



Infrastructure Development Bank of Zimbabwe



# BOND ISSUE SERIES 2 2014B PROSPECTUS

In respect of an offer of 8% Fixed Rate Infrastructure Development Bonds of up to US\$50 Million for purposes of financing the Refurbishment of Kariba South Power Station and Repowering of Harare Thermal Power Station, incorporating a Bond Application Form

**20 NOVEMBER 2014**



Infrastructure Development Bank of Zimbabwe

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

## ISSUER

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Government of the Republic of Zimbabwe



Guarantor

A handwritten signature in red ink that reads 'Seanlem Holdings'.

Bond Trustee



**pwc**

Independent Assurance Provider



**FBC Securities**  
strength • diversity • service

Sponsoring Broker



**Corpserve**

Registrar and Transfer Agent

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**Deloitte.**

Auditors and Reporting Accountant

**HANTOR & IMMERMANN**  
LEGAL PRACTITIONERS

Legal Advisors

## Offer Timetable

| Event   | Date                         |
|---|------------------------------|
| Announcement of the Offer                             | Thursday, 20 November, 2014  |
| Offer Opens – 0900 Hours                              | Thursday, 20 November, 2014  |
| Offer Closes – 1600 Hours                             | Wednesday, 17 December, 2014 |
| Allotment Date  | Friday, 19 December, 2014    |
| Announcement of Results of the Issue                  | Tuesday, 23 December, 2014   |
| Processing of Refunds and Certificates to Subscribers | Tuesday, 23 December, 2014   |

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

| Event          | Date                      |
|----------------|---------------------------|
| Allotment Date | Friday, 19 December, 2014 |

### Interest and Principal Record and Payment Dates

|   |                              |
|---|------------------------------|
| <b>First Interest and Principal Record Date</b>   | Friday, 29 May, 2015         |
| First Interest and Principal Payment Date         | Friday, 19 June, 2015        |
| <b>Second Interest and Principal Record Date</b>  | Monday, 30 November, 2015    |
| Second Interest and Principal Payment Date        | Monday, 21 December, 2015    |
| <b>Third Interest and Principal Record Date</b>   | Monday, 30 May, 2016         |
| Third Interest and Principal Payment Date         | Monday, 20 June, 2016        |
| <b>Fourth Interest and Principal Record Date</b>  | Monday, 28 November, 2016    |
| Fourth Interest and Principal Payment Date        | Monday, 19 December, 2016    |
| <b>Fifth Interest and Principal Record Date</b>   | Monday, 29 May, 2017         |
| Fifth Interest and Principal Payment Date         | Monday, 19 June, 2017        |
| <b>Sixth Interest and Principal Record Date</b>   | Monday, 27 November, 2017    |
| Sixth Interest and Principal Payment Date         | Monday, 18 December, 2017    |
| <b>Seventh Interest and Principal Record Date</b> | Monday, 28 May, 2018         |
| Seventh Interest and Principal Payment Date       | Monday, 18 June, 2018        |
| <b>Eighth Interest and Principal Record Date</b>  | Tuesday, 27 November, 2018   |
| Eighth Interest and Principal Payment Date        | Tuesday, 18 December, 2018   |
| <b>Ninth Interest and Principal Record Date</b>   | Tuesday, 28 May, 2019        |
| Ninth Interest and Principal Payment Date         | Tuesday, 18 June, 2019       |
| <b>Tenth Interest and Principal Record Date</b>   | Wednesday, 27 November, 2019 |
| Tenth Interest and Principal Payment Date         | Wednesday, 18 December, 2019 |
| <b>Maturity Date</b>                              | Wednesday, 18 December, 2019 |

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# Important Notice

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 Zimbabwe Stock Exchange Listings Requirements for the purpose of providing information on the Issuer, the Guarantor and the Infrastructure 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 Bonds involves risks, including but not limited to those set out under “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.

The Financial Advisors, the Reporting Accountants, Legal Advisors, Registrar and Transfer Agent and Bond Trustee have relied on information provided by the Issuer herein. Accordingly, to the fullest extent permitted by law, none of the Financial Advisors, the Reporting Accountants, Legal Advisors, Registrar, Transfer Agent and Bond Trustee accept any responsibility for the contents of this Prospectus (and do not provide assurance for the accuracy or completeness of the information contained in this Prospectus) or for any other statement, made or purported to be made by the Independent Assurance Provider, the Reporting Accountants, Legal Advisors, Registrar, Transfer Agent and Bond Trustee or on their behalf in connection with the Issuer or the issue and offering of the Bonds.

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’s advisors that any recipient of this Prospectus, or of any other information supplied in connection with the Bonds or their distribution, should purchase any of 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 and will not be registered under any other securities legislation whether in Zimbabwe or any other country. For a further description of certain restrictions on offers and sales of the Bonds and the distribution of this document see “Subscription and Sale”.

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 Thursday 20 November 2014 to 12:00 hours on Wednesday 17 December 2014, from the following organisations: Infrastructure Development Bank of Zimbabwe, Zimbabwe Power Company (Private) Limited, FBC Securities (Private) Limited, and Corpserve Registrars (Private) Limited at the addresses given in this Prospectus, as well as from the banking halls of selected commercial banks and members of the Zimbabwe Stock Exchange.

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

Tonderai Nhika,  
*or*  
Philip Jengwa;  
*or*  
Blessings Chiwandire

*All of*

**Infrastructure Development Bank of Zimbabwe  
IDBZ House, 99 Rotten Row, Harare  
Zimbabwe**

**Telephone:** +263 4 750171-8 /774224  
**Fax:** +263 4 774 225/749012  
**Mobile:** Tonderai: +263 774 501716  
Philip: +263 773 444998  
Blessings: +263 772 584570

**Email:** tnhika@idbz.co.zw  
pjengwa@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 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 “Key Investment Considerations” section 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. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Issuer and the Guarantor do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. 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.



## 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

### Regional Offices

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

### Legal Advisors

Kantor & Immerman Legal Practitioners  
MacDonald House  
10 Selous Avenue  
P.O. Box 19  
Harare  
Tel: +263 4 793626 – 9  
Fax: +263 4 704438

### Guarantor

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

### 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

### Independent Assurance Provider

PricewaterhouseCoopers Advisory Services (Private) Limited  
Building No.4, Arundel Office Park  
Norfolk Road  
Mount Pleasant  
P. O. Box 453  
Harare  
Tel: +263 4 338362  
Fax: +263 4 338395

### Auditors and Reporting Accountants

Deloitte & Touche Chartered Accountants Zimbabwe  
Deloitte & Touche  
Borrowdale Office Park  
Borrowdale Road  
Harare  
Tel: +263 0 8677000261/8644041005  
Fax: +263 4 852130

### Registrar and Transfer Agent

Corpserve Registrars (Private) Limited  
2nd Floor, ZB Centre  
Corner First Street and Kwame Nkrumah Avenue  
P.O. Box 2208  
Harare  
Tel: +263 4 758193/ 751559-61  
Fax: +263 4 752629

### Bond Trustee

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

### Bankers

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

# Definitions

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.

Term / Subject/Usage Definition

## “Applicant”

A person who applies for issuance of 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 to the Bonds and which will be considered as the application for issue of Bonds in terms of this Prospectus.

## “Auditors”

The auditors for the time being of the Issuer.

## “Arranger”

Infrastructure Development Bank of Zimbabwe.

## “Bonds”

The 8% Fixed Rate Infrastructure Bonds of up to US\$50,000,000.00 in registered form, issued by the Issuer pursuant and subject to the Trust Deed and the Terms and Conditions and for the time being outstanding or, as the case may be, a specific number thereof.

## “Bond Certificate”

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

## “Bondholder”

Any person who is for the time being 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 at the close of business.

## “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

## “CFBC”

Circulating Fluidised Bed Combustion

## “CSD”

The Central Securities Depository system that facilitates the holding of securities in electronic accounts for processing of transactions on the ZSE as more fully defined in the Securities Act [Chapter 24:25]

## “DFI”

Development Finance Institution

## “ECA Loan”

A direct long-term financing arrangement between banks and a buyer supported by an Export Credit Agency from the financier’s jurisdiction.

## “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.

## “EPC”

Engineering, Procurement and Construction

## “Exchange Control Regulations”

The exchange control regulations currently in force in Zimbabwe.

## “Event of Default”

Any of the events of default as described in Clause 2.20 of the Terms and Conditions of the Bonds and the Trust Deed.

## “Financial Year”

Means 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.

## “Guarantor”

The Government of the Republic of Zimbabwe

## “HPS”

Hwange Power Station

**“Independent Assurance Provider”**

PricewaterhouseCoopers Advisory Services (Private) Limited.

**“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

**“IPP”**

Independent Power Producer

**“Issue” or “Offer”**

The issue of the Bonds described in this Prospectus

**“Issue Date”**

The date on which the issue opens in accordance with the Investors’ Diary

**“Issue Price”**

The price of the issue of the Bonds

**“Issuer” or “IDBZ” or “the Bank”**

Infrastructure Development Bank of Zimbabwe.

**“KSPS”**

Kariba South Power Station

**“Legal Advisors”**

Kantor & Immerman Legal Practitioners

**“MW”**

Megawatt

**“Outstanding Bonds”**

In relation to the Bonds means all the Bonds issued other than:

- a) those Bonds which have been redeemed pursuant to the Trust Deed and the redemption funds paid or remain available for payment;

- b) those Bonds which have been purchased and cancelled in accordance with the Trust Deed;

- c) those Bonds which have become void hereunder;

- d) those mutilated or defaced Bonds which have been surrendered and cancelled and in respect of which replacements have been issued; and

- e) for the purpose only of ascertaining the principal amount of the Bonds outstanding and without prejudice to the status for any other purpose of the relevant Bonds, those Bonds (if any) which are for the time being held by, for the benefit of, or on behalf of, the Issuer.

**“Payment Date”**

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

**“PPA”**

Power Purchase Agreement

**“Principal Repayment Date”**

Any one of the Principal Repayment Dates as set out in the Investors’ Diary;

**“Prospectus”**

This Prospectus dated 20 November 2014

**“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*]

**“Register”**

A register 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 Bonds.

**“Registrar” or “Transfer Agent”**

Corpserve Registrars (Private) Limited

**“Reporting Accountants”**

Deloitte & Touche Chartered Accountants (Zimbabwe)

**“SADC”**

Southern African Development Community

**“SAPP”**

Southern African Power Pool

**“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 “KPHC”**

Special Purpose Vehicle in this case referring to the implementing legal entity/ company for the Kariba South Extension Project, Kariba Power Hydro Company (Private) Limited.

**“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.

**“Transfer Agent”**

Corpserve Registrars (Private) Limited

**“Trust Deed” or “Bond Indenture”**

The Trust Deed, incorporating the Bond Indenture Agreement dated on or about the date of this Prospectus to be 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 lawful currency of the United States of America.

**“ZESA”**

ZESA Holdings (Private) Limited, Registration Number 1648/04, the holding company of ZPC

**“ZERA”**

Zimbabwe Energy Regulatory Authority, established under the Energy Regulatory Act [*Chapter 13:23*]

**“ZETDC”**

Zimbabwe Electricity Transmission and Distribution Company (Private) Limited Registration Number 2292/2009, a private limited company incorporated in Zimbabwe in accordance with the Companies Act [*Chapter 24:03*] and wholly owned by ZESA

**“ZIMASSET”**

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

**“ZIMRA”**

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

**“ZPC”**

The Zimbabwe Power Company (Private) Limited, Registration Number 59/1996, a private limited company incorporated in Zimbabwe in accordance with the Companies Act [*Chapter 24:03*] and wholly owned by ZESA

**“ZRA”**

Zambezi River Authority

**“ZSE”**

The Zimbabwe Stock Exchange, constituted in terms of the Securities Act [*Chapter 24:25*]

**“ZSE Listings Requirements”**

The Listings Requirements of the ZSE.

# Minister's Foreword



Hon. P.A. Chinamasa (M.P.)  
Minister of Finance and Economic Development

The Government of Zimbabwe, in pursuit of the objectives of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) economic blue print has prioritised the construction, refurbishment, upgrading and expansion of core infrastructure in the country.

The development of modern infrastructure will contribute towards deepening and sustaining economic growth, promote private sector development, fight poverty and reduce vulnerability of the poor.

Overall, the availability of quality infrastructure and enablers enhances the investment climate as it reduces the costs of doing business whilst enabling Zimbabwean businesses to access and compete on global markets.

Pursuant to this, energy remains critical as a key enabler to productivity and socio-economic development and transformation. This sector has, however, experienced challenges largely due to dilapidated and obsolete generation equipment and infrastructure thereby inhibiting optimal provision of power to the economy. Lack of resources has constrained the implementation of a consistent maintenance regime.

In order to increase electricity supply to the economy, it will be critical to optimise output from existing power stations; expansion of existing power stations such as Hwange and Kariba; resuscitate small thermal power stations such as Harare, Bulawayo and Munyati Power

Stations as well as investments in new capacity at Batoka and Gairezi among others.

The country will also need to invest in alternative forms of energy such as Coal Bed Methane Gas, solar and wind energy.

Following the award of the contracts for the Kariba South Extension and repowering of Harare Power Station projects, the IDBZ has been mandated to mobilise \$50 million for the two projects in line with the Infrastructure Development Bank of Zimbabwe Act.

