and hydrants with both one and two-way connections to convey water from Municipal supplies. Clearance, road formation and sub-grading, mixing, compacting and surfacing of roads for the entire extent of the Project. Construction of a bridge in the form of a shelvert or a pipe drift. 	5,842,900
Electrification	Installation of electricity connection points and street lights.	1,000,000
Total		9,906,510

The Project will be implemented over 18 months and will yield the following serviced stands:

- 361 Residential Stands;
- 1 Shopping Centre;
- 1 Functions Site; and
- 1 Church Site.

The estimated total cost of project preparation and servicing is US\$9,906,510 which translates to a cost per square meter of US\$12.22 excluding land and US\$17.03 including land, as shown below:

Table 7 2 Project Cost per SQM

Project Costs:			
Value of Land (US\$)			3,900,000
Costs for Project Preparation and Site Servicing (US\$)			9,906,510
Total Estimated Project Costs (US\$)			13,806,510
Project Outputs:			
	Ha	m ²	Stands
Residential stands available for Disposal	79.02	790,200	361
Stands available for Shopping Centre	1.55	15,500	1
Stands available for Functions Site	0.48	4,800	1
Total Available for Disposal	81.05	810,500	363
Cost/Sqm including Land (US\$)			17.03
Cost/Sqm excluding Land (US\$)			12.22

The disposal of the Project stands is being carried out in phases. The selling price under the first phase which closed on the 9th of October 2017 was US\$30/m². In the subsequent phases the stands will be sold at different but higher prices with the targeted average selling price for the Project of US\$35/m² inclusive of Value Added Tax (“VAT”) at 15%.

7.1 Offtake Analysis

The target customer group for the Project is Harare’s middle income earners and the business community. Most middle income earners are presumed to be living in Harare’s medium density suburbs on leased properties and some are in the diaspora. The price and repayment terms for the Project were designed to make the outputs affordable to the middle class, people who are on fulltime employment and have capacity to pay the required deposit and monthly instalments.

7.2 Payment terms

The pricing and payment terms of the serviced residential stands are designed to suit the capacity of the target market. To enhance offtake, the IDBZ shall offer mortgage facilities to off-takers of stands at an interest rate of 10% per annum. Where stand buyers utilise the facility provided by the Bank, they shall be required to pay an upfront deposit of 15% of the selling price with the balance being amortised over five years.

A large, 3D, golden dollar sign symbol is centered on the page. It has a metallic, reflective surface and is rendered with soft shadows on a light gray surface below it. The sign is the primary visual element of the slide.

8.

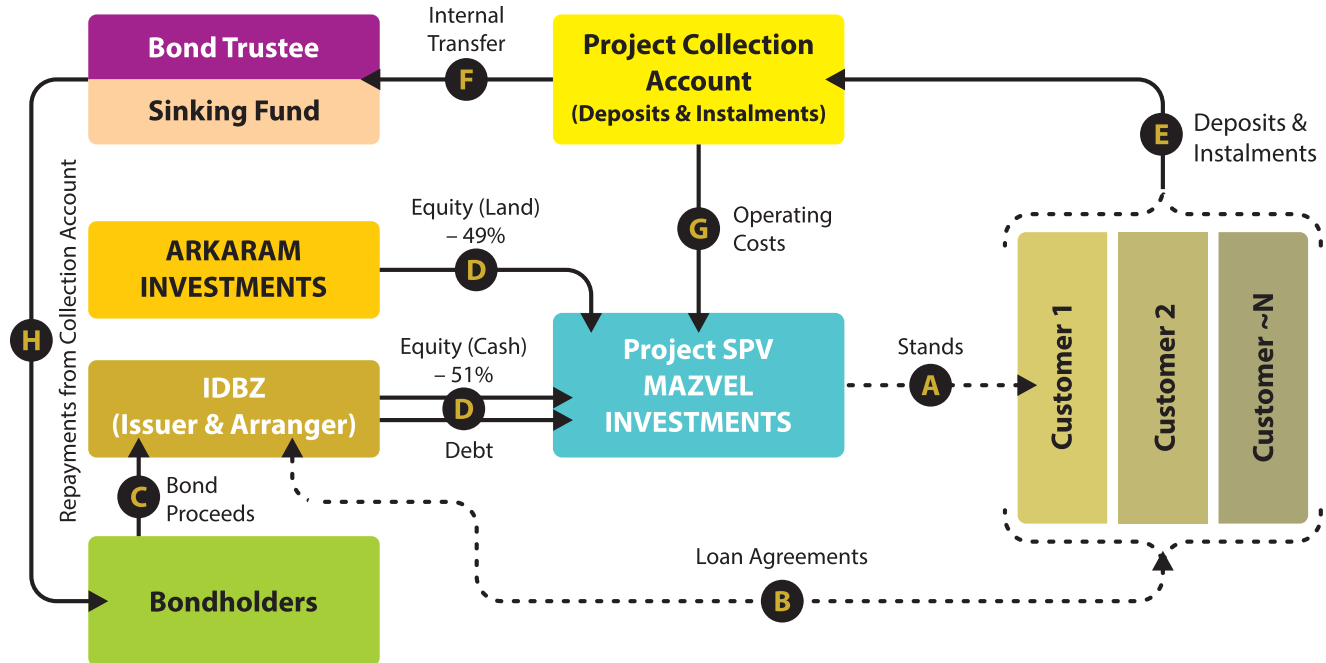
Project Financing Structure and Economics

8. Project financing structure plan

8.1 Project Financing Structure

Below is a schematic overview of the project financing structure:

Figure 8 1 Schematic Financing Structure



8.2 Mechanics of the Financing Structure

- The IDBZ, on behalf of the Project SPV setup specifically for project implementation, sells stands to qualifying and creditworthy customers (“Customers”).
- Customers in turn sign a Loan Agreement with the IDBZ, requesting them to pay an upfront deposit of 15% of the selling price of the stands and allowing them to pay the balance over a 5 year period.
- The IDBZ raises funding through a Bond Issue for purposes of financing the implementation of the Project.
- The IDBZ provides the required project funding through an equity injection of US\$4,059,184 (equivalent to 51% equity stake) and a loan of US\$5,847,326 into the Project SPV, whilst Markaram Investments contributes land valued at US\$3,900,000 equivalent to a 49% equity stake. The Bank and its partners in the Project SPV will be responsible for project implementation monitoring to ensure that contracted parties operate in line with the project plan. The Project SPV will also appoint a Project Manager responsible for direct supervision of the works. Disbursements to contractors will be made by the IDBZ from the project escrow account (into which all funds raised are deposited) after validating the contractors’ certificates against work on the ground.
- Customers who buy stands will remit their full payment or, in the case of customers who are eligible for the IDBZ Mortgage Arrangement, upfront deposits and monthly mortgage obligations into a dedicated Project Collection Account which shall be domiciled at the IDBZ for ease of administration and monitoring of performance, and to allow efficient processing of payments.
- The IDBZ makes monthly transfers from the Project Collection Account into a dedicated Sinking Fund Account and then remits the periodic interest and principal loan obligations due to Bondholders and other financiers from the Sinking Fund Account. The Sinking Fund will be overseen by the Independent Bond Trustee to ensure its performance and to protect the interests of Bondholders.
- The IDBZ ensures that the Project SPV’s operating costs are also funded from the Project Collection Account.
- When interest and principal obligations to Bondholders fall due, IDBZ effects payment by transferring money from the Sinking Fund into nominated Bondholder bank accounts as settlement in line with Bond Redemption Schedules. An appropriate report is then rendered to the Bond Trustee for his oversight.

Project Financing Structure and Economics

The IDBZ and Markaram Investments shall share dividends in the ratio of their respective shareholding in the Project SPV after paying off the debt obligations under the funding arrangement

8.3 Project Escrow Account

The funds raised under the Housing Bond and other funding arrangements shall be deposited into a project-specific Escrow Account out of which all payments towards implementation of the Project shall be made.

8.4 Project Economics and Expected Financial Performance

The Project has a positive Net Present Value (“NPV”) of US\$4,100,516 at a discount rate of 10% and an Internal Rate of Return (“IRR”) of 33% which indicates that the project is viable.