Additional power from the two projects is expected to be 365MW, of which 300MW will come from the Kariba project and 65MW from the Harare thermal project.

The participation of private investors in the bonds issuance programme will play a pivotal role in meeting Government's power generation targets. The Bonds will provide an opportunity for local investors to finance key infrastructure requirements while at the same time providing investment options for institutional investors such as pension funds and insurance companies.

The granting of Prescribed Asset Status will give investors an opportunity to pick quality assets at the same time meeting their compliance requirements in terms of portfolio composition.

Based on the features bestowed on the Infrastructure Development Bonds, I commend its issuance as an attractive opportunity with positive attributes to augment investors' existing portfolios.

It gives me great pleasure to commend fully the issuance of **Series 2 2014B** Infrastructure Development Bonds in support of ZPC's power projects in line with our initiative to mobilise resources from the private sector towards priority and commercially viable infrastructure projects as outlined under ZIMASSET.

I thank you,

Hon. P.A. Chinamasa (M.P.)  
**Minister of Finance and Economic Development**  
**Government of the Republic of Zimbabwe**



# Part 1

## Salient Features of the Offer



# Salient Features of the Offer

This summary presents the salient features in relation to 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 Transaction

IDBZ seeks to raise US\$50 million through a Bond Issue for purposes of financing the Refurbishment of KSPS and Repowering of Harare Power Station by ZPC. The Bond Proceeds will be utilized as follows:

| Use of Funds                      | USD Amount           |
|-----------------------------------|----------------------|
| Refurbishment of KSPS             | 38,800,000.00        |
| Repowering - Harare Power Station | 11,200,000.00        |
| <b>Total</b>                      | <b>50,000,000.00</b> |

Please refer to Part 7 of this Prospectus for a detailed breakdown of the intended utilization of the targeted US\$50 million.

| Subject                       | Description   |
|-------------------------------|---|
| Issuer and Arranger           | Infrastructure Development Bank of Zimbabwe   |
| Name of Issue                 | IDB Series 2 2014B  |
| Guarantor                     | The Government of the Republic of Zimbabwe  |
| Bond Trustee                  | Scanlen & Holderness, Legal Practitioners   |
| Registrar and Transfer Agent  | Corpserve Registrars (Private) Limited  |
| Type of Issue                 | Fixed rate Bonds  |
| Issue Amount                  | Up to US\$50,000,000.00 (Fifty Million United States Dollars)   |
| Currency of Issue and Payment | United States Dollars   |
| Purpose                       | To finance the Refurbishment of KSPS and Repowering of Harare Power Station   |
| Eligibility                   | Both local and foreign investors; individuals or institutional and/or corporates.   |
| Method of Issue               | The Bonds will be issued to the primary market by way of public offer and private placement. The Bonds will also be tradable on the secondary market.   |
| Issue Date                    | Friday, 20 November, 2014   |
| Issue Price                   | The Bonds will be issued on a fully paid up basis at par.   |
| Denominations                 | The Bonds will be denominated in the principal amount of US\$10,000 and integral multiples of US\$1,000 thereof.  |
| Coupon Rate                   | Eight Percent (8%) per annum  |
| Tenure                        | Five (5) years  |
| Principal Repayment           | One tenth (1/10) of the face value after every six months until final redemption.   |
| Interest Payment              | Interest on the Bonds will be paid semi-annually in arrears (each such date an “Interest Payment Date”) commencing six (6) months after the Allotment Date. Interest will be calculated on the basis of a 365 day year.   |
| Form of Bonds                 | The Bonds will be issued in definitive certificated registered form, serialized. The Bonds will be dematerialised, at the option of the Applicant, on the CSD platform. The Certificate(s) issued will be evidence of the total amount of Bonds held by a Bondholder.   |
| Status of Bonds               | The Bonds constitute registered, direct, general, secured and unconditional obligations of the Issuer, which will at all times rank <i>pari passu</i> among themselves and be constituted by and owing under the Trust Deed.<br><br>The Bonds will, by virtue of being guaranteed by the Government of Zimbabwe, also constitute:<br>1. Liquid Assets as defined in the Banking Regulations, 2000.<br>2. Approved Securities or Prescribed Securities as defined in the Insurance Act [Chapter 24:07], and,<br>3. Lender of Last Resort Security Status conferred by the Reserve of Bank of Zimbabwe. |
| Security                      | a) Guaranteed by the Government of the Republic of Zimbabwe<br>b) Sinking Fund  |
| Sinking Fund                  | ZETDC has agreed to extend the Sinking Fund arrangements already in place between IDBZ and ZETDC on the previous bond issue (IDB Bond Series 1 2012B). Receivables from ring-fenced customers have been ceded and escrowed to provide one times (1X) cover on interest and capital payments throughout the tenure of the IDB Bonds Series 2 2014B.  |



| Subject                 | Description   |
|-------------------------|---|
| Taxation                | The coupon payments shall be exempt from tax.   |
| Listing and Tradability | To enhance fungibility of the Bonds, a listing on the bourse and dematerialisation on the CSD platform will be considered post issue close in line with assessed stability of trading modalities for debt instruments.  |
| Investment Rating       | Both the Guarantor and Issuer have not been rated for investment purposes. The proposed Bonds are also not rated.   |
| Compliance              | <p>Upon introduction to the ZSE, the placement of the Bonds shall comply with the following:</p> <ul style="list-style-type: none"> <li>a) the requirements of the SECZ and the ZSE for approval of the listing of the Bonds;</li> <li>b) the SECZ and ZSE reporting requirements from time to time;</li> <li>c) the provisions of the Companies Act [<i>Chapter 24:03</i>] for benchmark purposes only as the Issuer is expressly not governed by this Act;</li> <li>d) any other applicable provisions of the law in Zimbabwe relating to companies, 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.</li> </ul> |
| Governing Law           | The Bonds will be governed by and interpreted in accordance with the laws of the Republic of Zimbabwe.  |

# Part 2

## Terms and Conditions of the Bond



# Terms and Conditions of the Bond

Below are the Terms and Conditions applicable to and to be endorsed upon 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 2 2014B 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 dated 19 December 2014 made between 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 on 21 August 2014.

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. In the event that the Bonds module on the CSD platform is commissioned, the Bonds shall, on application, be dematerialised at the option of the applicant, serially numbered and with interest coupons attached, same will 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 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.

- 2.6.3. Any such duplicate Bonds issued pursuant to this Clause shall constitute original, additional 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 CSD clearing system will be transferable only in accordance with the prevailing rules and regulations of the CSD.
- 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 by it 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.
- 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 due 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 as applied by the Transfer Secretaries or 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. This Bond is 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 unconditionally and 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.
- 2.9.3. The Guarantee constitutes a direct and unconditional 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 Bonds carry a coupon rate, from the Issue Date at the rate of eight per cent (8%) per annum (the "Fixed Interest Rate").
- 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
- 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 Fixed 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 CSD 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 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 date for payment of any amount in respect of any Bond is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day from the relevant country and shall not be entitled to further interest or other payment in respect of such delay.

## 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 by the CSD, the Bondholder shall provide such documentation for the surrender or transfer of the Bond as and when required by the CSD.

- 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 Bond on the ZSE, to be executed on the floor of the ZSE or if dematerialised on the CSD platform in accordance with the CSD 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.

### 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 ZSE, the purchase of Bonds shall take place through the ZSE.

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 the SECZ and the ZSE.

## 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, as it is interest on a loan to the Government of Zimbabwe. A letter from ZIMRA confirming the tax exempt status of the Bond 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"):

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 15 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 a significant portion or part of the assets, undertaking or 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 activities incidental to the Kariba South Power Station Extension Project, Repowering and other power generation projects being carried out under the mandate of ZPC.
- 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 Series 2 2014B Bonds;

2.21.4.2. An Issuer’s Certificate to the effect that the Issuer is not in default hereunder; and

2.21.4.3. A certificate from an independent Registered Public Auditor to the effect that the Issuer’s revenues are projected to equal or exceed 1.10 times the face value and interest due in terms of the Additional Bonds for the Financial Year immediately following the date of the issuance of such additional Bonds, unless the source of repayment is not directly linked to the Issuer’s revenue.

2.21.5. Additional Bonds issued under the provisions and within the limitations of this Clause shall be issued at parity with the Series 2 2014B 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 2 2014B 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 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 to 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% 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 made by fax, any electronic means, delivered by hand to them, or sent by registered mail or (if posted to an overseas address) by airmail to them, and:

(a) in the case of any communication made by fax, will be deemed to have been validly given upon receipt by sender of such fax of a confirmation from the fax number recorded in the Register of Bondholders that the transmission was successful; or in case of electronic mail, at the time of transmission as long as no delivery failure notification is received by the sender.

(b) in any other case, 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

2.23.2.1. 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.

2.23.2.2. Notices to be given by any Bondholder shall be in writing and given by lodging the same with the Bond Trustee who shall then take appropriate action in accordance with the Trust Deed.

## 2.24. Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Special Resolution of a modification of the Bonds or any of the provisions of the Trust Deed.

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 anyone 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 at 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.

**2.28. Minutes of Meetings** - Minutes of all resolutions and proceedings at every such meeting shall be made and entered in the books to be from time to time 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 this 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 Bank Secretary 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.



# Part 3

## Information on the Issuer





# Information on the Issuer

## 3.1. Corporate Details and Mandate

3.1.1. 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”).

3.1.2. 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 that Act.

3.1.3. The objectives and mandate of the Bank are provided for under Section 16 of the Act as follows:

- (a) 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;
- (b) to develop institutional capacity in undertakings and enterprises of all kinds in Zimbabwe;
- (c) to support development projects and programmes in all sectors of the Zimbabwean economy; through all or any of the following means—
  - (i) providing capital for the expansion or modernisation of existing infrastructure, undertakings and enterprises or the creation or development of new infrastructure, undertakings and enterprises;
  - (ii) mobilising internal and external resources from the public and private sectors;
  - (iii) facilitating the participation of the private sector and community organisations in development projects and programmes;
  - (iv) appraising, planning and monitoring the implementation of development projects and programmes;
  - (v) 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

In terms of Section 20(3) of the Act, the Bank is enjoined by law to finance only those projects which are economically viable, technically feasible and yield a financially acceptable return on its investment.

In pursuance of its statutory mandate to mobilize resources for key infrastructure projects, the Bank was mandated to develop and issue infrastructure development bonds to support critical and priority infrastructure projects. The IDBZ was the first institution to successfully issue an infrastructure related fixed coupon bond for a significant value of US\$30 million and for a longer tenure of 3 years not witnessed in the Zimbabwe market post dollarization. Proceeds of the bond were used to jump start the rollout of a prepaid metering system for electricity consumers, a project meant to enhance revenue collection against billed consumption on the distribution side.

Through the maiden bond issue, which received overwhelming support from both local and regional investor institutions, the Bank is confident that the IDB Bond with its requisite enhancement features resonating with investor expectations and supporting key projects will become a major source of most future financing needs for infrastructure projects in the economy.

While the maiden bond issue was targeted at distribution requirements which enhanced collection capacity through the prepaid metering platform, the current issue will deploy proceeds towards the generation side projects to improve the supply side of electricity from ZPC.

## 3.3. Administration

3.3.1. The Board of Directors is responsible for the policy and administration of the affairs of the Bank, subject to any policy directions that may be given to it by the Minister of Finance given in terms of the Act.

3.3.2. In terms of the Act, the Board is appointed by the Minister of Finance together with the institutional shareholders of the Bank after consultation with the President of the Republic.

### 3.4. Powers of the Bank

- 3.4.1. In terms of the Act and for the purpose of achieving its objectives the Bank is empowered -
- 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;
  - to invest in development projects in all sectors of the economy;
  - 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;
  - to guarantee where necessary an undertaking given in relation to the financing of development projects;
  - 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 shall be required where such loans or moneys whether in Zimbabwean or any other currency are to be guaranteed by the State; and
  - to seek other specialized credit facilities including Euro-dollar credits
- 3.4.2. 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.

### 3.5. Shareholders and Shareholding Structure

*Below is IDBZ's list of shareholders and shareholding structure as at 19 November 2014.*

| Shareholder   | Shares Held      | Percentage        |
|---|------------------|-------------------|
| Government of Zimbabwe                              | 2,136,536        | 87.2395%          |
| Reserve Bank of Zimbabwe                            | 304,408          | 12.4297%          |
| ZIMRE Holdings Limited                              | 8,001            | 0.32670%          |
| Staff Share Trust                                   | 78               | 0.00320%          |
| Fidelity Life Assurance Company of Zimbabwe Limited | 6                | 0.00024%          |
| Finish Fund for Industrial Cooperation              | 5                | 0.00022%          |
| Africa Development Bank                             | 4                | 0.00016%          |
| German Investment & Development Company             | 3                | 0.00012%          |
| Netherlands Development Finance Company             | 3                | 0.00012%          |
| European Investment Bank                            | 1                | 0.00004%          |
| <b>Total</b>  | <b>2,449,045</b> | <b>100.00000%</b> |

### 3.6. Corporate Governance

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 after consultation with the President of the Republic. 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 for 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 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 respective Committees formally report to the full Board on responsibilities delegated to the committee together with appropriate recommendations for endorsement by the Board.

### 3.7. 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 operations, the Board constituted and appointed five (5) Committees which operate under clearly defined areas of responsibility and terms of reference.

In the discharge of their respective terms of reference, the Board Committees ensure transparency, full reporting and disclosure of key decisions and recommendations of the Committees to the main Board. 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.

#### 3.7.1. The IDBZ's Board Committees, with brief descriptions, are set out below:

##### *Investment Committee*

Investment decisions are made by the full Board constituted as an Investment Committee and chaired by the non-executive Board Chairman.

##### *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, including the Committee Chairperson, all of whom are non-executive directors.

##### *Risk Management Committee*

The Risk Management Committee is charged with the responsibility of overseeing the overall risk management processes, enforcement of risk mitigation strategies and procedures in the Group and to keep the Board fully apprised of the major risk areas within the business operations of IDBZ group.

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

##### *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 IDBZ in order that harmonious industrial relations prevail throughout the Group. In this role, the Committee is charged with ensuring that the Group adopts best practice human resources recruitment and compensation policies and that key skills are retained through competitive reward systems.

### 3.8. Details of Directors

The Table below shows a list of IDBZ's Board of Directors as at 19 November 2014.

| Name                                   | Nationality | Position                |
|--|-------------|-------------------------|
| Manungo, Willard Lowenstern            | Zimbabwean  | Non-Executive Chairman  |
| Chikaura, Charles                      | 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  |
| Mukahanaana-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 and sits on the boards of the Reserve Bank of Zimbabwe (RBZ), chairs the PTA Bank Board, Zimbabwe Revenue Authority (ZIMRA), the Insurance and Pension Commission (IPEC) and the Zimbabwe Council of Higher Education.

#### Chikaura, Charles – Chief Executive Officer

Mr Chikaura is a holder of a Bachelor of Arts (Honours) Degree from the University of Rhodesia (1977) and a Master of Business Administration from the University of Zimbabwe (1991). He also holds an Institute of Bankers Diploma. He is former Deputy Governor of the Reserve Bank of Zimbabwe and was Acting Governor from June to November 2003. He sits on the boards of the Grain Marketing Board of Zimbabwe (Chairman), Agriculture Marketing Authority of Zimbabwe, Bindura University of Science Education (Vice Chairman). He is also a board member of NORSAD Finance Limited (Botswana) and is Deputy Chairman of SADC-DFRC (Botswana). He has vast experience in Zimbabwe's capital markets.

#### 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 Ministry of Water Resources and Development. He chairs the Audit Committee of the Board and is also a member of the Investments and Corporate Governance Committees 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 Investments and Human Resources Committees of the IDBZ Board.

#### 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 Defence 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 Investment, Audit and Finance and Risk Management Committee of the 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. He is currently the Technical Advisor to the Ministry of Agriculture Mechanisation, Irrigation and Development. 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 Investments, Corporate Governance and Audit Committees of the IDBZ Board.

**Mukahhanana–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 & Risk Management Committee of the IDBZ Board. She is also a member of the Investments, 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 Chief Government Mining Engineer and a specialist in Mining Assets. Mr Tawha is a member of the Corporate Governance, Finance & Risk Management and Investment Committees of the IDBZ Board.

**3.9. Executive Management**

**Chikaura, Charles - BA (Hon); IOB (Z); MBA (UZ)**

Mr. Chikaura 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 a renowned banker, having occupied the most senior management positions of the Central Bank [see Directors Profiles – 3.8]. He has impeccable knowledge of development finance having served as CEO of the Bank since its establishment in August 2005.

**Gambinga, Cassius - B.Acc (Hon); CA (UZ)**

As Finance Director, Mr. Gambinga 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, 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.

**Matete, Desmond - 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 is former Deputy Chairman of ZPC; is a Non Executive Director of Africom Continental (Private) Limited and is Chairman of the Legal Resources Foundation amongst other board sittings he holds within industry and commerce. 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 capital raising, project implementation. He also oversees financial and technical advisory services, implementation monitoring and evaluation for government supported infrastructure projects through their various implementing agencies for such projects.

Mr Matete is the Director in charge of this Bond Issue, responsible for the overall transaction execution.

**Zinyemba, Francisca - Diploma in Social Work; IPMZ;  
M.Sc Strategic Management**

Mrs. Zinyemba is a social scientist and qualified management trainer. She has extensive banking sector experience gained with Standard Chartered Bank Zimbabwe Limited (1985-1996) and CBZ Bank Limited (1996-2000) where she rose to the position of General Manager – Corporate Strategies, Training and Change Management. She joined IDBZ in February 2006 as Executive Director: Human Resources and Corporate Strategies, and now holds the position of Director-Human Resources and Corporate Services, responsible for human capital development, staff welfare, performance management and organisational methods. She oversees support functions in logistics, administration as well as the Bank's IT function. She is a Non Executive Director of Chengetedzai Depository, an associate company of the IDBZ Group.

**Munengwa, Norbert - B.Com (UNISA); ACIS; IOB (Z);  
MBA (UZ)**

Mr. Munengwa is in charge of the Bank's private sector projects. He has extensive banking experience gained at Merchant Bank of Central Africa Bank Limited and Stanbic Bank Zimbabwe Limited. He joined the then Zimbabwe Development Bank in 2004 as Senior Manager Corporate Banking and rose to his current position within IDBZ. He is responsible for Customer Relationship Management and the medium term finance, corporate lending, agri-business and international banking services of IDBZ.

**3.10. Material Agreements (Detailed Disclosure available for inspection)**

- IDBZ and National Social Security Authority (US\$10 Million Facility)
- IDBZ and IDC South Africa (US\$10 Million Facility)
- IDBZ and CBZ Bank Limited (US\$10 Million ZETREF Facility)
- IDBZ and IDB Bond Series 1 2012B Bondholders (balance of US\$20 Million Principal Obligation)

**3.11. Material Litigation (Detailed Disclosure available for inspection)**

The Bank has no extraordinary cases of litigation. The following cases 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*
- *IDBZ vs J. Chiduku and 13 Others*
- *Peter Dzvairo vs IDBZ*



# Part 4

## Information on the Guarantor





# Information on the Guarantor

- 4.1. The Guarantor is the Government of the Republic of Zimbabwe through the Minister of Finance and Economic Development.
- 4.2. In terms of Section 61 of the Public Finance Management Act [*Chapter 22:19*],
  - 4.2.1. The Minister of Finance and Economic Development is empowered to and may, in such manner and upon such conditions as he or she thinks fit with the consent of the President of the Republic, guarantee the repayment of the capital of, and the payment of expenses or charges incurred on or in connection with 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 are in the public interest or in the interest of the economy of Zimbabwe.
  - 4.2.2. The aggregate of the amounts that may be guaranteed in terms of subsection 61(1) in any financial year in respect of indebtedness or other obligations raised, incurred or established, as the case may be, within Zimbabwe shall not exceed forty per centum of the general revenues of Zimbabwe in the previous financial year provided that the limit fixed in terms of this subsection may be exceeded in any financial year if the Minister obtains the authority by a resolution of the House of Assembly to do so.
- 4.3. The Minister of Finance & Economic Development has, in accordance with the Public Finance Management Act and the provisions of the IDBZ Act [*Chapter 24:14*] approved the issue of the Bonds by the Bank and has issued a Guarantee in favour of the Bondholders. The intended financing of the Refurbishment of KSPS and Repowering of Harare Power Station has enormous benefits to the power sector and electricity consumers in particular and the overall supply of electricity in the broader business and socio-economic activities of Zimbabwe.
- 4.4. The Ministry of Finance & Economic Development has confirmed compliance with the above statutory provisions. The formal confirmation letter is available for inspection at the Issuer's offices.

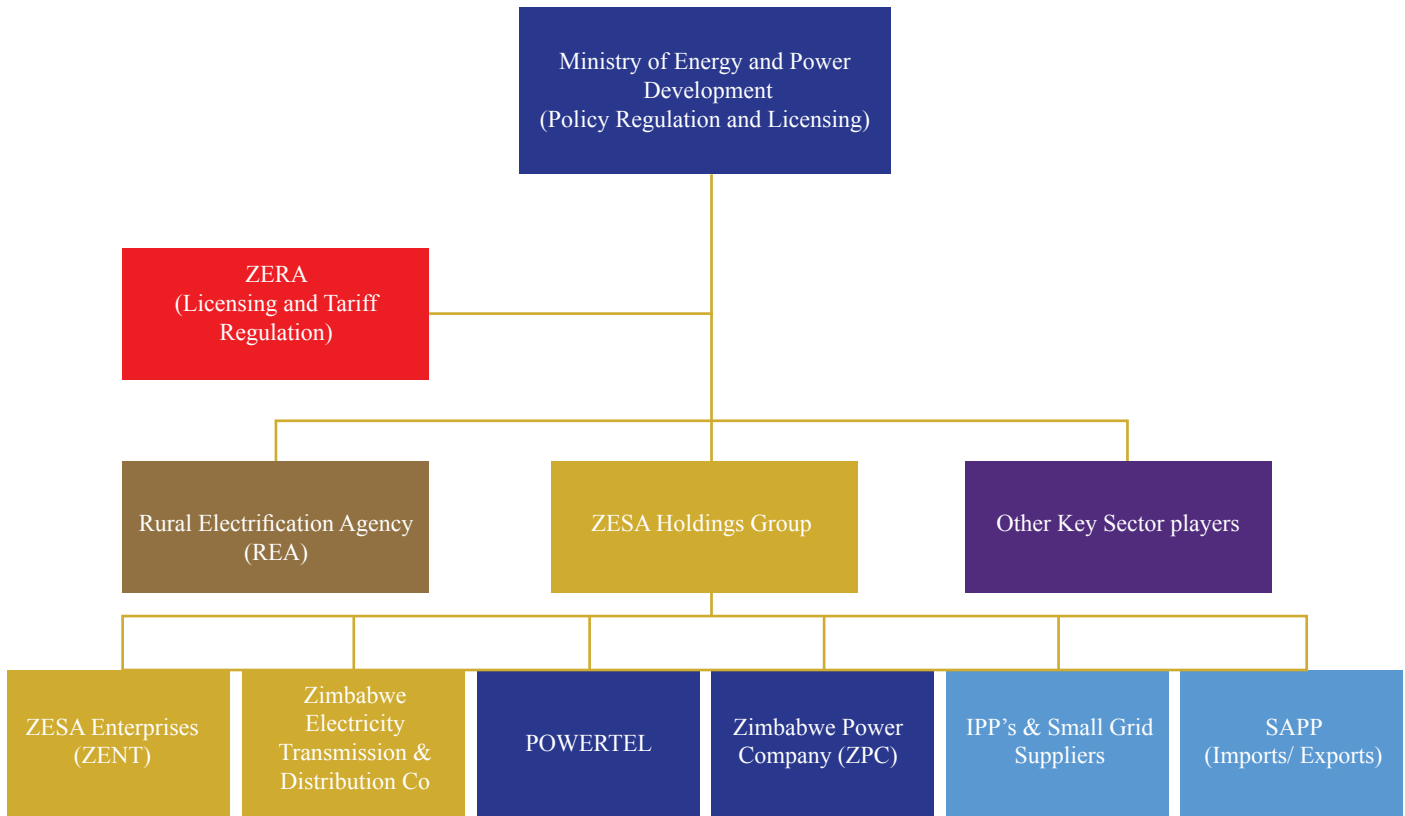
# Part 5

## The Electricity Industry in Zimbabwe



# The Electricity Industry in Zimbabwe

## 5.1. Overview of the Electricity Industry



The electricity sector in Zimbabwe is governed by the Electricity Act [Chapter 13:19] and regulated by the Zimbabwe Energy Regulatory Authority (“ZERA”) which is also an independent licensing and tariff setting board. The industry was transformed by the unbundling of the then vertically integrated Zimbabwe Electricity Supply Authority, which resulted in two key subsidiaries of ZESA Holdings (Private) Limited, namely ZPC, the electricity generating subsidiary and ZETDC, the transmission and distribution subsidiary with a third subsidiary, ZENT, providing technical support services to the two anchor subsidiaries mainly in the manufacturing, repair and maintenance of critical transmission and distribution equipment.