The table below summarizes the financial performance of the Project over a 7-year period:

Table 8 1 JV Financial Projections

Year Ending		31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	
Financial Year		2017	2018	2019	2020	2021	2022	2023	TOTALS
Income Statement									
Sales Revenue	US\$	-	23,443,983	-	-	-	-	-	23,443,983
Less VAT	US\$	-	(3,057,911)	-	-	-	-	-	(3,057,911)
Net revenue	US\$	-	20,386,072	-	-	-	-	-	20,386,072
Bad Debts (Non- Payments)	US\$	-	(344,243)	(253,357)	(253,357)	(253,357)	(242,800)	(98,176)	(1,445,289)
Adjusted Revenues	US\$	-	20,041,829	(253,357)	(253,357)	(253,357)	(242,800)	(98,176)	18,940,783
Cost of sales	US\$	-	(8,614,357)	-	-	-	-	-	(8,614,357)
Other income	US\$	-	1,221,811	1,623,079	1,262,442	864,041	424,802	65,618	5,461,793
Operating expenses	US\$	(100,592)	(102,956)	(25,336)	(25,336)	(25,336)	(24,280)	(9,818)	(313,652)
Earnings Before Interest and Tax (EBIT)	US\$	(100,592)	12,546,328	1,344,387	983,749	585,348	157,721	(42,375)	15,474,567
Interest expense	US\$	(298,525)	(636,747)	(524,844)	(363,353)	(201,863)	(40,373)	-	(2,065,705)
Interest Income	US\$	-	-	-	-	-	-	-	-
Income before corporate tax	US\$	(399,117)	11,909,581	819,543	620,396	383,485	117,349	(42,375)	13,408,862
Corporate Tax	US\$	-	(2,963,944)	(211,032)	(159,752)	(98,747)	(30,217)	-	(3,463,693)
Net Income after Tax	US\$	(399,117)	8,945,637	608,511	460,644	284,738	87,131	(42,375)	9,945,168

Project Financing Structure and Economics

8.5 IDBZ Project Cash Flows

The table below provides summary cash flows accruing to the IDBZ from the Project over a 7-year period, which is the full project cycle.

Table 8 2 Project Cash Flows to IDBZ

Year Ending	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	TOTALS
Financial Year	2017	2018	2019	2020	2021	2022	2023	
IDBZ Returns								
Cash-Inflows								
IDBZ Dividends and Return of Equity from JV	US\$ -	525,516	1,014,103	1,098,626	1,185,596	1,597,778	820,064	6,241,683
Project Loan to Mazvel Repayments								
Interest	US\$ -	322,981	524,844	363,353	201,863	40,373	-	1,453,414
Principal + Capitalized Interest	US\$ -	807,452	1,614,904	1,614,904	1,614,904	807,452	-	6,459,617
Loan to Markram Repayments								
Loan Repayments	US\$ -	198,848	372,841	173,992	-	-	-	745,681
IDBZ Land Disposal Proceeds								
	US\$ 58,111	762,440	860,508	860,508	860,508	824,654	333,447	4,560,176
Total Cash inflows	58,111	2,617,238	4,387,200	4,111,384	3,862,871	3,270,257	1,153,511	19,460,573
Bond Repayments								
Interest	US\$ (514,527)	(1,029,053)	(881,505)	(646,942)	(359,412)	(71,882)	-	(3,503,321)
Principal	US\$ -	(1,513,314)	(3,026,628)	(3,026,628)	(3,026,628)	(1,513,314)	-	(12,106,510)
Total Debt Service	US\$ (514,527)	(2,542,367)	(3,908,133)	(3,673,569)	(3,386,040)	(1,585,196)	-	(15,609,831)
Net Cashflow	US\$ (456,416)	74,870	479,067	437,815	476,832	1,685,061	1,153,511	3,850,741

Comment

The above financial projections had assumed a financial close date of 30 June 2017 for the full funding requirement of US\$12.2 million. As of the date of the Prospectus only US\$1 million had been raised. Therefore, even in the event that the remaining amount of US\$11.2 million is raised by the close date of 15 November 2017, then the total interest expense for 2017 would be US\$161,500.00, thus reducing the funding gap for 2017 to US\$103,000.00.

8.6 Debt Service Coverage Ratio

Assuming the Project is funded 100% by Debt Capital raised by the IDBZ through the Housing Bond, the Project is expected to generate an average Debt Service Coverage Ratio ("DSCR") of 1.16 over the tenor of the Bond which indicates that the operating cash flows will be adequate to service the debt obligations arising from the funding arrangement.



9. Key Risks and Mitigation Strategies

The table below indicates the major project risks together with mitigation strategies that have been developed in order to manage the severity of loss in the event of certain risk events materialising.

Table 9 1 Project Risk Matrix

Market Risk			
Risk Level	Description of Risk	Possible Consequences	Mitigation
Low	<ul style="list-style-type: none"> • Lower than expected demand for stands. • Competition from other projects resulting in reduced uptake. 	<ul style="list-style-type: none"> • Lower than budgeted cash flows from the Project. • As above. 	<ul style="list-style-type: none"> • Engage reputable Estate Agents through MoUs in the marketing and selling of the stands. • Ensure provision of a high quality product that appeals to the market and also widespread publicity of the projects through the electronic and print media.
Completion and Cost Overruns Risk			
Risk Level	Description of Risk	Possible Consequences	Mitigation
Medium	<ul style="list-style-type: none"> • Delivery period for serviced stands not met. • Challenges in sourcing foreign currency for imported materials (e.g. tar). 	<ul style="list-style-type: none"> • Unforeseen cost overruns resulting in additional costs and delayed project implementation. • Delayed project implementation 	<ul style="list-style-type: none"> • The projects will be undertaken by a reputable Contractor. • The Contractor is engaged on the basis of a construction contract that has incentives and penalties related to project completion (i.e. Liquidated Damages). • Contractor's Liquidated Damages liability shall be backed by a Performance Bond in the form of a Bank Guarantee. • Retention clause in the Contractor's contract to cover the Project SPV in the event of inordinate delays in implementation by the Contractor. • Pro active sourcing of foreign currency.
	<ul style="list-style-type: none"> • Understated Budget and Cost Estimation 	<ul style="list-style-type: none"> • Increased project implementation costs negatively affecting the financial viability of the project. • Higher than budgeted costs resulting in the increase of per unit cost thereby reducing the selling margin per unit and reducing cashflows available to the project partners. 	<ul style="list-style-type: none"> • The Project will be implemented under a fixed price contract and adequate contingencies have been built into the cost estimation. • Experienced Architects, Quantity Surveyors and Consultants used for preparation of project designs and cost estimates. • Competent and experienced Project Manager to monitor and supervise project works. • IDBZ to also use its experienced Monitoring and Implementation Unit to ensure that both the Project Manager and the Contractor deliver on time/cost budget.
Materials Supply Risk			
Risk Level	Description of Risk	Possible Consequences	Mitigation
Medium	Materials are not available on time and at the right price.	<ul style="list-style-type: none"> • Delayed project implementation • Cost escalations 	<ul style="list-style-type: none"> • There is adequate supply of building materials in the market with a healthy competition on pricing. This increases the availability of locally produced material that can be purchased over shorter cycles and as per need during project implementation. • Contract between Project Managers and the Construction Company to include a clause on how cost escalations will be obviated upfront.

Key risks and Mitigation Strategies

Technical Risk			
Risk Level	Description of Risk	Possible Consequences	Mitigation
Low	<ul style="list-style-type: none"> Project design does not conform to laid down statutory requirements and procedures. Use of poor standard materials and poor workmanship. 	<ul style="list-style-type: none"> Condemnation of Project leading to high correction cost or destruction of structures. Increased Project costs from correction works. 	<ul style="list-style-type: none"> Use of a reputable Contractor sourced through a competitive bidding process. Use of a Project Manager with a clear track record to ensure that all technical issues are complied with. Also involvement of the Bank's experienced Monitoring and Implementation Unit Use of defect period retention fee from the Contractor to ensure that funds are available for any corrections that might arise.
Legal Risk			
Risk Level	Description of Risk	Possible Consequences	Mitigation
Low	Regulatory authority action severely impacts on project viability. Delayed approvals from Government Authorities/ Departments	<ul style="list-style-type: none"> Delayed project implementation. Failure to enforce contracts/agreements Delayed project implementation. 	<ul style="list-style-type: none"> Acquisition of Permits and Licenses and thorough review of legal contracts. Thorough review of contracts with various service providers. Use of the Bank's internal contracts administration capacity. All Government and regulatory approvals to be secured before commencement of construction works.

A photograph showing a large blue pipe being loaded onto a truck. A worker in a blue uniform is reaching up to touch the pipe. Another worker is visible in the background. The truck has a sign that says "STOP AT RAILWAY CROSSING" and "MAXIMUM SPEEDS 80 km/h WIDE TAR 60 km/h OTHER ROADS". The pipe is being loaded onto a truck with a metal mesh fence. The background shows a cloudy sky and some industrial structures.

10. Implementation and Procurement Arrangements

10. Implementation and Procurement Arrangements

10.1 Project Implementation Arrangements

IDBZ will be the borrower as well as the beneficiary of the Bond proceeds. The loan is guaranteed by the Government of Zimbabwe. The overall coordination and implementation of the Project will be overseen by the Board of Directors of the Project SPV with the assistance of the Bank's Implementation Monitoring and Evaluation Division.