Under the prevailing single buyer market, ZETDC is the offtaker through power purchasing agreements for all grid based generation capacity in Zimbabwe. ZETDC transmits and distributes electricity through a national grid and sells electricity to commercial, industrial and domestic consumers. In special circumstances, the ZETDC also enters into wheeling arrangements with power purchasers outside of the generation capacity in Zimbabwe which includes availing and managing grid inter-connection under the SAPP. It is also

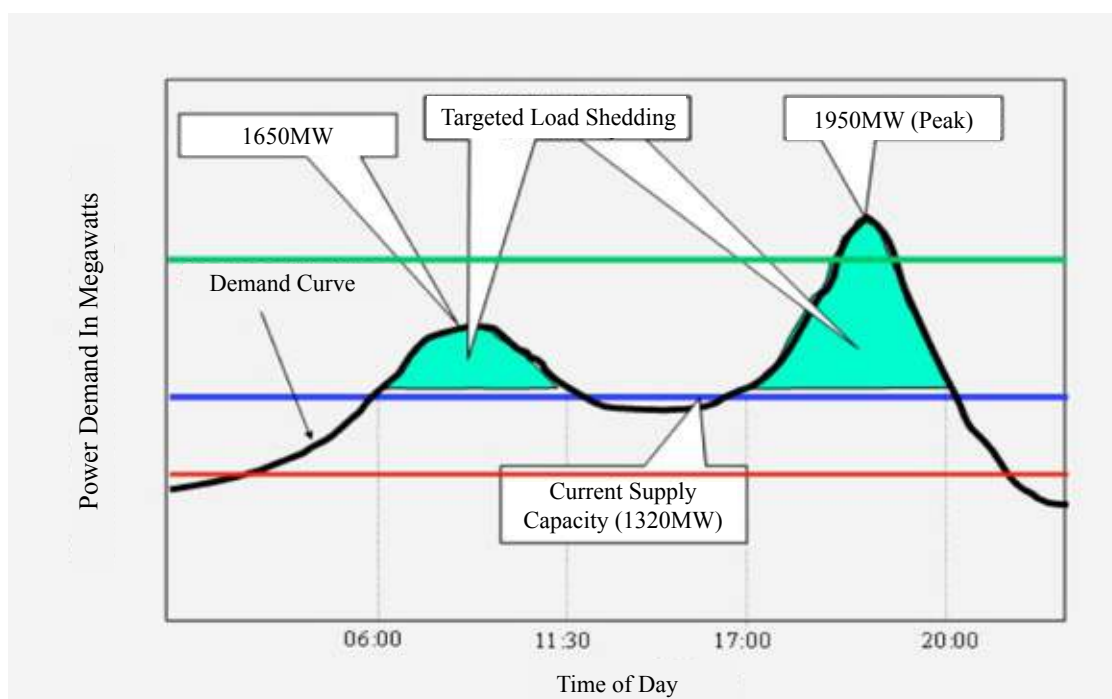
the subsidiary responsible for billing and revenue collections under the ZESA Group for over 800,000 electricity customers both on pre-paid and post-paid metering platforms. ZETDC is the second largest transmission and distribution utility in the SADC Region, after South Africa’s utility, Eskom Holdings Limited.

Over recent years, reforms to the sector liberalised the market to allow for licensing of IPPs in order to bridge the investment gap between generation capacity and the ever-growing demand for electricity in Zimbabwe. Whilst a number of licenses issued by the Regulator account for significant capacity, the related power generation projects are still to be implemented by the licensees. As a result, ZPC remains the dominant player in the electricity generation sector, with its power plants spread throughout the country.

## 5.2. Demand and Supply Analysis

Over the years demand for electricity has risen, with an estimated national average peak demand of 2200MW per day compared to the current production output of an average of 1300MW. When the demand for electricity is high, the country's generating capacity is not sufficient to meet the demand and this triggers the need to enhance the generating capacity to meet this supply shortfall.

*Average Daily Load Profile*



Currently there is shortage of peaking power in the region and Zimbabwe is not able to import adequate power to meet increased demand during peak periods due to regional power supply deficits. There is approximately a 700MW peak demand shortfall in Zimbabwe, without taking into account suppressed demand induced by load shedding schedules. The regional peak demand shortfall is approximately 7000MW (Source: SAPP 2013).

Ageing plant which results in frequent breakdowns and forced outages coupled with new connections in line with the country's electrification policies for rural and outlying areas has worsened the supply gap. This supply shortfall is managed by a combination of periodic load shedding and imports from other utilities in the region, such as Cahora Bassa (Mozambique), SNEL in Democratic Republic of Congo and ZESCO of Zambia.

However, the supply gap cannot substantially be met by imports due to:

- Power supply deficits in the SAPP which are expected to continue as there are no substantial generation projects likely to be commissioned until 2018;
- Regional and national transmission infrastructure bottlenecks limiting the transfer capacity of interconnectors and efficient wheeling arrangements between power brokers and consumers.

In 2013, SADC had an estimated available capacity of 51,702MW against demand of 53,833MW inclusive of peak demand, suppressed demand and reserves resulting in a regional shortfall of 7,709MW (Source: SAPP 2013).

### 5.3. Industry Regulation, Licensing and Tariff Setting

Over the years and prior to the unbundling of the then vertically integrated Zimbabwe Electricity Supply Authority (ZESA), the Authority enjoyed sector monopoly and both regulation and operations were run under the same entity with tariff setting overseen and approved by government in its position as both policy maker and sole shareholder of ZESA. Subsequent sector reforms saw a gradual transformation towards separation of entities to create the generation entity on one hand, transmission and transmission and distribution on the other. In the last 10 to 15 years, an independent regulatory body, ZERA, was established and charged with sector licensing, regulation and tariff setting/determination for all players in the electricity, energy and power sector. This role is however exercised in consultation and with the approval of the Ministry of Energy and Power Development as parent ministry for the sector.

This role separation within industry especially on licensing and tariff setting versus policy formulation has given more credence to sector liberalization and created the requisite confidence and room for private sector investment coming into the sector through IPPs to grow the generation capacity. Whilst the issue of tariff setting and review is a key imperative to attracting new investment in the electricity industry, ZERA has since inception managed to balance this role with the infusion of principles of cost recovery/cost reflective tariff regime to ensure that sector investments remain viable, sustainable and competitive as compared to regional and international benchmarks. There are parity issues attributable to Zimbabwe's own unique business operating environment but the increase in IPP licensing and private sector participation demonstrates the competitiveness of both the generation tariff and the transmission and distribution tariff which all translate into the cost of electricity to the end-user consumer. The following table depicts the generation tariff regime obtaining for ZPC and its comparison with the region:

| Power Station                        | USc/kWh |
|--------------------------------------|---------|
| Hwange Power Station                 | 8.14    |
| Kariba South Power Station           | 2.35    |
| Small Thermals                       | 16      |
| Average bulk supply tariff from ZERA | 5.06    |
| ZPC Blended Tariff                   | 7.35    |
| Regional Average                     | 9.13    |

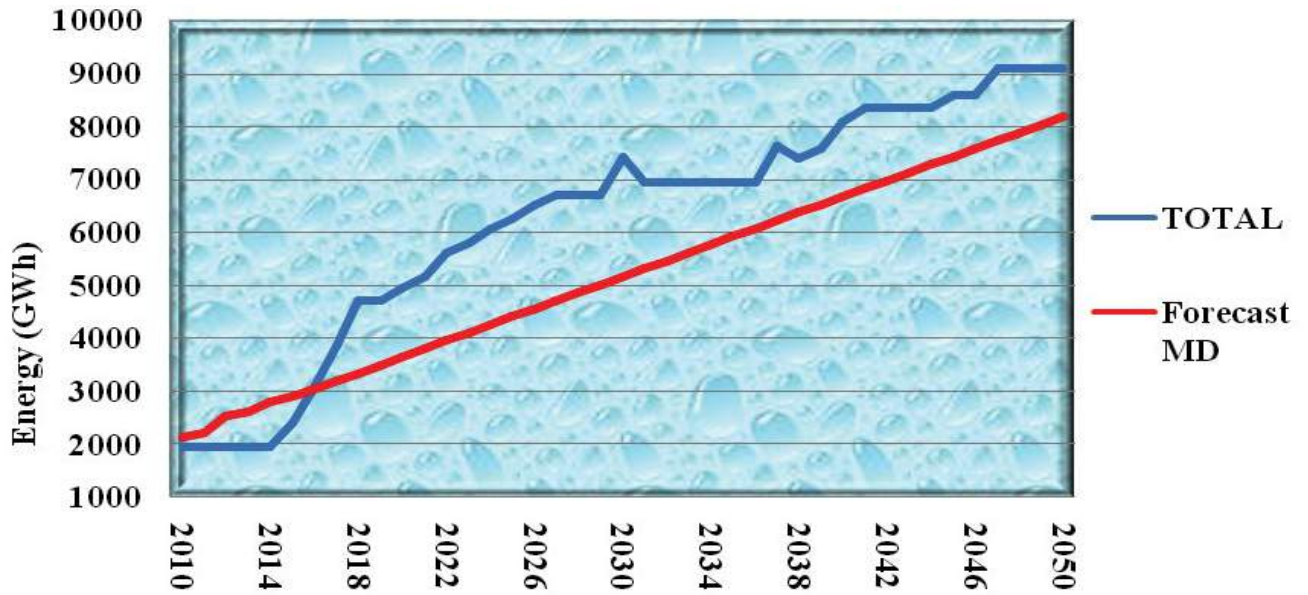
Source: ZPC

### 5.4. Future Outlook

The total existing investment in the electricity sector in Zimbabwe inclusive of generation, transmission and distribution assets but excluding liquid and other energy fuels falls short of what is recommended for developing countries by the World Bank. There is a huge demand for accelerated additional investment in generation to cover the supply side versus demand gap and in transmission to ensure a robust and more stable national grid, less vulnerable to tripping and system shocks. The levels of investment required in the sector call for a continued liberalization policy and a forward looking competitive tariff review and setting policy to encourage more private sector investment both in generation and transmission. There is also space for private sector participation in distribution to enhance efficiency and bring on board new technology interventions especially to augment demand side response and stem off wasteful consumption patterns of the electricity resource.



**Supply/Demand Projections**



Source: ZPC

Should there be no additional imports or increase in local generating capacity, the supply-demand gap in the country is projected to increase from the 700MW (2014) to 1,215MW (2018). Zimbabwe needs additional capacity to cover Expanded Rural Electrification Programme, GDP Growth/ new Investments in the economy and for imports displacement. Power supply constraints in the SADC region are expected to continue in the short to medium term due to uncertainties regarding the timing of new private IPP generation projects in Botswana and Mozambique. In the medium to long term, increased domestic power generation is the best option for ensuring security of power supply in the country, which is imperative in order to meet the current gap as well as spur and stimulate the much needed economic growth in Zimbabwe. Electricity generated in excess can be exported to other sub-regional countries with growing deficits and limited capacity to invest in and implement major generation projects.



# Part 6

## Overview of ZPC



# Overview of ZPC

## 6.1. Incorporation Details and Mandate

Under an unbundling programme, ZPC was incorporated in 1996 as a 100% owned subsidiary of ZESA Holdings (Private) Limited. It became fully operational in 1999. The Company is licensed by ZERA to construct, own, operate and maintain power generation stations for the supply of electricity in Zimbabwe.

## 6.2. ZPC's Power Generating Capacity

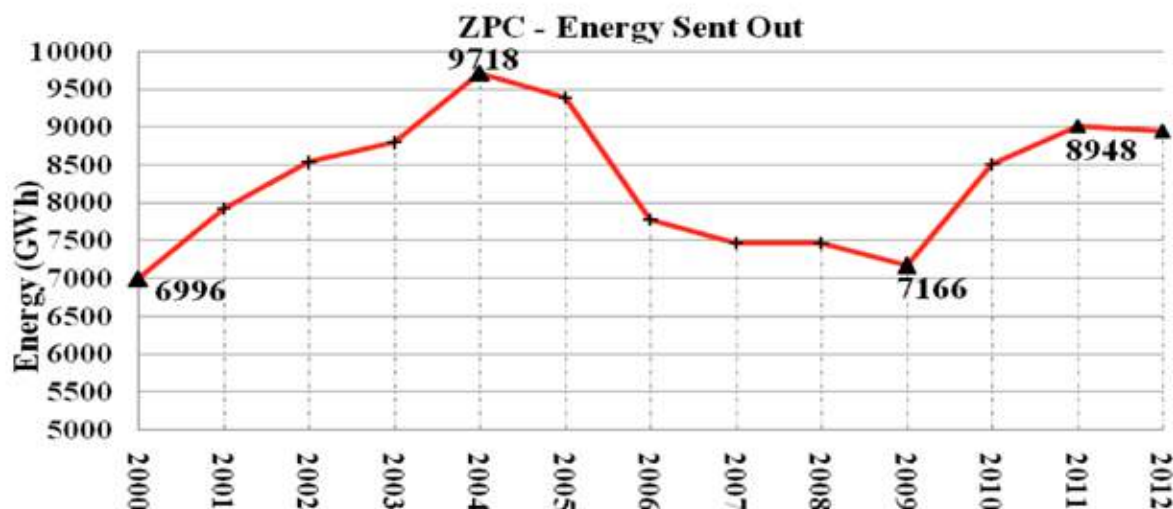
The Company owns and operates five power stations, two major ones and three small thermal power stations together with a total installed capacity of 1950MW. However, the average reliable generation capacity is approximately 1300MW and this is 33% short of the aggregate installed capacity. This supply gap emanates from ageing equipment and limited investment in refurbishments, repairs and maintenance of the existing assets over the years. The following table gives a summary of the existing power generation assets and their generation capacity status:

*Installed Capacity versus Available Capacity*

| Power Station | Type of Station | Installed Capacity | Available Capacity |
|---------------|-----------------|--------------------|--------------------|
| HPS           | Thermal         | 920 MW             | 450MW              |
| KSPS          | Hydro           | 750 MW             | 750MW              |
| Munyati       | Thermal         | 100 MW             | 40MW               |
| Bulawayo      | Thermal         | 90 MW              | 30MW               |
| Harare        | Thermal         | 90 MW              | 30MW               |
| <b>Total</b>  |                 | <b>1,950 MW</b>    | <b>1,300MW</b>     |

KSPS is the country's main energy contributor to the national grid, and currently meets more than 50% of national demand. The small thermals are generally expensive to run due to coal railage costs given their distance from Hwange coalfields and their designs and technology platforms which require higher quality grades of coal, washed cowpeas which are more expensive. They continue to be constrained by poor coal supplies and aged plant requiring modernization and upgrades to optimize production.