Implementation, including monitoring, of the Project will be done through an independent Project Manager to be appointed by the Project SPV. To ensure full payment for the stands by buyers who take up the Bank's mortgage facility, title deeds will be held by the IDBZ until the beneficiaries have fully serviced their mortgages at which point individual title will then be transferred to the purchaser. The Bank will hand over the Project to the City of Harare upon completion for maintenance and operation of public infrastructure and collection of rates.

All Project receipts and payments will be handled by the Bank on behalf of the Project SPV. Disbursements will be phased according to a project implementation and expenditures schedule to be prepared by the Bank in conjunction with the selected contractor. Project payments to the contractor will be conditional upon satisfactory implementation of each phase of the Project and the validation of the contractor's payment claims by the Bank.

10.2 Procurement Arrangements

Procurement of a Contractor and Project Manager will be carried out through a competitive bidding process in accordance with the IDBZ's Rules and Procedures for Procurement of Goods and Works using relevant Standard Bidding Documents.



11. Key Investment Considerations

11. Key Investment Considerations

11.1 Regulatory Environment

The Issuer has a policy to comply with all relevant regulations governing its operations. New laws and regulations are introduced from time to time, some of which may be adverse to the operations of the IDBZ. Any adverse regulatory changes may impact on the Issuer's trading performance. The Government of Zimbabwe as principal to the IDBZ requires the institution to continue to fulfill its mandate and all current and future regulatory interventions are positively influenced by this policy thrust.

11.2 Political and Economic Environment

All the earnings of the IDBZ are driven from operations and assets located in Zimbabwe. Consequently, the IDBZ's financial performance is subject to the vagaries of political, economic and social factors prevailing in Zimbabwe, notwithstanding developments within the SADC Region and global events. Such factors may include exchange rate policies, inflation, interest rates, trade and employment policies, foreign investment restrictions and any change in relevant government policies.

11.3 Underwriting

The Bond issue is not underwritten. However, repayments to investors are covered by a Dedicated Sinking Fund and a Government Guarantee.

11.4 Risk Factors relating to Project funded from proceeds of the Bond

The Risk Factors that may affect the Project and mitigating factors are set out in the Project Risk Matrix (Section 9) of this Bond Prospectus.

11.5 Risk Factors Relating to the Issuer

The Board is responsible for overseeing the Bank's risk exposure as part of the role it plays in determining a business strategy for generating long term value. The Board approves the Bank's strategy, selecting its target markets or sectors of intervention, and defining the level of risk acceptable to the institution.

11.5.1 IDBZ Risk Management Approach

Risk is about uncertainties and how they influence strategic goals and objectives. The Bank manages risks holistically through the strategy planning process and all this is done within the tenets of the Enterprise Risk Management ("ERM") framework. As the adoption of the ERM framework continues to be enhanced, processes will be streamlined to ensure that the Bank remains conscious of, and attends to, existing and emerging risks that could vary expected outcomes.

11.5.2 Risk Spectrum

11.5.2.1 Credit Risk

Credit risk is managed through a comprehensive selection process coupled with credit analysis, checking adherence to credit exposure limits and the continuous monitoring of all exposures as espoused in the Bank's Policy on Exposure limits. The Bank also manages credit risk through structures such as Joint Ventures ("JVs") by combining debt exposure with equity exposure. The Bank's lending and investment policies and procedures are guided by domestic regulations as well as international best practice.

11.5.2.2 Liquidity Risk

The Bank recognises the importance of liquidity management and manages liquidity risk by creating diversified funding sources, monitoring deposit concentration and ensuring stability through the harnessing of a core deposit base. The Bank continues to refine the internal control processes and contingency plans for managing liquidity risk.

11.5.2.3 Market Risk

Market risk (interest rate and foreign exchange risk) is monitored by the Treasury Division with the Risk Management Unit being responsible for independent reviews and policy limits.

11.5.2.4 Operational Risk

The Bank has a defined methodology of quantifying, tracking and reporting on all operational risk issues and this has enhanced the Bank's risk awareness. Each functional area has a responsibility for identifying inherent risks pertaining to daily operational activities through self-assessments which then culminates into an operational risk register.

11.5.2.5 Project Risk

The Bank sets out principles related to the design, developing and management of systems which will provide reliable information for risk management purposes. A consistent approach to risk management is fully embedded in the project identification, preparation, packaging, appraisal, implementation and management processes.

11.5.2.6 Strategic Risk

The Board is responsible for the approval and application of the Bank's strategic risk principles. The Board approves the Bank's strategy, whilst management is responsible for implementation and ensuring that regular reviews are done in line with changes in operating conditions.

11.5.2.7 Reputation Risk

A multi-pronged approach is used to manage reputational risk and this also involves improving the brand visibility thus building brand loyalty. The Bank adheres to the values of integrity, professionalism, innovation, service orientation, sustainability and knowledge generation and sharing in the market place, the workplace and the community at large.

11.5.2.8 Legal and Compliance Risk

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

11.6 Risk factors relating to the Bond, the Bond Market and Bonds in general

The following are the salient risk factors associated with the Bond, the Bond Market and Bonds in general:

11.6.1 Interest Rate Risk - is the risk associated with the fluctuation of the price of a bond as a result of the change in market interest rates, and is the major risk faced by investors in the market.

11.6.2 Yield Curve Risk - is the risk associated with a change in the term structure of interest rates in an economy, and the effect such term structure has on the pricing and the yield of bonds.

11.6.3 Call and Prepayment Risk - is the risk associated with the early retirement of a bond, which exposes investors to uncertainty with regard to cash flow planning and return patterns over the life of the bond.

11.6.4 Reinvestment Risk - refers to the risk that the proceeds received from the payment of interest and principal that are available for reinvestment may be reinvested at a lower interest rate than the security that generated the proceeds.

11.6.5 Credit Risk: The three types of credit risk Bondholders are exposed to include:

a. Default risk - is the risk that the Issuer will fail to satisfy the terms of the obligation with respect to the timely payment of interest and principal. This risk is mitigated by the Sinking Fund arrangement and the Guarantee by the Government of Zimbabwe.

Key Investment Considerations

- b. *Credit rate risk* - is the risk that the market value of a bond will decline and/or the price performance of a bond will be worse than that of other bonds.
- c. *Downgrade risk* - is the risk that the credit rating of the Issuer and thus the bond will drop during the life of the bond, thus affecting the risk profile of the security.
- 11.6.6 **Liquidity Risk** - is the risk that the investor will have to sell a bond below its indicated value, where the indication is revealed by a recent transaction. The Bonds shall be listed to enhance liquidity and price discovery.
- 11.6.7 **Exchange Rate or Currency Risk** - is the risk of receiving less of the domestic currency when investing in a bond issue that makes payment in a currency other than the holder's domestic currency. The Bond is issued in United States Dollars and repayments will be in the same currency.
- 11.6.8 **Inflation or Purchasing Power Risk** – this risk arises from the decline in the value of a security's cash flows due to inflation, which is measured in terms of purchasing power.
- 11.6.9 **Event Risk** - is the risk that the ability of an issuer to make interest and principal payments changes dramatically and unexpectedly because of factors including the following.
 - a. A natural disaster (such as an earthquake or hurricane) or an industrial accident that impairs an issuer's ability to meet its obligations.
 - b. A corporate restructuring that impairs an issuer's ability to meet its obligations.
- 11.6.10 **Regulatory Risk** - involves the risk that a regulation regarding the investment or holding of a security by regulated entities results in adverse movements in the price of a security.
- 11.6.11 **Sovereign Risk** - is the risk that the result of the actions of a government may adversely affect the risk and pricing associated with a bond, which include unwillingness of a government to pay or an inability to pay due to adverse conditions or an economic extremity.



12.

Taxation and Exchange Control

12. Taxation and Exchange Control

The following is a general description of certain tax considerations relating to the payments by the Issuer on the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds and so should be treated with appropriate caution. It is based on taxation law and practice in Zimbabwe as at the date of this Prospectus and is subject to any changes therein. The description relates only to the position of persons who are the absolute beneficial owners of the Bonds. Prospective investors should consult their own professional advisors concerning the possible tax consequences of purchasing, holding and/or selling Bonds and receiving payments of interest, tax consequences of purchasing, holding and/or selling Bonds under the applicable laws of their country of citizenship, residence or domicile.

12.1 Payment of Interest

Payment of interest on the Bonds will be made by the Issuer in Zimbabwe. The Bonds are exempt from tax on interest and Non-residents will be entitled to the same privilege.

12.2 Double Taxation Agreements

Zimbabwe has Double Taxation Agreements with the following countries: Botswana, Bulgaria, Canada, DR Congo, France, Germany, Iran, Kuwait, Malaysia, Mauritius, Namibia, Netherlands, Norway, Poland, Serbia & Montenegro, South Africa, Sweden and the United Kingdom.

12.3 Exchange Control

The following is a general description of certain currency exchange control considerations relating to the payments by the Issuer on the Bonds. It does not purport to be a complete analysis of all exchange control considerations relating to the Bonds and so should be treated with appropriate caution. It is based on law and practice in Zimbabwe as at the date of this Prospectus and is subject to changes therein. The description relates only to the position of persons who are the absolute beneficial owners of the Bonds. Prospective investors should consult their own professional advisors concerning the possible exchange control consequences of purchasing, holding and/or selling Bonds and receiving payments of interest, tax consequences of purchasing, holding and/or selling Bonds and receiving payments of interest, principal and/or other amounts under the Bonds under the applicable laws of their country of citizenship, residence or domicile.

- Foreign investment on the bond market is governed by the Foreign Exchange Guidelines to Authorised Dealers, ECOGAD1/2014 issued as an attachment to Exchange Control Directive RP141 dated 1 September 2014 by the Reserve Bank of Zimbabwe in terms of Section 35(1) of the Exchange Control Regulations: Statutory Instrument 109 of 1996 (“the RBZ Guidelines”).
- In terms of the Monetary Policy dated 25 August 2014, there are no Exchange Control restrictions on the level of foreign participation in the primary issuance of Bonds and participation by foreign investors in the secondary market. However the purchase of Bonds should be financed by confirmed inward transfer of foreign funds through normal banking channels.



13. Subscription and Sale

13. Subscription and sale

The Bonds will be sold by the Issuer through the Transfer Agent as stated in this Prospectus. The Issuer intends to list the Bonds on the FINSEC ATP following issuance. This section describes the elements of the Bond subscription and sale process.

13.1 Applications

- 13.1.1 Persons wishing to apply for the Bonds must complete the Bond Application Form and, if and where applicable, the Transfer Form. Such forms must be completed in accordance with the provisions contained in this Prospectus and the instructions set out on the Application Form and physically returned to and received by the Transfer Agent. In the event of a rejection, for any of the reasons set out herein below, any such Bond Application Forms and accompanying payments shall be returned to the relevant Applicant.
- 13.1.2 Copies of this Prospectus, with the accompanying Bond Application Form, may be obtained from the Issuer and/or from the Transfer Agent.
- 13.1.3 Save in the case of negligence or willful default on the part of the Issuer, its Advisors or the Transfer Agent, neither the Issuer, nor any of the Advisors nor the Transfer Agent shall be under any liability whatsoever should a Bond Application Form not be received by the Closing Date.
- 13.1.4 The minimum application for a Bond is US\$10,000.00 with subsequent multiples of US\$1,000.00.
- 13.1.5 Joint applications may be made. However, joint applications must not be used to defeat the allocation policy. For purposes of the minimum initial allocation under the allocation policy, the Issuer reserves the right to treat each joint application as an application by each joint application date.
- 13.1.6 All alterations on the Bond Application Form, other than the deletion of alternatives, must be authenticated by the full signature of the Applicant/Applicants.
- 13.1.7 The Issuer will not directly receive any Bond Application Forms or payment. No receipts will be issued by the Issuer for applications and/or remittances.
- 13.1.8 Applications sent by facsimile or by means other than methods stipulated in the Prospectus will not be accepted.
- 13.1.9 Applications, once given, are irrevocable and may not be withdrawn once submitted.
- 13.1.10 By signing an Application Form each Applicant:
- (i) Confirms having read this Prospectus, and is deemed to have had notice of all information and representations concerning the Issuer contained herein;
 - (ii) Confirms that in making such application it is not relying on any information or representation in relation to the Issuer other than that which is contained in this Prospectus and it accordingly agrees that no person responsible solely or jointly for this Prospectus or any part thereof shall have any liability for such other information or representation;
 - (iii) Agree to receive any communications from the Issuer including notices of meetings, through electronic means as set out in the Terms and Conditions;
 - (iv) Represents and warrants that, except in the cases where the Applicant is licensed to apply for and hold Bonds for other persons, he applies for the Bonds on his own account, will be the beneficial owner of the Bonds, has not represented himself as a different person in any other application, has not applied for Bonds under a different name, and is not applying for the Bonds on the instructions or on behalf of any other person and has not instructed any other person to apply for Bonds as his nominee;
 - (v) Being an Applicant who is authorized to apply for Bonds on behalf of other persons, represents and warrants that it is not making multiple applications to itself or any other person, is not applying as nominee of any person whom it knows to have applied under any other name or through any other nominee or person; or for any beneficial owner more than once; and
 - (vi) Acknowledges that the Issuer reserves the right to reject any application found to be in contravention of subparagraphs (iv) and (v) above.

13.2 Payment

- 13.2.1 A prospective investor wishing to apply for the Bonds must duly complete and sign the accompanying Bond Application Form and return the same in its entirety accompanied by proof of bank electronic transfer (EFT) so that it is received by the Transfer Agent by the Closing Date. All such Bond Application Forms must be accompanied by such proof of EFT for the full amount due for the applicable Bonds.
- 13.2.2 All payments must be through EFT in United States Dollars and be payable to the bank account appearing on the Application Form. No cash or cheques will be accepted.
- 13.2.3 All charges incurred in submitting the Bond Application Form, together with the requisite funds, are for the account of the Applicant.
- 13.2.4 No interest will be paid on monies received in respect of application for Bonds, nor will interest be paid on any amounts refunded or indeed deposited at the time of application.

13.3 Receipt of Applications

- 13.3.1 The Transfer Agents upon receiving a Bond Application Form, will (i) check that the Applicant has filled in the Application Form appropriately (ii) sign, stamp and include the Application Form serial number (iii) return the Acknowledgement Form to the Applicant (if any). As an extra security measure, Applicants are advised to photocopy their completed Application Form and have it stamped by the Transfer Agent as evidence of the Transaction.
- 13.3.2 The Transfer Agents are entitled to ask for sufficient identification to verify that the person(s) making the application has authority or capacity to duly complete or sign the Application Form. The Transfer Agents are therefore expected to undertake all verification procedures and activities on nominee accounts as required by law including the laws against money laundering. Every Applicant is required to provide all information as required in the Bond Application Form, where applicable.
- 13.3.3 The Financial Advisors and the Issuer have the right to demand and be provided with the details of the nominee accounts held by the Transfer Agent to ascertain the eligibility of any application by nominees. In default, the Issuer may, at its sole discretion, treat such an application as invalid.

13.4 Treatment of Applications

- 13.4.1 The Issuer reserves the right to reject any application not in all respects duly completed, and to accept or reject or scale down any other application in whole or in part. Scaling down will apply only if there is an over-subscription.
- 13.4.2 All valid applications received from Applicants will be allocated in full as per number of Bonds applied for, subject to any over-subscription. In the event of any doubt whatsoever as to the eligibility of an Applicant, the decision of the Issuer will be final.
- 13.4.3 The Issuer reserves the right to refuse to allocate Bonds to any investor it deems to be inappropriate for any reason and the Issuer shall not be obliged to give reasons therefor.
- 13.4.4 By signing a Bond Application Form, an Applicant agrees to the allotment and the bond issue of such number of Bonds (not exceeding the number applied for) as shall be allotted to the Applicant in line with the Terms and Conditions of the Prospectus and subject to the Act and Regulations governing the bond issue, and agrees that the Issuer may enter the Applicant's name in the Register of Bondholders as holder of such Bonds.
- 13.4.5 The Issuer shall not be under any liability whatsoever should any Bond Application Form fail to be received by the Transfer Agent by the Closing Date. In this regard, such Bond Application Forms and accompanying proof of EFT payments shall be returned to the Transfer Agent where the Application Form was submitted for collection by any applicable Applicants.
- 13.4.6 On acceptance of any application, the Issuer will, as soon as possible after the fulfilment of the Terms and Conditions relating to applications and completion of Bond Application Forms, register the Bonds allocated in the name of the Applicant concerned.

Subscription and sale

13.5 Bond Certificates

- 13.5.1 Applicants who elect to receive Bond Certificates in respect of the applicable number of allocated Bonds will collect them through the Transfer Agent through whom the Bond Application Form was submitted.
- 13.5.2 Applicants will not receive Bond Certificates by email or facsimile.
- 13.5.3 Trading of the Bonds on the ATP will be under prevailing rules and regulations of FINSEC as read with the Securities Act [Chapter 24:25] and the regulations made in terms thereof.
- 13.5.4 Applicants who elect to receive allocated Bonds in electronic form shall have their ATP CSS Accounts credited with the allocated number of Bonds and the Issuer shall authorize the operators of the platform to effect the credit of the Accounts of such Applicants with the applicable number of allocated Bonds in accordance with the instructions set out in the Application Form and on the dates set out in this Prospectus.
- 13.5.5 In the case of joint applications, the joint Applicants should have an ATP CSS in the name of the joint Applicants, in default of which a Bond Certificate shall be issued in the name of joint Applicants.