## 6.3. ZPC Production Performance: 2000 – 2012



ZPC experienced a decline in energy output between 2004 and 2009 due to the following major factors:

- Depressed revenue collection by ZETDC from customers who were on post-paid conventional metering system, leading to enormous challenges in mobilizing the required funding to invest in current plant maintenance to

- optimally generate from the country’s installed capacity;
- Controlled tariffs which were not cost reflective and largely uneconomic for sustaining optimal generation; and
- Lack of efficient demand side management technologies thereby ballooning the consumption side through wasteful patterns of electricity usage.

ZETDC is now working to enhance revenue collection by rolling out a prepaid metering system initially to its domestic and commercial users. ZETDC had rolled out in excess of 500,000 meters by August 2014 with a target to cover all customers before year ending 31st December 2014. There are serious engagements between Government and the power utilities to move towards cost reflective tariffs to ensure viability of the power plants and capacity to create resources for timely repairs and maintenance. This is an important imperative if the gap between installed capacity and dependable generation from existing plant is to be closed.

#### 6.4. ZPC’s Strategic Interventions

In its strategic thrust ZPC identified the following three gaps it will need to bridge to meet the country’s current and future electricity needs and prepare for a more competitive future environment:

- First Gap** - Installed (design) capacity versus available/reliable generation capacity;
- Second Gap** - Installed capacity versus required (demand) capacity; and
- Third Gap** - The organizational capacity versus capability gap. This third gap answers to the need for retaining current skills, training new skills and attracting lost skills back from the diaspora to drive and implement the ZPC strategic thrust.

ZPC is implementing strategies that are aimed at stabilizing power generation from the current installed capacity which will lead to significant increase in generation capacity in the medium to long term. In the last 3 to 5 years, ZPC has been undertaking rehabilitation, refurbishment and renovation of the existing Hwange Power Station and KSPS at the same time working on building new power plants for the period 2014-20. The plan is to improve the supply situation in the short term 2014- 2018 through rehabilitation and repowering of the existing plants, life extensions for antiquated plant and implementation of enhanced demand side management measures. The sweating of existing plant to produce optimally is a low hanging fruit and closes the first gap.

##### 6.4.1. Rehabilitation Projects

ZPC is implementing optimization projects to increase reliable capacity from current assets through refurbishments, repowering and life extensions. Below is a summary of the key projects and their respective current status reports in the implementation programme.

| Project               | Description  | Cost in USDs (Millions) | Estimated Construction Period | Status   |
|-----------------------|--|-------------------------|-------------------------------|--|
| Hwange Life Extension | Investigation of the plant and implementation of the Project                   | 500                     | 5 years                       | Completed phase 1 of stage 1 ECORAM study                  |
| KSPS                  | Refurbishment of existing plant  | 38.8                    | 24 Months                     | Capital raise; Deposit paid to suppliers for key equipment |
| Deka Pipeline Upgrade | Upgrading of the existing infrastructure and construction of a second pipeline | 28.6                    | 18 Months                     | Under implementation                                       |
| Harare Repowering     | Boiler replacement with CFBC Equipment   | 85                      | 24 Months                     | EPC Contractor appointed and capital raising underway      |
| Munyati Repowering    | Boiler replacement with CFBC Equipment   | 90                      | 24 Months                     | Draft Request for Quotation Stage                          |
| Bulawayo Repowering   | Boiler replacement with CFBC Equipment   | 90                      | 24 Months                     | Draft Request for Quotation Stage                          |

These measures will ensure plant improvement as well as extend the lives of the plants at the same time reviving existing capacity to reliable plant availability. Harare Power Station repowering is expected to guarantee 60MW of dependable power whilst Bulawayo Power Station repowering will guarantee an output of 90MW post the implementation of these projects.

#### 6.4.2. Generation Capacity Expansion, New Build Projects

ZPC has now embarked on notable plant expansion initiatives on the country’s major power stations. A number of studies have been carried out to determine the least cost options to increase the country’s local power generation capacity. The extension of KSPS and HPS through the addition of two generation units each was identified as the least cost option for increasing peaking power and base load capacities in Zimbabwe, respectively.

In line with the strategy to close Gap 2, ( i.e. between installed capacity and demand), ZPC is working on improving supply conditions through increased domestic generation by adding 300MW at KSPS and 600MW at HPS. ZPC is also at advanced stages of developing new power stations such as Gairezi 30MW mini-hydro plant in Nyanga, Manicaland Province, and solar projects for sites in Gwanda, Plumtree and Munyati. In the medium to long term, work and bilateral engagements on the implementation of Batoka Hydro Power Project have commenced. Details of the expansion projects are tabulated below:

| Project                | Description   | Estimated Cost in USDs (Millions) | Estimated Construction Period | Status   |
|------------------------|---|-----------------------------------|-------------------------------|--|
| Hwange Expansion       | Construction of 2x 300MW generating units at Hwange   | 1,300                             | 42 Months                     | Contracting Negotiations with Sino Hydro Corporation                                 |
| Kariba South Extension | 2x 150MW generating units, adding to existing KSPS    | 533                               | 40 Months                     | EPC Contractor now onsite, ground breaking done and now mobilising project resources |
| Gairezi Hydro-Power    | 2x 15MW generating units, on the Gairezi River        | 105                               | 30 Months                     | Project at tendering stage   |
| Project                | Description   | Estimated Cost in USDs (Millions) | Estimated Construction Period | Status   |
| Solar                  | 3x100MW (Gwanda, Plumtree, Munyati), 2MW (Zvishavane) | 400                               | 9 Months                      | Tendering for partner to develop 100MW in progress                                   |
| Coal Bed Methane       | CBM gas fired power plant project 600MW               | 580                               | 36 Months                     | Application for special grants in progress   |
| Batoka Gorge           | 4x 200MW generating units, along the Zambezi River    | 2,200*                            | 6 Years                       | EFS and ESIA shortlisted firms are currently being evaluated                         |

\*Zimbabwe’s share of the capacity is 50%

The liberal sector approach by ZERA has opened the sector to IPPs and this is expected to bring a number of mini-hydro and additional thermal power projects on stream spearheaded by private sector participants.

#### 6.4.3. Transmission Grid Stability

The other vital aspect of power availability is reliable and efficient transmission. ZETDC is investing towards grid stability and to reduce current vulnerabilities of the national transmission grid to shocks.

ZETDC has also started a transmission grid expansion programme to meet projected demand and ensure that the system operates within acceptable voltage limits and without dangerous overloads to equipment and tripping both under normal conditions and during emergencies. Zimbabwe lies at the epicenter of the SAPP transmission grid, with power from the north to the south coming through the ZETDC network, hence the strategy to expand and reinforce the transmission grid to ensure system stability and security of supplies.



# Part 7

## Summary of Projects to be Funded from Bond Proceeds



## Summary of Projects to be Funded from Bond Proceeds

ZPC intends to refurbish the current KSPS plant and repower Harare Power Station to ensure improved plant availability and life extension. The Company approached the IDBZ for U\$50 million to finance the two projects and IDBZ seeks to raise the required funding by issuing a five year infrastructure development bond. The Bond proceeds will be allocated to the projects as follows:

| Use of Funds                    | USD Amount           |
|---------------------------------|----------------------|
| Refurbishment of KSPS           | 38,800,000.00        |
| Harare Power Station Repowering | 11,200,000.00        |
| <b>Total</b>                    | <b>50,000,000.00</b> |

### 7.1. Kariba South Power Station

#### 7.1.1. Overview of KSPS

The existing KSPS is the country's major hydro power station, located on the south bank of Lake Kariba on the northern border of Zimbabwe. Kariba Dam is managed by Zambezi River Authority ("ZRA"), an independent corporate body jointly owned by the Governments of Zambia and Zimbabwe. The water available in the Kariba Reservoir is shared equally between Zambia and Zimbabwe. ZRA is also responsible for the allocation of water to the operators of the power plants on the Kariba Dam Complex and undertakes repair and maintenance works on the dam wall and ancillary infrastructure from time to time.

KSPS commenced with the commissioning of the first generator in 1959, and by 1962 all six generators were operational with a generation capacity of 666MW. The station was subsequently upgraded to 6 units of 125MW each resulting in a total installed capacity of 750MW.

### 7.2. KSPS Refurbishment and Extension Project

#### 7.2.1. Project Overview

The planned works at KSPS are in two parts comprising the Refurbishment and Extension Project, that is, the refurbishment of the existing KSPS plant and construction of additional two electricity generation units (commonly referred to as Units 7&8) with a capacity of 150MW each. The Refurbishment Project is aimed at improving reliability of the existing capacity whilst the extension is going to increase power to the national grid of Zimbabwe by a further 300MW. For funding purposes, the Project is also split into two main components, the Refurbishment of the existing plant and the extension of KSPS with units 7 and 8 being added to the Plant. The two projects will have different funding arrangements and different sets of implementation arrangements as outlined in Clause 7.2.7 and 7.4.5.

#### 7.2.2. KSPS Extension Project Rationale and Objectives

The principal objectives of ZPC going for the extension project are outlined as follows:

- To restore and increase Zimbabwe power generation, reliability and efficiency through power station capacity reinforcement;
- To reduce the supply-demand gap especially experienced during peak hours resulting in massive electricity rationing through load shedding;
- To promote economic development as energy is a key enabler to sustained economic development, growth and poverty eradication in the country.

The Project is further justified on the following grounds:

- There is shortage of peaking power in the region and, in that regard Zimbabwe will not be able to import power to meet increased demand during peak periods due to regional power supply constraints. Kariba South is considered the least cost alternative for capacity expansion in Zimbabwe;
- The electricity produced will be sold at cost-reflective tariffs through a long term power purchase agreement to



enable the plant to service the debt and provide the required return; and

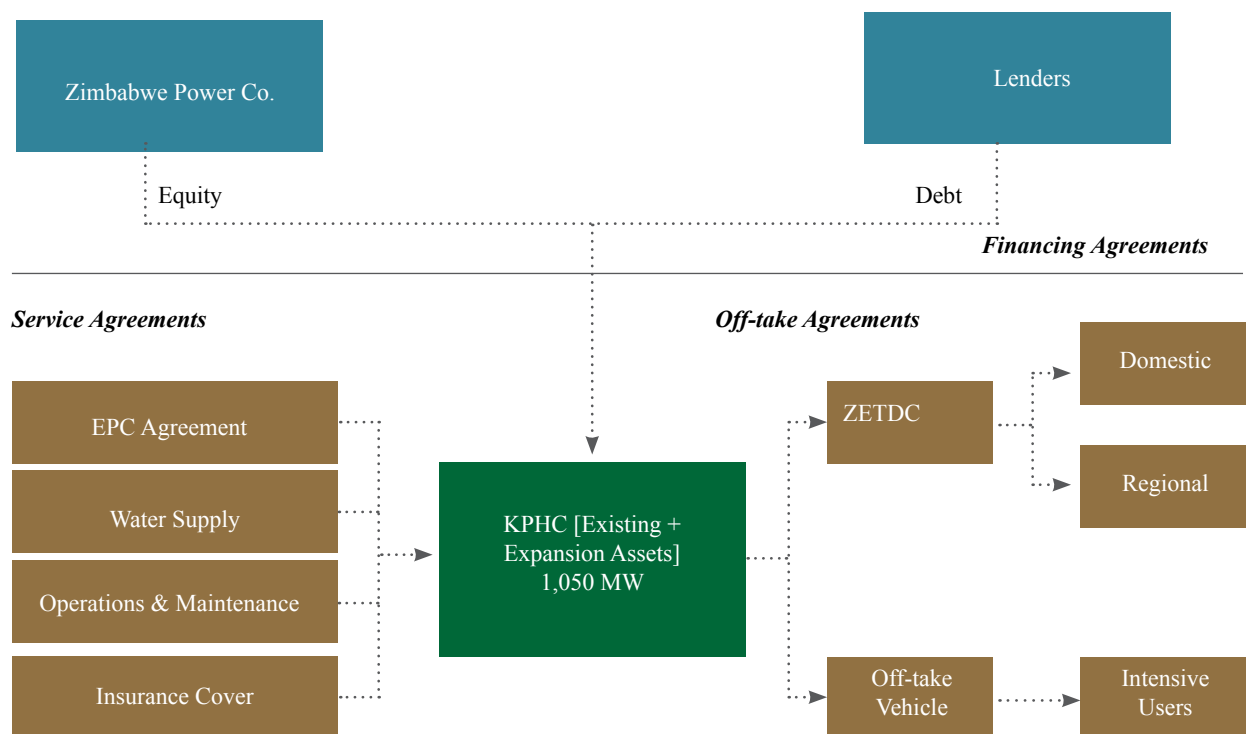
- Hydrology of Zambezi River has long term viability for power generation and has limited disturbance to the environment and eco-balance in the area within the immediate vicinity.

In view of the problem statement outlined above and the huge impact of the proposed Project on existing value chains and the relationship between ZPC and its customers, it is therefore critical that the power utility undertakes the extension project to address the challenges of second gap between installed capacity and demand.