13.6 Rejection of Applications

- 13.6.1 Applications shall be rejected if full value of the Bonds applied for is not received.
- 13.6.2 Applications may also be rejected if:
- The name of a primary or joint Applicant in any Application Form is missing or illegible;
 - Missing or illegible national registration/identification number, including corporation registration number;
 - Missing or illegible address (either postal or street address);
 - Missing nationality indicators (for primary Applicant in the case of an individual);
 - Missing or inappropriately signed Bond Application Form;
 - Primary signature missing from Signature Box 1;
 - Joint signature missing from Signature Box 2 (if applicable);
 - Two directors or a director and company secretary have not signed in the case of a corporate application;
 - Number of Bonds does not comply with the rules as set out in the Prospectus in respect of the minimum application and subsequent multiple(s);
 - Application Form has unauthenticated alterations;
 - Multiple applications. Every applicant shall submit an application for the Bonds under only one set of names and using one identification number. An Applicant who applies in his/her name shall not be entitled to have Bonds applied for him/her by a nominee entity or by other persons on his request or otherwise, or to create joint accounts/applicants for the purpose of multiple applications. A nominee entity must ensure that persons on whose behalf it applies for Bonds directly are beneficiaries of only one such application by nominees that such persons are not using nominee applications for purposes of perpetrating more than one application. In the event that an application is found to have submitted multiple applications, the Issuer reserves the right to reject any or all the applications; and
 - Proof of payment is not signed, or dates, or if amount in figures and word do not tally or the proof of payment is found to be fraudulent.

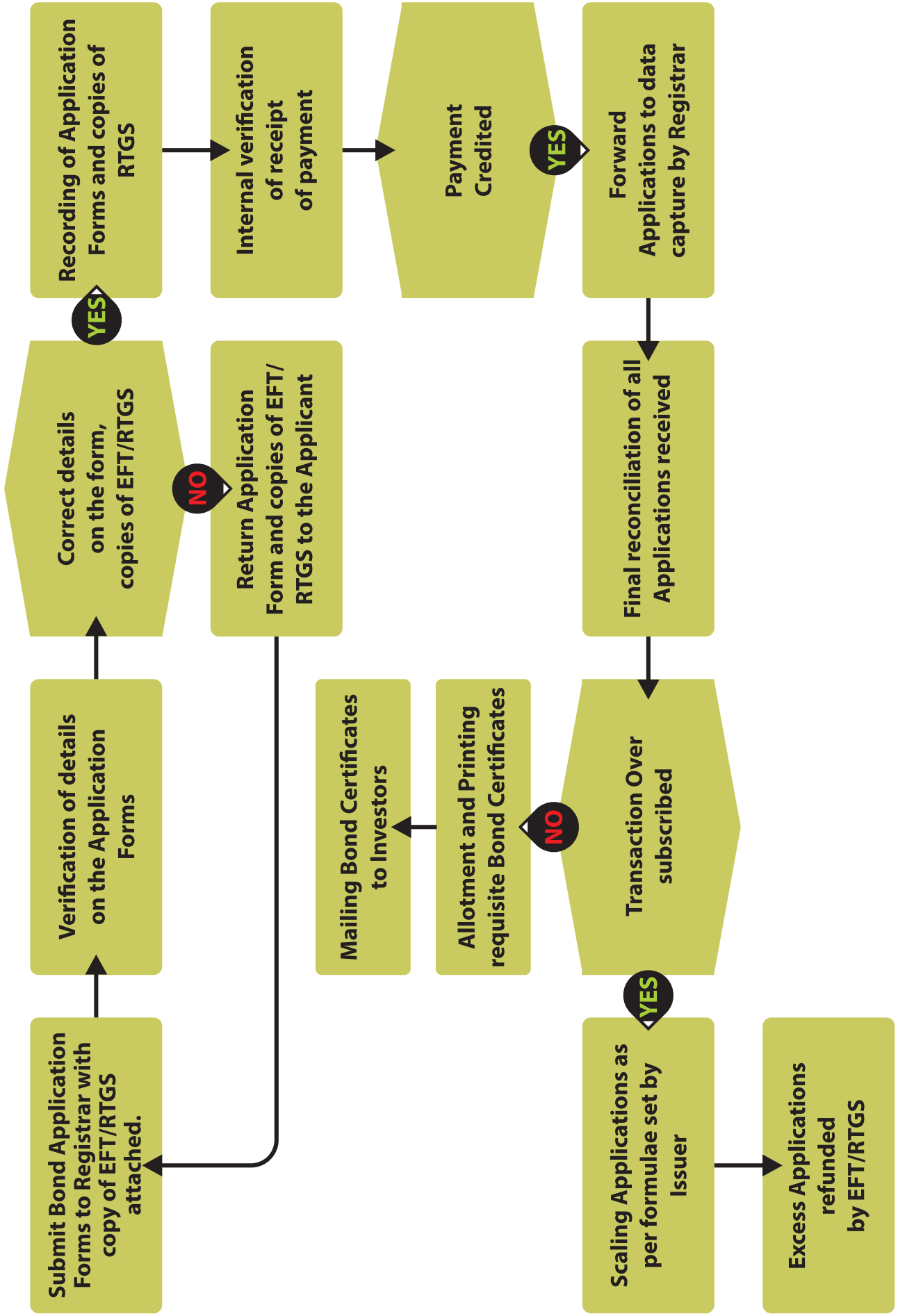
13.7 Refunds

- 13.7.1 Refunds will ONLY be made through EFT to an Applicant's bank account.
- 13.7.2 EFTs will only be credited to accounts held with registered commercial banks. Applicants are urged to verify that their bank account details are correctly stated on the Application Form. Applicants are also required to check for refunds with their banks. Where an EFT has been rejected, the refund will be defaulted to cheque payments as outlined below and in the event of inaccurate details having been furnished by the Applicant, the Applicant shall bear the related bank charges for processing the refund.
- 13.7.3 Where an EFT is rejected, the refunds will be paid to Applicants through bankers cheques drawn in favour of the Applicants as evidenced in the Application Forms and will be delivered to the Transfer Agent for onward collection by the concerned Applicants. Applicants are required to collect their refunds immediately upon release to the Transfer Agent. No refund cheques will be sent by mail.

13.8 Selling Restrictions

- 13.8.1 Neither the Issuer nor the Guarantor nor any of the Issuer's Advisors hereto represents that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available there under, or assumes any responsibility for facilitating such sale other than in Zimbabwe.
- 13.8.2 The sale or transfer of Bonds by Bondholders will, upon listing on the FINSEC ATP, be subject to the rules and regulations of the FINSEC ATP, and all such other applicable laws and regulations.

Subscription Process Flow: Bond Issue Flow Chart





14. Documents Incorporated by Reference and Available for Inspection

14. Documents Incorporated by Reference and Available for Inspection

14.1 Copies of the following documents will be available for inspection at the offices of the Issuer, IDBZ House, 99 Rotten Row, Harare, during normal business hours:

- (i) The Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14];
- (ii) Letter of Authority to Issue the Bonds by the Government of the Republic of Zimbabwe;
- (iii) IDBZ Board Resolution to issue Housing Bonds of up to US\$100 million;
- (iv) Guarantee from the Government of the Republic of Zimbabwe;
- (v) Letter from Treasury confirming Tax Exemption on Coupon;
- (vi) Letter from the office of the Commissioner of Insurance and Pensions granting Prescribed Asset Status to the Bond;
- (vii) Trust Deed between Issuer and the Bondholders Trustee;
- (viii) IDBZ Annual Reports 2010-2016;
- (ix) Development Permits for the Project;
- (x) Documents of Title for the Land;
- (xi) Agreements between the IDBZ and Markaram regarding Project Implementation;
- (xii) Plan Layout Approvals for the Project;
- (xiii) Letters of Consent from the Bond Trustee and Advisors noted below.

14.2 Experts Consents

The written consents of the following parties, which consents have not been withdrawn before delivery of this prospectus have been given by:

- (i) Corpserve Registrars (Private) Limited;
- (ii) Scanlen & Holderness Legal Practitioners;
- (iii) Deloitte and Touché Chartered Accountants Zimbabwe;
- (iv) PricewaterhouseCoopers Advisory Services (Private) Limited;
- (v) FBC Securities (Private) Limited; and
- (vi) Kantor & Immerman Legal Practitioners.

as at the date of issue of this Prospectus, to its issue with the inclusion of their names and reports in the forms and contexts in which they appear.

A photograph of a modern conference room. A long, polished wooden conference table is the central focus, surrounded by grey office chairs. On the table, there are several glasses of water and papers. In the background, a large dark screen is mounted on the wall, flanked by two vertical light fixtures. The ceiling features recessed lights and a modern, multi-tiered pendant light fixture. The overall atmosphere is professional and contemporary.