### 7.2.3. Project Structure

A 100% ZPC owned SPV has been formed to own, operate and finance the existing assets and the proposed Project facilities. ZPC has agreed to transfer all the KSPS existing assets free of any debts and any other encumbrances into the SPV in exchange for the shares. There are a number of assets and rights that ZPC undertook to assign, lease or transfer to the SPV to facilitate the implementation of the Project. The resultant revenues from the new capacity of 1050MW will be quarantined and applied towards servicing the project debts and the SPV operations. The project will be financed entirely through debt with repayments coming from power proceeds from ZETDC and an Off-take Vehicle.

### 7.2.4. Schematic Presentation of the Project Structure



- *Equity Injection* - ZPC has agreed to assign and transfer the existing hydro power generation assets, free of debt and encumbrances to the KPHC as its equity contribution.
- *EPC Agreement* - The State Procurement Board awarded an Engineering Procurement and Construction contract to Sinohydro for the implementation of KSPS Extension Project. The contractor was appointed for the design, procurement, construction, commissioning and testing of the Project facilities. The EPC contract is on a fixed price turnkey basis.
- *Project Manager* - Hatch has been engaged to give technical support as the project manager and will be responsible for project implementation monitoring.
- *Water Supply Agreement* – A water supply agreement currently exists between ZPC and ZRA and the former has agreed to cede this agreement to the SPV. Alternatively, a new agreement will be signed between ZRA and the SPV on substantially the same terms and conditions as the current arrangements between ZPC and ZRA and will

remain in force for the duration of the PPAs.

- *Operations and Maintenance Contract* - Currently, KSPS is operated and maintained by ZPC employees who are highly qualified, trained and experienced. ZPC has been given the first right of refusal for an operator contract. ZPC intends to retain the same highly skilled resources and is lining up effective training programmes. In addition, it will work in close cooperation with the EPC contractor.
- *Insurance* - ZPC will ensure that the Project is adequately insured in line with the expectations of financiers and all the other stakeholders.
- *Off-take Agreements* - for enhancement of the investment to financiers, key off-takers to the Project have been identified as ZETDC, local intensive users particularly mining houses such as Zimplats, Unki Mine, Mimosa and Zimasco and regional utilities namely Eskom and NamPower. Each of these potential off-takers has been engaged separately with prospective PPA terms. ZETDC will be the main off-taker to supply power to the local market and regional utilities. ZETDC's collection rate has improved significantly with the introduction of the Prepaid Metering Project and this has improved its creditworthiness. Arrangements have been put in place to export some of the power to Eskom and NamPower who both have good credit ratings which will enhance creditworthiness of the off-take arrangements.
- *Grid Connection and Electricity Transmission* - The generated power will be transmitted by 3 x 330KV lines to Alaska Substation, Zimbabwe and 2 x 330KV lines to Zambia. The 3 lines to Alaska have sufficient capacity to evacuate the additional 300MW from the Extension Project. The SPV will not face any transmission risks for the delivery of its power to ZETDC and the Off-take Vehicle.

#### 7.2.5. Overview of the EPC Contractor

- Sinohydro is a large diversified group active in the global market of engineering and construction, power investment, real estate development, electrical and mechanical plant fabrication and installation.
- It has physical presence worldwide with a staff complement of more than 130,000 employees.
- Sinohydro has installed approximately 70% of China's hydro-power stations with a total installed capacity of over 130,000MW. It has more than 211 projects under construction overseas with a total contract value of over US\$16 billion.
- Sinohydro recently completed a similar project for Zambia, the Kariba North Bank extension that added an extra 360 megawatts to the Zambian national grid through the addition of two units with a capacity to produce 180 megawatts each.

#### 7.2.6. Estimated Project Cost

The Project's capital and financing costs are summarized below:

| Funding Requirement          | USD Amount         | Proportion     |
|------------------------------|--------------------|----------------|
| EPC Cost                     | 355,000,000        | 70.02%         |
| Development Costs            | 19,000,000         | 3.75%          |
| DSRA Prefunding              | 26,000,000         | 5.13%          |
| MRA Prefunding               | 6,000,000          | 1.18%          |
| EPC Cost Contingencies       | 35,000,000         | 6.90%          |
| Other Contingencies          | 9,000,000          | 1.78%          |
| Interest During Construction | 54,000,000         | 10.65%         |
| VAT Funding Requirements     | 3,000,000          | 0.59%          |
| <b>Total Project Cost</b>    | <b>507,000,000</b> | <b>100.00%</b> |

In addition to the US\$507 million, ZPC also needs US\$38.8 million for the rehabilitation and renovation of the current plant to ensure warranted capacity during the duration of the China Eximbank Facility. This is to enhance and guarantee existing plant capacity during the escrow period for the Extension Project.

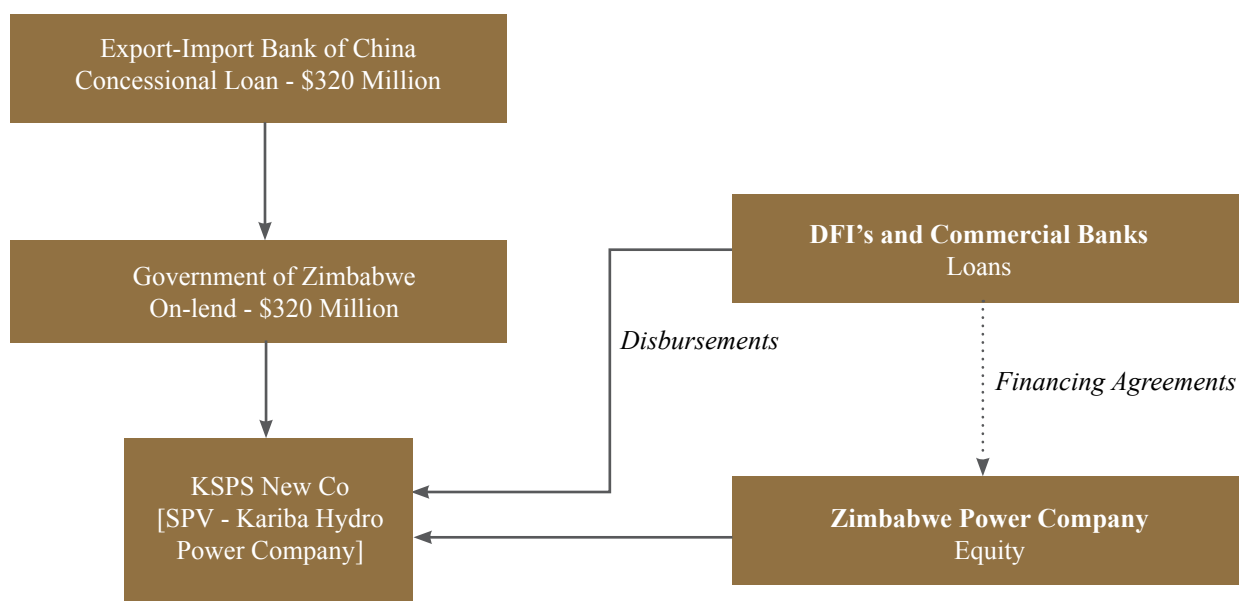
**7.2.7. Source of Funding**

The KSPS Extension project will be funded as follows:

| Source of Funds                       | Amount (USDs)         |
|---------------------------------------|-----------------------|
| Concessional Loan from China Eximbank | 319,500,000.00        |
| Loans from DFIs and Commercial Banks  | 148,000,000.00        |
| ZPC Funding (Own Contribution)        | 40,000,000.00         |
| <b>Total</b>                          | <b>507,000,000.00</b> |

- The Government of Zimbabwe secured a concessional loan from China Eximbank for on-lending to the SPV. The loan will cover approximately 90% of the Project costs. ZPC has already secured the required facilities from commercial banks to cover its own contribution and the portion that had been reserved for DFIs and commercial banks.
- The US\$40 million contribution from ZPC will finance mainly interest during construction (“IDC”).

**7.2.8. Proposed Flow of Funds**



The project has a strong underlying cash flow base from existing facilities, all of which will be available to service the Project loans. Although there is adequate security of cash flows to the lenders, all the net cash flows from the SPV will be ring-fenced for purposes of servicing the China Eximbank Facility. The ring-fenced cash flows will be transferred to an escrow account, housed at China Eximbank. This arrangement shall remain in place for a minimum duration of 20 years which is the tenure of the China Eximbank Facility, inclusive of a four (4) year grace period. A separate coupon and principal payment arrangement has been established for other financiers supporting the refurbishment of the existing plant.

**7.3. KSPS Refurbishment Project**

In order to ensure that the SPV generates sufficient cashflows during and after the construction period to meet escrow payments in line with the China Eximbank Facility Agreement, ZPC needs to optimize and stabilize power generation at the KSPS in a manner that will ensure that the warranted capacity from the existing plant is achieved throughout the tenure of the China Eximbank Facility. ZPC has lined up Refurbishment programmes for the current KSPS operations as a way of increasing reliability of the existing capacity. The KSPS Refurbishment and upgrading

projects will require US\$38.8 million to be applied towards the following projects or components of the refurbishment works:

| Refurbishment Work  | Scope of Work   |
|---|---|
| 1. Replacement of Generator Transformers                      | 3 Generator Transformers need to be replaced as they have surpassed their design life therefore requiring urgent replacement. Any failure of each of these transformers will lead to immediate loss of up to 250MW of power.  |
| 2. Refurbishment of 11KV Switchgear (11KV Cable & Protection) | The entire oil filled Switchgear will be replaced with Gas Insulated Switchgears. This will increase safety and reliability of Switchgears, minimize outages, reduce the risk of fire hence increase safety to human resources and the plant.   |
| 3. Refurbishment of Powerhouse Ventilation Plant              | The Ventilation Plant in the Powerhouse has operated to its designed life and the current refrigeration system is being phased out and replaced with environmentally friendly systems. The refurbishment will upgrade the ageing system to recover its full functionality and meet international standards. This will improve reliability of the ventilation plant and reduce the risk of loss of generation.   |
| 4. Refurbishment and upgrading of Turbine Hall Cranes         | Turbine Hall Cranes are critical in plant maintenance particularly in lifting of machine components such as the Rotor & Stator and other applications. Overtime, the current cranes have developed numerous defects including wearing out of wheels, development of excess backlash on gears in gearboxes and failure of bearings. Extensive repairs and refurbishment are aimed at restoring the cranes to full functionality and mitigate risk of failure, destruction to equipment and human resources and the resultant financial losses. |
| 5. Hydro Mechanical Equipment                                 | The Intakes and Draft Tube Hydro-Mechanical Equipment is critical for machine isolation from lake water and servicing of the entire intakes. This equipment is approaching its useful life which increases the risk of flooding, leading to destruction of plant equipment, hence the need to refurbish the hydro-mechanical and associated electrical equipment.   |
| 6. Machine Cooling Water Pipes                                | Machine Cooling Water pipe-work in the Turbine is as old as the station itself and is now showing high rates of failure hence exposing the Generator Stators to water sprays from leaks. Failure will lead to extended downtime and therefore generation losses for a prolonged period.   |
| 7. Refurbishment and Upgrading of Station Drainage System     | The station has an inherent high risk of flooding and therefore drainage systems must be fully available at all times. Current pumps, control systems, pipe-work and fittings are now aged and require replacement to minimize the risk of floods and damage to plant equipment.  |
| 8. Station Fire Detection and Suppression System              | In line with recommendations from insurers and current international standards, this project will seek to provide fire protection to all plant and equipment, as well as offices, workshops and storage facilities.   |
| 9. Refurbishment of 380V Switchgear                           | Replace the entire obsolete Switchgear (mainly Fuse-Based) and Cables with Switchgear Based on Breakers and PVC Insulated Cables.   |

Detailed information on the refurbishment projects together with funding requirements is available for inspection at IDBZ. Whilst most of the work will be handled by ZPC personnel, the supply, erection supervision and commissioning of most of the electrical equipment, transformers and hydraulics will be done by ABB and Alstom. These institutions have assisted KSPS with repairs and planned maintenance works over the years.

ABB is the world's leading supplier of products in the power and automation scope of supply for hydro power plants, from plant automation systems and electrical balance of plant to generator circuit breakers, power transformers, switchgear, motors and drives. Alstom is the world's leading hydro supplier for over 100 years and its hydro turbines and generators installed worldwide represent more than 25% of the world's total hydro power capacity today.

## 7.4. Harare Power Station Repowering

### 7.4.1. Project Background

Harare Power Station is located in the Workington Industrial area of the City of Harare. Harare Power Station commenced operations with the commissioning of Station 1 which had a capacity of 21MW at inception in 1942. Station 1 was decommissioned in 1970. Harare Power Station currently consists of two plants, namely "Harare 2" and "Harare 3". Both plants have a common coal handling and water supply system. Harare 2 was commissioned

in 1947 with an installed capacity of 75MW but later de-rated to 30MW due to uneconomical units. Harare 3 was commissioned in 1955 with a capacity of 60MW.

Station 2 consists of nine chain-grate boilers and six (6) turbo-alternators. Five boilers and three turbo-alternators have since been decommissioned. With a capacity of 60MW, Station 3 consists of pulverized fuel-fired boilers. The station also has two large turbo-alternator machines producing 30MW each. Currently one of the turbo alternators is not in service as it is awaiting turbovisory equipment for it to return to service. Stations 2 and 3 operate independently but they are linked electrically through four interconnector transformers. Presently, the dependable capacity for Station 2 is 20MW while Station 3 has a dependable capacity of 30MW. In the past the station has been shut down and ran on care and maintenance due to coal shortages and maintenance problems.