15. Directors' Responsibility Statement



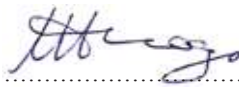
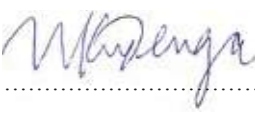
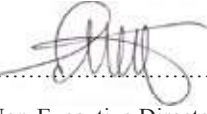


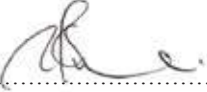
15. Directors' Responsibility Statement

The Directors of IDBZ whose names are listed in this Bond Prospectus collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm that they have made all reasonable enquiries and declare that to the best of their knowledge and belief, there are no facts, the omission of which would make any statement herein misleading.

The Directors also confirm that this Prospectus includes all such information within their knowledge (or which it will be reasonable for them to obtain by making enquiries) as investors and their professional advisors would reasonably require and expect in order to consider investing in the Housing Bonds.

The Directors further confirm that there are no legal proceedings, including any such proceedings which are pending or threatened, of which the IDBZ is aware, and which may have a material effect on the Bank's financial position.

Signed at Harare by the following being Directors of the Bank, on the 26th day of October 2017.

Name	Title and Signature
Manungo, Willard Lowenstern	 Non-Executive Chairman
Sakala, Thomas Zondo	 Chief Executive Officer
Choga, Vavarirai Hungwe	 Non-Executive Director
Kudenga, Nelson	 Non-Executive Director
Mhakayakora, Joseph (Rtd. Col.)	 Non-Executive Director
Mlambo, Shadreck Sariri (Dr.)	 Non-Executive Director
Mukahanana-Sangarwe, Margaret Mazvita	 Non-Executive Director
Tahwa, Charles Simbarashe	 Non-Executive Director

Appendix 1 – Report of the Independent Auditor and Reporting Accountant

Appendix 2 - Report of the Independent Assurance Provider

Appendix 3 - Form of Bond Certificate and Transfer Form

Appendix 4 – Bond Application Form





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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

Opinion

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2016, the summary consolidated statement of profit or loss and other comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended, are derived from the audited consolidated financial statements of the Infrastructure Development Bank of Zimbabwe (IDBZ) for the year ended 31 December 2016.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of the Infrastructure Development Bank of Zimbabwe which were presented in accordance with the requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14).

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the IDBZ Act (Chapter 24:14) as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of IDBZ and the auditor's report thereon. The summary consolidated financial statements for the year ended 31 December 2016 are presented together with the summary comparatives for the years ended 31 December 2012, 2013, 2014 and 2015. The consolidated financial statements for the year ended 31 December 2012 were audited by Messrs. PricewaterhouseCoopers Chartered Accountants (Zimbabwe) and their audit opinion is presented in the 2012 annual report. We therefore placed reliance on the work of the previous auditors. The annual reports for the years ended 31 December 2012, 2013, 2014 and 2015 together with the annual report for 31 December 2016 are available for inspection at the registered office of IDBZ – IDBZ House, 99 Rotten Row, Harare.

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 5 April 2017. That report also includes emphasis of matter paragraphs, which are summarized below, in addition to other salient features of the report:

A full list of partners and directors is available on request.

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited



Emphasis of Matter

Classification and valuation of capitalisation treasury bills

As disclosed in note 5 of the 2016 annual report, IDBZ received capitalisation treasury bills following a rights issue. The capitalisation treasury bills had a face value of \$18 707 797 and US\$2 858 826 and mature on 27 May 2021 and 24 March 2022, respectively. The two treasury bills have coupon rates of 3% and 5%, respectively, which are payable biannually. For financial reporting purposes, valuation intricacies ensued with respect to the initial recognition and the subsequent measurement of the capitalisation treasury bills owing to the significant subjective judgement required in the valuation process due to the following:

- (a) Lack of an active market to use as a reference point from which to draw a market value or a market discount rate for such an instrument; and
- (b) High level of sensitivity to interest parameters which one could possibly apply in a valuation model, resulting in a wide dispersion in the possible fair values.

Contingent liabilities

As at 31 December 2016, IDBZ was involved in a litigation case involving a company in the petroleum industry, which contended that the Group should honour a guarantee of US\$847 848 issued in favour of a third party. On conclusion of trial at the High Court of Zimbabwe, judgement was entered against IDBZ on 15 April 2016. The Group filed an appeal to the Supreme Court, which has resulted in a staying of execution of the High Court judgement. The matter is disclosed on note 33 of the 2016 annual report.

The audit report also includes:


- The communication of other key audit matters as reported in the auditor's report of the audited financial statements
- A "Report on Other Legal and Regulatory Requirements" paragraph

Directors' Responsibility for the Summary Consolidated Financial Statements

The Directors are responsible for the preparation of the summary consolidated financial statements, and for such internal control as the Directors determine is necessary to enable the preparation of the summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary *consolidated* financial statements are consistent, in all material respects, with the *consolidated* audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.



Deloitte & Touche

Per: Brian Mabiza
(PAAB Practice Certificate Number 0447)

Partner
Deloitte & Touche Chartered Accountants (Zimbabwe)
7 September 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	2016	2015	2014	2013	2012
	US\$	US\$	US\$	US\$	US\$
ASSETS					
Cash and cash equivalents	22 833 256	17 525 187	21 992 245	3 286 076	10 897 032
Financial assets at FVTPL	7 518 492	6 969 069	6 253 655	8 851	6 198
Available for sale assets	23 062 518	8 217 175	2 804 776	5 534 695	173 156
Investment in securities	51 513	13 563	8 164	-	-
Loans and advances to customers	68 513 385	69 585 374	51 207 991	63 254 495	66 443 494
Assets pledged as collateral	16 560 872	8 873 706	17 839 181	12 494 118	11 224 420
Trade and other receivables	3 002 693	2 061 786	2 642 327	2 153 000	3 769 328
Investment in associates	1 210 307	1 372 760	1 601 291	1 892 580	2 599 337
Inventories	4 280 997	2 183 684	2 750 854	1 326 744	185 249
Investment property	9 380 000	10 299 886	11 942 500	11 472 305	11 128 092
Intangible assets	14 105	18 701	209 118	473 040	665 632
Property and equipment	3 508 473	3 224 705	3 539 314	4 023 038	4 398 337
Non-Current Assets held for sale	-	341 458	-	-	-
Total assets	159 936 611	130 687 054	122 791 416	105 918 942	111 510 275
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	44 620	24 490	24 490	24 490	23 311
Share premium	8 934 396	9 171 552	9 171 552	9 171 552	5 847 969
Amount awaiting allotment	-	-	-	-	-
Non distributable reserves	(256 617)	(22 373 613)	(22 373 613)	(22 373 613)	(22 373 613)
Preference shares	38 283 003	38 283 003	38 283 003	-	-
Fair value reserve	3 224 878	3 016 913	1 960 041	1 575 182	-
Retained earnings	(1 822 797)	(531 474)	4 766 651	4 782 329	4 681 067
	48 407 483	27 590 871	31 832 124	(6 820 060)	(11 821 266)
Non-controlling interest	262 993	477 430	470 799	462 159	476 401
Total equity	48 670 476	28 068 301	32 302 923	(6 357 901)	(11 344 865)
Liabilities					
Deposits from customers	47 004 142	48 607 917	51 778 720	36 164 718	57 070 817
Foreign lines of credit	-	-	8 618 656	49 595 104	39 797 560
Local lines of credit	56 868 305	46 629 735	25 994 146	23 105 367	22 910 708
Other Liabilities	7 393 688	7 381 101	4 096 971	3 411 654	3 076 055
Total Liabilities	111 266 135	102 618 753	90 488 493	112 276 843	122 855 140
Total Equity and Liabilities	159 936 611	130 687 055	122 791 416	105 918 942	111 510 275