#### 7.4.2. Problem Statement

The Repowering Project will be implemented on station 2. Currently, Harare station 2 has coal fired chain grate boilers considered as old technology in power generation. The main challenge faced by the station is poor performance of the boiler plant. The Repowering Project will replace the existing boilers with CFBC boilers. CFBC technology will enable flexibility to fire a wide range of coal including cheaper low grade quality.

#### 7.4.3. Project Overview

ZPC intends to renovate the existing Harare Power Station and use more modern technology to replace the existing nine (9) small size chain grate boilers with 2 X 30MW CFBC Boilers and Refurbishment of 2X10 MW +2 X 20 MW Turbo Alternators along with all associated auxiliaries, control and instrumentation, switchgear, lighting, earthing and ducting complete in all respects. After the completion of the works project the Plant is expected to take raw materials of lower grades of coal and garbage as opposed to the previous plant that utilized raw materials of higher quality grades of coal. Garbage use has added environmental benefits as it proffers a solution to waste and garbage handling.

#### 7.4.4. Project Implementation Structure

The State Procurement Board awarded an EPC Contract to Jaguar Overseas Limited of India for the design, manufacture, supply, delivery, erection and commissioning of CFBC Boilers and their auxiliaries along with renovation / refurbishment of turbo - alternators, and all other necessary equipment of the turnkey power station on EPC concept.

#### 7.4.5. Project Costs

The estimated cost for the Repowering Project is US\$70,175,064.00 and will be financed through an Irrevocable Confirmed Foreign Letter of Credit from India Eximbank and own contribution by ZPC as follows:

| Source of Funds                       | Amount (USDs)        |
|---------------------------------------|----------------------|
| Concessional Loan from India Eximbank | 58,975,064.00        |
| ZPC Funding                           | 11,200,000.00        |
| <b>Total</b>                          | <b>70,175,064.00</b> |

ZPC's contribution will come from the Bond Proceeds and its availability is a condition precedent for access to and drawdown of the EPC funding from India Eximbank.

#### 7.4.6. Monitoring and Evaluation Framework

A project management office comprising ZPC executive management and financial, legal and engineering experts as well as a Steering Committee made up of key stakeholders' representatives has been set up to monitor the project works and evaluate progress. ZPC will assign an independent team of experts to the Project. These will include safety

experts, mechanical, electrical and civil engineers. It is expected that a completion inspection would be carried out at the completion of each project milestone / section as per the agreed project implementation contract. This will be done with the aim of meticulously verifying that all works have been carried out in accordance with the expected technical and safety standards. After the completion of the inspection exercise, the project team will then issue the contractor with a section completion certificate.

**7.4.7. Overview of the EPC Contractor**

Jaguar Overseas Limited, the EPC contractor for the Harare Power Station Repowering Project is a well-known power infrastructure construction and rehabilitation company that was founded in 1994. Jaguar has since become a large and diversified global project engineering company engaged in turnkey engineering and construction projects as well as supply projects. Jaguar is an ISO 9001: 2000 certified company with operations in Africa, S.E. Asia, the Middle East and South America. Details of references on similar work are available for inspection subject to prior arrangement, at the offices of IDBZ and ZPC.

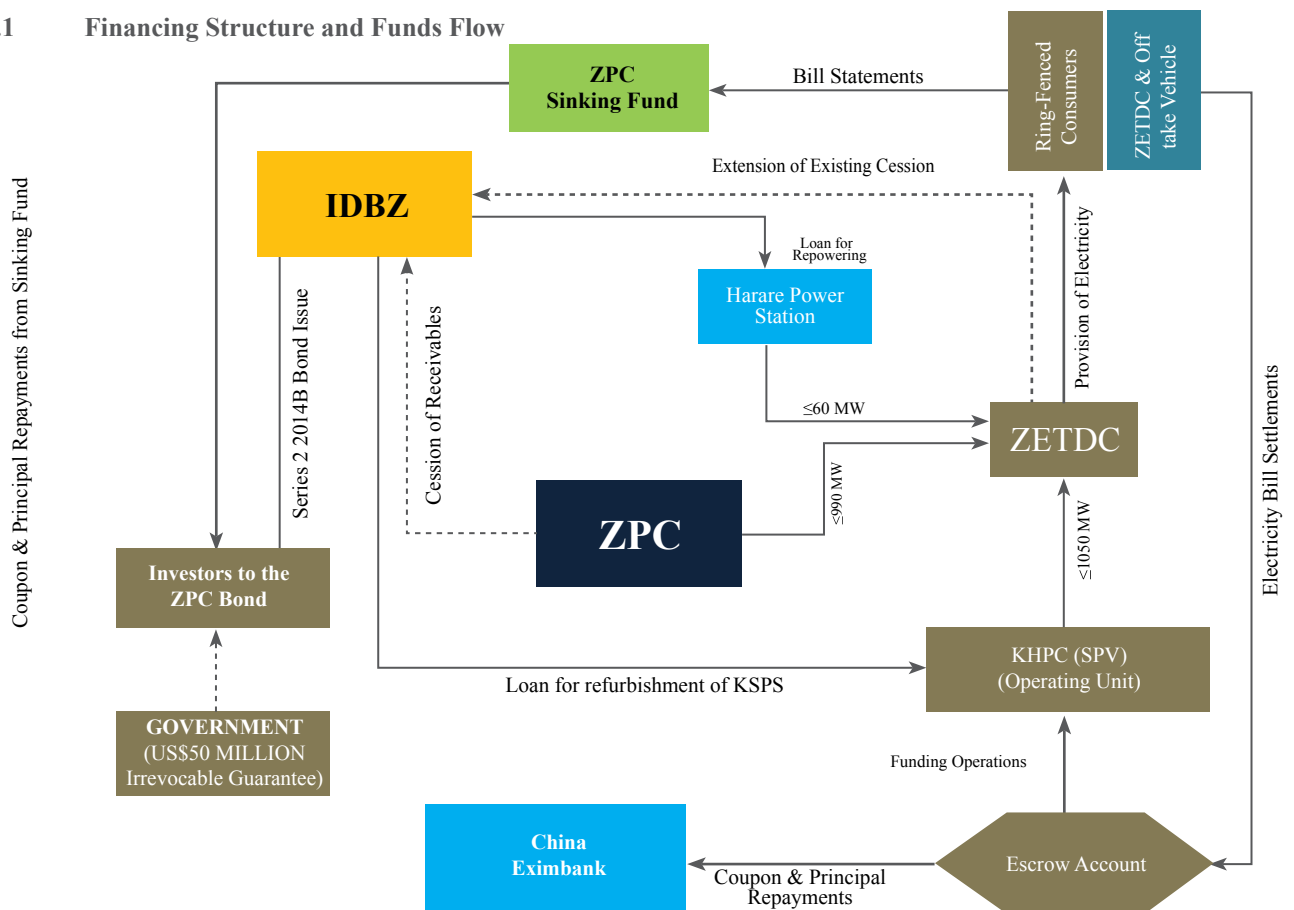
**7.5. KSPS Refurbishment and Harare Power Station Repowering Funding Requirements**

ZPC approached IDBZ for funding of the two projects and IDBZ is raising the required funding by issuing a five year Infrastructure Development Bond to finance the Refurbishment of KSPS and the Harare Power Station Repowering Projects.

The KSPS Extension Project has been granted a National Project Status and the proposed Refurbishment of the existing plant is key to ensuring the warranted capacity to the Project financiers. Below is the funding structure for the proposed US\$50m capital raise in support of both the KSPS Refurbishment and Harare Power Station Repowering Projects.

**7.6. Schematic Depiction of Proposed Funding Structure**

**7.6.1 Financing Structure and Funds Flow**





### 7.6.2. Mechanics of the Structure

- (i) As outlined in Cession Agreements available for inspection, ZPC will cede its receivables from ZETDC into a Sinking Fund domiciled at IDBZ (“the Sinking Fund”);
- (ii) To enhance the creditworthiness of the Bond, ZETDC has agreed to ring-fence some of its customers in support of ZPC by extending the ring-fencing arrangements already in place between ZETDC and IDBZ on a previous bond issue. These arrangements were established in support of IDBZ’s Infrastructure Development Bond, Series 1 2012B issued in support of the ZETDC Prepaid Metering Project. The ring-fenced customers have performed to satisfaction;
- (iii) The ring-fenced customers shall confirm in writing, acknowledging receipt of the extension of the assignment instructions and also undertaking to continue settling their invoices directly into the Sinking Fund at IDBZ as per the revenue assignment instructions from ZETDC;
- (iv) In addition to the Escrow Account arrangements in favour of China Eximbank, ZPC will supply electricity from its unencumbered assets such as Hwange Power Station and the small thermals to ZETDC and the Off-take Vehicle for onward transmission to ring-fenced customers and other consumers;
- (v) The ring-fenced customers to support this bond issue will settle their electricity bills by paying directly into the Sinking Fund (domiciled at IDBZ for ease of monitoring of performance);
- (vi) When interest and principal obligations to Bond holders 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 Bondholder Trustee for his oversight;
- (vii) In the unlikely event of revenue shortfalls from the ring-fenced customers, ZETDC will arrange immediate top up for the balance from its general revenue account to ensure that Bondholders receive the contractual amounts on due dates.

### 7.6.3. Source of Revenues to the Sinking Fund

The Sinking Fund arrangements in place for the Infrastructure Development Bond, Series 1 2012B which was issued in support of the ZETDC Prepaid Metering Project gives ZETDC the right to utilize any surpluses in the Sinking Fund.

ZETDC has accepted to cede those rights to ZPC in support of the Infrastructure Development Bond Series 2 2014B through a Revenue Assignment Agreement and to transfer the entire arrangement once the one times (1Xs) cover of all outstanding payments to the Infrastructure Development Bond, Series 1 2012B Bondholders is achieved. At the current rate of escrow in the Sinking Fund, this is expected to be achieved by 5 December 2014, a year earlier than the final redemption date for the maiden IDB Bond Issue.

#### *Analysis of the ZETDC-IDBZ Sinking Fund*

- The Sinking Fund has received monthly average accruals of US\$1.7 million over the last 19 months to 31 October 2014;
- The monthly average receipts exceed the 1.5Xs cover requirement per the Bond Issue Prospectus dated 29 October 2012 supported by this arrangement;
- If the ring-fenced customers continue paying an average of US\$1.7 million per month, the ZETDC Sinking Fund will hold a residual amount of approximately US\$11 million surplus on the next anniversary of the ZETDC Bond. This surplus will be applied towards the Bond obligations in the final year of Infrastructure Development Bond, Series 1 2012B and thus, create room to accommodate the Infrastructure Development Bond, Series 2 2014B, being issued in support of the KSPS Refurbishment and Harare Power Station Repowering Projects.

### 7.6.4. Evaluation of Ring-fenced Customers

The current Sinking Fund for the Infrastructure Development Bond Series 1 2012B is backed by ring fenced customers from diverse sectors and these include notable entities such as Trojan Nickel, Rio Zim, National Foods, Steel Makers, Tobacco Processors Zimbabwe, Mashonaland Tobacco, Delta Corporation, Zimbabwe Leaf Tobacco, Sino Zim, Colcom Foods, Bata Zimbabwe and Steel Company. These are some of the ZETDC’s quality customers operating in sectors that have been performing well since dollarization. Some of the entities are ZSE Listed blue chip companies with excellent track records.

Zimbabwe Leaf Tobacco and Tobacco Processors Zimbabwe are agro-processors in the tobacco industry. The tobacco industry has posted a remarkable recovery and upward trend in terms of volumes and quality since 2010. The country has

also experienced huge demand for its tobacco from China and Brazil and this demand has consistently outstripped supply over the last four agricultural seasons. This reinforces the capacity of these selected customers to adequately support the Sinking Fund through their reliable bill settlement track record for electricity consumption.