Appendix 1 – Report of the Independent Auditor and Reporting Accountant

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2016	2015	2014	2013	2012
	US\$	US\$	US\$	US\$	US\$
Interest and similar income	12 147 443	11 360 979	9 942 938	13 421 294	13 513 891
Interest and similar expense	(6 301 291)	(6 388 358)	(6 332 430)	(8 007 498)	(6 547 998)
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Net interest and similar income before loan impairment charge	5 846 152	4 972 621	3 610 508	5 413 796	6 965 893
Property sales	1 600 324	1 155 000	-	-	-
Cost of sales	(1 070 821)	(1 092 108)	-	-	-
	-----	-----	-----	-----	-----
Gross profit on sales	529 503	62 892	-	-	-
Loan impairment	(1 597 558)	(720 613)	(807 874)	(1 289 021)	(2 097 028)
	-----	-----	-----	-----	-----
Net interest income after impairment charge	4 778 097	4 314 900	2 802 634	4 124 775	4 868 865
Fee and commission income	1 004 969	1 682 833	2 834 203	5 340 967	2 398 819
Net gains/(losses) on financial assets at FVTPL	2 256	(797)	(687)	2 653	3 542
Dividend income	44 983	16 669	15 068	265	1 224
Other operating income	1 771 021	670 338	1 852 867	897 226	1 628 227
Fair value (loss)/gain on investment property	(1 660 560)	(1 842 268)	(147 497)	1 320 350	4 264 869
Net foreign exchange gains/(losses)	322 175	473 760	2 967 375	(329 063)	337 088
Operating expenses	(7 606 248)	(10 140 127)	(9 539 733)	(10 063 419)	(9 772 524)
Share of loss from associates	(162 453)	(228 530)	(291 289)	(706 757)	(220 858)
	-----	-----	-----	-----	-----
(Loss)/profit	(1 505 760)	(5 053 222)	492 941	586 997	3 509 252
Other comprehensive income	207 965	1 056 872	384 859	1 575 182	-
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Total comprehensive (loss)/income for the year	(1 297 795)	(3 996 350)	877 800	2 162 179	3 509 252
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Total comprehensive (loss)/income attributable to:					
Equity holders of the parent entity	(1 083 358)	(4 002 981)	869 160	2 176 422	3 574 289
Non-controlling interest	(214 437)	6 631	8 640	(14 243)	(65 037)
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	(1 297 795)	(3 996 350)	877 800	2 162 179	3 509 252
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Appendix 1 – Report of the Independent Auditor and Reporting Accountant

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2016	2015	2014	2013	2012
	US\$	US\$	US\$	US\$	US\$
Cash flows from operating activities					
(Loss)/ Profit for the year	(1 505 760)	(5 053 222)	492 941	586 997	3 509 252
Adjustments of non-cash items:					
Depreciation of property and equipment	159 793	256 988	505 418	522 443	343 068
Amortization	4 596	190 417	263 922	258 786	231 038
Loan impairment charge	1 597 558	720 613	807 874	1 289 021	2 097 028
Sundry debtors impairment/(recovery)	197 956	(290 771)	-	-	-
Net foreign exchange loss	13 568	3 914	2 855	1 103 110	137 905
(Profit)/loss on disposal of property and equipment	(29 460)	46 588	(79 766)	(123 643)	177 580
Profit on disposal of subsidiaries	-	-	-	-	(494 061)
(Loss)/Profit on disposal of investment property	7 566	(1 000)	(59 693)	(32 137)	(553 000)
Fair value loss/(gain) on investment property	1 652 994	1 843 268	207 190	(1 288 213)	(3 711 869)
Non-cash interest expense on foreign lines of credit	-	-	1 176 958	1 247 013	1 313 566
Changes in provisions	871 348	52 108	(46 815)	128 186	849 189
Net (gain)/losses on financial assets at FVTL	(2 256)	797	(2 804 089)	(2 653)	(3 542)
Share of loss from associates	162 453	228 530	291 289	706 757	220 858
Repayment of loan through encumbered assets	-	-	-	-	(1 200 000)
Bad debt recovered	(1 268 624)	-	-	-	-
Impairment of property and equipment	540 000	-	-	-	-
Other non-cash items	(52 308)	-	4 691	18 537	(7 723)
	(2 349 424)	(2 001 770)	762 775	4 414 204	2 909 289
Changes in:					
Loans and advances	274 422	(18 451 751)	7 238 685	1 899 978	(37 991 561)
Pledged assets	(4 341 091)	8 965 475	(5 345 063)	(1 249 698)	(214 449)
Financial assets at FVTPL				-	-
Other receivables	309 869	(455 876)	(489 327)	1 616 328	211 254
Deposits from customers	(1 603 775)	(3 170 802)	15 614 002	(20 906 099)	10 368 132
Foreign lines of credit					-
Inventories	(1 936 002)	(432 130)	4 124	1 141 495	64 692
Other liabilities	(449 418)	(564 174)	(682 084)	(311 086)	(49 107)
	(5 396 571)	(16 111 028)	17 103 112	(15 677 868)	(24 701 750)
Net cash (outflow)/inflow from operating activities					

Appendix 1 – Report of the Independent Auditor and Reporting Accountant

	2016	2015	2014	2013	2012
	US\$	US\$	US\$	US\$	US\$
Cash flow from investing activities					
Acquisition of property and equipment	(1 002 128)	(37 229)	(29 187)	(161 746)	(359 159)
Proceeds from sale of property and equipment	193 158	48 245	72 274	138 226	38 925
Purchase of interest in associates	-	-	-	-	(1 050 000)
Sale of interest in a subsidiary to non-controlling interest	-	-	-	-	687 831
Purchase of available for sale financial assets	-	-	-	(461 595)	(173 156)
Purchase of investment property	(750 246)	-	-	-	-
Purchase of intangible assets	-	-	-	(66 194)	(189 454)
Proceeds from sale of investment property	68 955	116 000	258 043	976 137	252 100
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Net cash (outflow)/inflow from investing activities	(1 490 261)	127 016	301 130	424 828	(792 913)
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Cash flow from financing activities					
Payment of dividends	-	(499 979)	(499 979)	-	(499 978)
Repayment of foreign lines of credit	-	(8 618 656)	(1 086 873)	(661 512)	(1 200 000)
Increase in foreign lines of credit	-	-	-	8 113 750	2 253 292
Proceeds from issue of bonds	22 549 700	38 140 299	15 618 000	13 620 102	17 950 965
Repayment of local lines of credit	-	-	-	(4 474 556)	(5 861 393)
Repayment of bonds	(13 222 682)	(20 968 561)	(14 237 599)	(8 950 887)	-
Issue of shares	1 956 332	-	-	-	-
Net increase in local lines of credit	911 551	3 463 851	1 508 378	-	-
	-----	-----	-----	-----	-----
Net cash inflow from investing activities	12 194 901	11 516 954	1 301 927	7 646 897	12 642 887
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Net increase/(decrease) in cash and cash equivalents	5 308 069	(4 467 058)	18 706 169	(7 606 143)	(12 851 777)
Cash and cash equivalents at the beginning of the year	17 525 187	21 992 245	3 286 076	10 897 032	23 748 808

Appendix 1 – Report of the Independent Auditor and Reporting Accountant

	2016	2015	2014	2013	2012
	US\$	US\$	US\$	US\$	US\$
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	(4 813)	-
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Cash and cash equivalents at the end of the year	22 833 256	17 525 187	21 992 245	3 286 076	10 897 032
	-----	-----	-----	-----	-----

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary Share Capital	Share premium	Non-distributable Reserve ("NDR")	Preference Share Capital	Fair Value reserve	Accumulated Losses	Total before non-controlling Interest	Non-controlling interest	Total equity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance as at 1 Jan 2016	24 490	9 171 552	(22 373 613)	38 283 003	3 016 913	(531 474)	27 590 871	477 430	28 068 301
Profit for the year	-	-	-	-	-	(1 291 323)	(1 291 323)	(214 437)	(1 505 760)
Other comprehensive income									
Fair value reserve available for sale financial assets	-	-	-	-	207 965	-	207 965	-	207 965
Transactions with owners of the Group									
Rights Issue	20 130	21 879 840	-	-	-	-	21 899 970	-	21 899 970
Transfer to non-distributable reserve	-	(22 116 996)	22 116 996	-	-	-	-	-	-
Balance as at 31 December 2016	44 620	8 934 396	(256 617)	38 283 003	3 224 878	(1 822 797)	48 407 483	262 993	48 670 476
Balance as at 1 January 2015	24 490	9 171 552	(22 373 613)	38 283 003	1 960 041	4 766 651	31 832 124	470 799	32 302 923

Appendix 1 – Report of the Independent Auditor and Reporting Accountant

	Ordinary Share Capital	Share premium	Non-distributable Reserve ("NDR")	Preference Share Capital	Fair Value reserve	Accumulated Losses	Total before non-controlling Interest	Non-controlling interest	Total equity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Profit for the year	-	-	-	-	-	(5 053 222)	(5 053 222)	6 631	(5 046 591)
Other comprehensive income									
Net fair value gain on financial assets at FYTPL	-	-	-	-	1 056 872	-	1 056 872	-	1 056 872
Transactions with owners of the Group									
Dividend paid	-	-	-	-	-	(244 903)	(244 903)	-	(244 903)
Total assets	24 490	9 171 552	(22 373 613)	38 283 003	3 016 913	(531 474)	27 590 871	477 430	28 068 301



Independent assurance report to

The Directors of Infrastructure Development Bank of Zimbabwe
IDBZ House
99 Rotten Row
Harare

We have examined the forecasted financial information and the underlying assumptions (“the Financial Projections”) set out in the Project Financial Model and section 8 of the Prospectus dated 27 October 2017 in accordance with the International Standards on Assurance Engagements. The Financial Projections have been compiled by the directors of the Infrastructure Development Bank of Zimbabwe (“IDBZ”) for the purpose of raising up to twelve million two hundred thousand United States of America dollars (US\$12,200,000) in the form of Series 1 2017B Infrastructure Development Bonds (“the Bonds”) to finance the development of the Sumben Housing Project situated in Mount Pleasant Township, Harare (the “Project”), and to demonstrate liquidation of the combined half-yearly principal and interest obligations for the Bonds over their five year tenor. The Financial Projections support the ability of the IDBZ to service debt obligations under the Bonds. The directors of IDBZ are responsible for the preparation and presentation of the Financial Projections and for the assumptions, as set out in the Project Financial Model and on section 8 of the Prospectus. It is our responsibility to provide the opinion.

The Financial Projections prepared for the purpose of raising funding required to finance the development of the Project and to liquidate the combined half yearly principal and interest obligations for the Bonds over their five year tenor, have been prepared using a set of assumptions that includes hypothetical assumptions about future events and the directors’ actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Consequently, we express no opinion on the validity of the assumptions on which the Financial Projections are based or on how closely the results actually achieved will compare with the Financial Projections. These Financial Projections may not be appropriate and should not be used for purposes other than that described above.

In our opinion the Financial Projections have been properly compiled on the basis of the assumptions set out in the Project Financial Model and the basis of accounting used is consistent with the accounting policies of the IDBZ.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the Financial Projections since other anticipated events frequently do not occur as expected and the variation may be material. Further, we emphasise that the Financial Projections are not intended to, and do not, provide all the information and disclosures necessary to give a fair presentation in accordance with International Financial Reporting Standards.

The Financial Projections have been prepared for the purpose described above, and may, therefore, not be appropriate for another purpose. *Our report is intended solely for inclusion in the bond prospectus.*

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

Harare

27 October 2017

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FORM OF TRANSFER

FOR VALUE RECEIVED the identified transferor(s) hereby sell(s), assign(s) and transfers the referred value in principal amount of submitted Bond(s) currently outstanding and, all rights thereunder and irrevocably request(s) the Issuer to transfer the Bond(s) on the books kept for registration thereof.

		TRANSFEROR DETAILS		SIGNATURE		PRINCIPAL AMOUNT	
		CERTIFICATE NUMBER	BONDHOLDER NAME(S)				
1.							
2.							
3.							
4.							
5.							
TOTAL BONDS							

TRANSFEEE DETAILS (INCLUDING REGISTRATION OF BALANCE CERTIFICATES)							
TRANSFEEE NAME(S)	TRANSFEEE SIGNATURE	POSTAL ADDRESS	ELECTRONIC FUNDS TRANSFER DETAILS (FOR INTEREST AND PRINCIPAL REMITTANCE)				PRINCIPAL AMOUNT
			BANK NAME	BRANCH NAME	A/C NAME	A/C NUMBER	
1.							
2.							
3.							
4.							
5.							

NOTES:

1. TRANSFERS: The Bonds may be transferred in whole or in part in the specified denominations. In order for any transfer of such Bonds represented by a Definitive Certificate to be effected on the Register, and for the transfer to be recognised by the Issuer, the transfer of such Bonds must be embodied in a Transfer Certificate. Other requirements include the following: (i) the Transfer Certificate must be signed by the relevant Bondholder and the transferee, or any authorised representatives of that registered Bondholder and/or transferee; and (ii) the Transfer Certificate must be delivered to the Issuer together with the Definitive Certificate in question for cancellation. The transfer of such Bonds shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.

Before any transfer is registered all relevant transaction charges, nominal in value, must have been paid and evidence of the same as the Issuer may reasonably require with respect to the identity and title of the transferor and the transferee, furnished. The Issuer will, within 3 (three) Business Days of receipt by it of a valid Transfer Certificate (or such longer period as may be required to comply with any applicable laws or applicable procedures), authenticate and deliver or send by post (at the risk of the transferee), a new Definitive Certificate in respect of the Bonds transferred. In the case of the transfer of part only of a Definitive Certificate, a new Definitive Certificate in respect of the balance of the Definitive Certificate not transferred will be so authenticated and delivered or, at the risk of the transferor, sent to the transferor by registered mail.

2. CAPITAL REDEMPTION: Capital Redemption is carried out in accordance with the Investor Diary detailed in the Bond Prospectus and the value of the Bond certificate will be authenticated against the payments effected under the Investor Diary.

3. CLOSED PERIODS: A Transfer Certificate for the transfer of any Bond received by the Issuer during the period of 21 calendar days ending on the due date before any payments under the Bonds ("the Closed Period") shall be deemed not to be effectively received by the Issuer until the day following the due date for such payment. Accordingly, interest shall be due and payable to the transferor on the Interest Payment Date for any bonds for which a Transfer Certificate is submitted during a Closed Period. No transfer will be registered during the Closed Period ending on the due date for final redemption or maturity of the Bond



IDB SERIES 1 2017B BOND SUBSCRIPTION FORM

I/We, the undersigned hereby apply to purchase the amount indicated below of the **IDB Series 1 2017B Bond** to be issued by the Infrastructure Development Bank of Zimbabwe (“IDBZ”) on the Terms and Conditions set out in this application form and the Bond Prospectus. I/We authorise the IDBZ to send the Bond Certificate allocated to me/us to the postal/physical address indicated below.

APPLICANT DETAILS

Company Name	Registration Number
<input type="text"/>	<input type="text"/>

Postal/Physical Address

CONTACT INFORMATION

Cell	Telephone	Email
<input type="text"/>	<input type="text"/>	<input type="text"/>

BOND APPLICATION DETAILS

AMOUNT (in words) – Lots should be of principal amount of US\$10,000 and integral multiples of US\$1,000 in excess thereof

AMOUNT (in figures)	PAYMENT REFERENCE NUMBER (RTGS)
US\$ <input type="text"/>	<input type="text"/>

BANK ACCOUNT DETAILS (for interest, capital and any other payments due)

Bank Name	Account Name	Account Number	Branch Name	Branch Code
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

AUTHORISED SIGNATURES

I/we represent and warrant that I/we have authority and power to purchase and hold Bonds in accordance with this application form and have taken all necessary corporate action to approve such purchase and to authorise the person signing this application form to bind me/us in accordance with the terms hereof.

Company Official	Date	ID Number
<input type="text"/>	<input type="text"/>	<input type="text"/>

Company Official	Date	ID Number
<input type="text"/>	<input type="text"/>	<input type="text"/>

COMPANY SEAL



SUBSCRIPTION ACCOUNT DETAILS

All payments must be made in favour of the Infrastructure Development Bank of Zimbabwe using the following details:

Account name: **IDB Series 1 2017B Bond**
Account number: 3410242420222
Bank: FBC Bank Limited
Branch: Samora Machel
SWIFT Code: FBCPZWHA

Completed Subscription Forms together with proof of payment to be sent to:

Registrar and Transfer Agent

Corpserve Registrars (Private) Limited
2nd Floor, ZB Centre
Corner First Street and Kwame Nkrumah Avenue
P.O. Box 2208
Harare
Zimbabwe

APPLICANT'S STATEMENT

By signing the Subscription Form, I/We the applicant(s) herein state that:-

- 1.! I/We have full legal capacity and having read the Bond Prospectus and the Subscription Form I/we hereby irrevocably apply for and request you to accept my/our application for the stated value of the IDBZ Infrastructure Development Bonds, or any lesser value of Bonds that may, in your sole and absolute discretion, be allotted to me/us subject to the provisions of the Infrastructure Development Bank of Zimbabwe Act [*Chapter 24:14*] as may be amended from time to time and the Bond Prospectus and Trust Deed in terms of which the Bonds are issued.
- 2.! I/We authorise the Infrastructure Development Bank of Zimbabwe to enter my/our name in its register of Bondholders as holder(s) of Bonds to me/us or issue a Certificate for the value of Bonds allocated to me/us and pay any refunds due to me/us via Electronic Funds Transfer.
- 3.! In consideration for agreeing to accept this Subscription Form, I/we agree that this application shall be irrevocable and shall constitute a contract which shall become binding upon receipt by the Infrastructure Development Bank of Zimbabwe, and shall be governed by the terms and conditions of the Bond Prospectus and Trust Deed.
- 4.! I/we acknowledge that the Infrastructure Development Bank of Zimbabwe reserves the right to reject any application of mine/ours that does not comply with the instructions contained herein and/or found to be in contravention of the above declarations.
- 5.! I/We confirm that all information provided by me/us on the Subscription Form is true and correct to my/our personal knowledge.
- 6.! I/We have consulted our financial advisor and am/are fully aware of the implications of my/our Application herein.



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