### 7.7. Project Risk Analysis

| Risk  | Potential Cause   | Impact on the Refurbishment and Repowering Projects  | Mitigation  |
|---|---|--|---|
| Implementation  | <ul style="list-style-type: none"> <li>Poor performance</li> </ul>  | <ul style="list-style-type: none"> <li>Cost overruns</li> <li>Project Delays</li> <li>Non-viability of project</li> </ul>                                    | <ul style="list-style-type: none"> <li>The EPC contract was awarded after a formal tender process under which a thorough due diligence exercise on all potential contractors was carried out;</li> <li>ZPC's on-site project teams will continuously monitor progress of the Refurbishment and Repowering works in line with the project implementation schedules.</li> </ul> |
| Cancellation of the EPC Contract                                      | <ul style="list-style-type: none"> <li>ZPC breaching the terms and conditions of the EPC Contract</li> </ul>  | <ul style="list-style-type: none"> <li>Litigation</li> <li>Project Delays</li> </ul>   | The contract was concluded after incorporating the views and terms of the parties involved. ZPC also engaged its team of advisors during the contract negotiation stage.  |
| Judicial attachment of ZPC assets (including power generation assets) | <ul style="list-style-type: none"> <li>Creditors suing for non – payment of debt/ Unsatisfied Court judgments (Labour disputes and general litigation)</li> </ul> | <ul style="list-style-type: none"> <li>Loss of revenue generating capability</li> <li>Project Suspension</li> </ul>  | <ul style="list-style-type: none"> <li>ZPC's power generating assets are considered to be strategic national assets. It is unforeseeable that these assets could be attached under civil judicial suits.</li> </ul>   |
| Water Supply  | <ul style="list-style-type: none"> <li>Erratic delivery of Water to Harare Power Station.</li> </ul>  | <ul style="list-style-type: none"> <li>Unplanned plant down time</li> </ul>  | <ul style="list-style-type: none"> <li>ZPC has reached advanced stages of negotiating for a dedicated water supply pipeline from ZINWA / City of Harare. The Project will augment existing water supplies to the station</li> </ul>   |
| Coal Supply   | <ul style="list-style-type: none"> <li>Erratic delivery of coal by rail</li> </ul>  | <ul style="list-style-type: none"> <li>Unplanned plant down time</li> </ul>  | <ul style="list-style-type: none"> <li>NRZ is currently refurbishing its rail infrastructure and rolling stock for capacity enhancement to be contracted to ZPC's freight requirements.</li> </ul>  |
| Technology Risk   | <ul style="list-style-type: none"> <li>The CFBC technology being introduced may not be compatible with existing plants.</li> </ul>                                | <ul style="list-style-type: none"> <li>Communication interface difficulties between the existing plants and the new and modern technology plants.</li> </ul> | <ul style="list-style-type: none"> <li>Thorough feasibility studies were carried out with the aim of assessing the compatibility of the existing plant and the plant to be added. These have proved to be positive.</li> </ul>  |

### KSPS Refurbishment Project

| Risk                     | Potential Cause   | Impact on the Refurbishment  | Mitigation  |
|--------------------------|---|--|---|
| Collapse of the Dam Wall | <ul style="list-style-type: none"> <li>Natural calamities</li> <li>Wear and tear</li> </ul>   | <ul style="list-style-type: none"> <li>Project Suspension</li> </ul>   | <ul style="list-style-type: none"> <li>Rehabilitation works on the Kariba Dam are expected to commence in the year 2015 with funding expected to come from the African Development Bank, the World Bank and the European Union.</li> </ul>  |
| Plant and Equipment Risk | <ul style="list-style-type: none"> <li>Lead times for the importation of plant and equipment being longer than anticipated</li> <li>Unavailability of required plant and equipment from the country of source</li> <li>Spare parts not readily available</li> </ul> | <ul style="list-style-type: none"> <li>Project Delays</li> <li>Cost overruns due to price escalations during delay period</li> </ul> | <ul style="list-style-type: none"> <li>The EPC Contract adequately provides for mitigation against the contractor failing to perform and delay damages.</li> <li>The Contractor is already on site and has commenced works.</li> <li>The Suppliers of key equipment to be utilized in the projects are reputable and have a verified track record in terms of similar projects completed and historical support to KSPS.</li> </ul> |
| Force Majeure            | <ul style="list-style-type: none"> <li>Natural Calamities</li> </ul>  | <ul style="list-style-type: none"> <li>Project delays or suspension</li> </ul>   | <ul style="list-style-type: none"> <li>EPC contract has adequate insurance plan in the event of a natural or industrial disaster.</li> </ul>  |
| Regulatory risk          | <ul style="list-style-type: none"> <li>Non-compliance with laws, regulations, orders or directions of regulatory authorities</li> </ul>   | <ul style="list-style-type: none"> <li>Project delays</li> <li>Cost overruns</li> <li>Litigation challenges</li> </ul>               | <ul style="list-style-type: none"> <li>ZPC has an internal legal department and engages external legal counsel to advise on material legal and regulatory risk. ZPC intends to minimize this risk by pro-actively dealing with potential regulatory risks to prevent the risk from materializing.</li> </ul>  |

# Part 8

## Key Investment Considerations



# Key Investment Considerations

## 8.1. Regulatory Environment

Both the Issuer and ZPC have a policy to comply with all relevant regulations governing their operations. New laws and regulations are introduced from time to time, some of which may be adverse to the operations of IDBZ and ZPC. Any adverse regulatory changes may impact on ZPC or the Issuer's profitability. Government of Zimbabwe as principals to both entities require the two institutions to continue to fulfill their respective mandates and all future regulatory interventions will be positively influenced by this policy thrust.

## 8.2. Political and Economic Environment

All the earnings of IDBZ and ZPC are driven from operations and assets located in Zimbabwe. Consequently, IDBZ and ZPC's financial performances are subject to the 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.

## 8.3. Underwriting

The Transaction is not underwritten. However, repayments to investors are covered by a Government Guarantee and a Sinking Fund arrangement. In the event of limited support for the expected bond value, private placements and alternative funding sources will be engaged given the criticality of, and commitment to the Projects.

## 8.4. Risk Factors relating to Projects funded from proceeds of the Bond

The Risk Factors that may affect the Projects and mitigating factors are set out in the Project Risk Analysis Section of this Prospectus.

## 8.5. 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 and defining the level of risk acceptable to the institution.

## 8.5.1. IDBZ Risk Management Approach

The IDBZ, as a development finance institution, is exposed to various risks which are managed on an integrated basis bank wide. Different business units within the Bank are responsible for identification, measurement and reporting of various elements of these risk areas, while the aggregation of the Bank's risk profile is done centrally by the Risk Management Unit at an enterprise-wide level. The Bank has in place a Board-approved Bank-Wide Risk Management ("BWRM") framework which guides and informs all Bank activities, processes, procedures, systems and policies which relate to enterprise risk management ("ERM"). The IDBZ's enterprise risk management framework provides enhanced capability to:

### a. Align risk appetite and strategy

Risk appetite is the degree of risk, on a broad-based level, that the Bank is willing to accept in pursuit of its goals. Management considers the entity's risk appetite first in evaluating strategic alternatives, then in setting objectives aligned with the selected strategy and in developing mechanisms to manage the related risks.

### b. Link growth, risk and return

IDBZ accepts risk as part of value creation and preservation, and it expects a return commensurate with the risk. Enterprise risk management provides an enhanced ability to identify and assess risks, and establish acceptable levels of risk relative to growth and return objectives.

### c. Enhance risk response decisions

Enterprise risk management provides the means to identify and select among alternative risk responses – risk avoidance, reduction, sharing and acceptance. Enterprise risk management provides methodologies and techniques for making these decisions.

### d. Minimize operational surprises and losses

It provides the Bank with enhanced capability to identify potential events, assess risk and establish responses, thereby reducing the occurrence of surprises and related costs or losses.



**e. Identify and manage cross enterprise risks**

The Bank faces a myriad of risks affecting different parts of the organisation. Management does not only manage individual risks, but also understands interrelated impacts, and ERM helps in this aspect.

**f. Provide integrated responses to multiple risk**

Business processes carry many inherent risks, and enterprise risks management enables integrated solutions for managing the risks.

**g. Seize opportunities**

Management considers potential events, rather than just risks, and by considering a full range of events, management gains an understanding of how certain events represent opportunities.

**h. Rationalise capital**

More robust information on the Bank's total risk allows management to more effectively assess overall capital needs and improve capital allocation.

**8.5.2. Risk Spectrum**

**8.5.2.1. Credit Risk**

Credit risk is the risk that the Bank's customers, clients or counterparties default on their loan, accumulated interest or other credit commitments. Default occurs when obligors are not able or willing to pay interest, repay capital or otherwise fulfil their contractual obligations under loan agreements or other credit facilities.

Credit risk is managed by a comprehensive system of credit analysis, credit approval, credit monitoring and review, and credit loss control. The Bank's Lending Policy, which is subject to continuous review, regulates the granting of all credit facilities and aspects of credit risk management.

Credit analysis involves several different activities, like evaluation of the borrower's background, structure, management and ownership, economic environment and position of the borrower, analysis and evaluation of the business plan and submitted cash flow prognosis, evaluation of familiarity, reliability, and credit history of the customer. Credit granting approvals are performed collegially by credit committees i.e. Board Investment Committee and the Management Credit Committee in accordance to the limits established

by the Board for loan sizes.

**8.5.2.2. Liquidity Risk**

Liquidity risk otherwise known as "funding liquidity risk" is the risk that a firm will not be able to meet its current and future cash flow and collateral needs, both expected and unexpected, without incurring losses, materially affecting its daily operations or overall financial condition.

The Management Asset and Liability Committee (MALCO) forms general liquidity risk management policies. It is responsible for assigning adequate allocations of assets and liabilities and planning the Bank's long-term liquidity profile. The Treasury Unit centrally manages the Bank's liquidity on a day-to-day basis. IDBZ's liquidity strategy also incorporates support to other units in areas of liquidity and capital management. IDBZ's liquidity is affected by the following factors:

- Need to fulfil clients' short-term demands for cash and marketable securities;
- Asset growth funded by transitory and often volatile large deposits;
- Ability to liquidate market positions.

**8.5.2.3. Market Risk**

Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Interest rate risks are managed by correlation of asset and liability structure (maturity difference) and by interest-sensitive position. Market risks are monitored in real time by responsible Treasury traders/dealers and daily by Risk Management responsible for reporting to the executive, regular MALCO, Risk Management Committee and Audit Committee meetings held at management level.

**Sources of interest rate risks at IDBZ:**

- Re-pricing risk – The difference between the timing of rate changes and the timing of cash flows.
- Basis risk - Risk that the spread between instruments of similar maturities will change.
- Embedded options risk - borrower options to repay loans and depositors options to make



deposits, withdrawals, and early redemptions.

A Liquidity Contingency Plan is in place to ensure efficient management of stress liquidity situations should they arise.

#### 8.5.2.4. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, procedures, systems, and people or from external events. This excludes business risk (speculative) but includes external events such as external fraud, security breaches, regulatory effects, or natural disasters. Operational risk is often non-speculative nature.

The IDBZ Operational Risk Framework includes strategies articulated in concise operational risk policies, an operational risk governance structure, operational risk monitoring, loss recording, reporting and escalation processes and risk reporting structure.

#### 8.5.2.5. Project Risk

This is the collection of threats to the management of the project and hence to the achievement of the projects end results within cost and time. The Project Sponsor/Project Manager may manage these on a day to day basis. This represents all types of project failures, e.g. financial technical, environmental, etc, all of which could not only have a financial impact for the IDBZ but could also expose the Bank to impaired/tarnished reputation.

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

- The Board supports and promotes risk management, understands and accepts the time and resource implications of any countermeasures;
- Risk management policies and the benefits of effective risk management are clearly communicated to all staff;
- A consistent approach to risk management is fully embedded in the project management processes;

#### 8.5.2.6. Strategic Risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry

changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

The Bank has in place a corporate strategy framework with milestones measured using a balanced scorecard which is reviewed by management and approved by the board annually. The corporate strategy is systematically cascaded down to the tactical and operational levels where implementation takes place, with each unit and unit members having their own balanced score cards derived from the corporate framework.

#### 8.5.2.7. Reputation Risk

Reputation risk is the risk that arises from the market perception of the manner in which the Bank packages and delivers its products and services, how staff and management conduct themselves and how it relates to the general business ethics. An adverse reputation in the market can lead to erosion of the Bank's reputation capital.

The IDBZ uses a multi-pronged strategy to manage this risk, with the public relations and corporate communications department as the champion. The Bank employs corporate governance best practices and adheres to the values of professionalism, integrity, ethics, transparency and accountability in the market place, the workplace and the community at large.

#### 8.5.2.8. Legal and Compliance Risk

This is the risk of legal or regulatory restrictions, material financial loss, or loss of reputation the Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking and other activities.

The IDBZ has in place a legal services and advisory department, which together with the Risk and Compliance department identify, assess and monitor the Bank's exposure to legal and compliance risk in its business activities, products, processes, systems and practices.

## 8.6. 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:

- 8.6.1. 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.
- 8.6.2. 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.
- 8.6.3. 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.
- 8.6.4. Reinvestment risk refers to the risk that the proceeds received from the payment of interest and principal that are available for reinvestment must be reinvested at a lower interest rate than the security that generated the proceeds.
- 8.6.5. Credit Risk: The three types of credit risk Bondholders are exposed to are:
- 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;
  - 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.
- 8.6.6. 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.
- 8.6.7. 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.
- 8.6.8. Inflation or purchasing power 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.
- 8.6.9. Volatility risk is the risk that the price of a bond with an embedded option will decline when expected yield volatility changes;
- 8.6.10. 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.
- 8.6.11. 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.
- 8.6.12. 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.

# Part 9

## Taxation and Exchange Control



# 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.

## 9.1. Payment of Interest

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

## 9.2. 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.

## 9.3. Exchange Control

The following is a general description of certain foreign 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.

9.3.1. Foreign investment on the money market is governed by the Foreign Exchange Guidelines to Authorised Dealers issued as Directive EC D1/2009 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”).

9.3.2. 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.



# Part 10

## Subscription and Sale





# Subscription and Sale

The Bonds will be sold by the Issuer through the Transfer Agent as stated in this Prospectus. The Bonds will be marketed as a public offer of securities to the general public. The Issuer intends to list the Bonds on the ZSE in due course following issuance. This section describes the elements of the Bond subscription and sale process.

## 10.1. Applications

- 10.1.1. 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.
- 10.1.2. Copies of this Prospectus, with the accompanying Bond Application Form, may be obtained from the Issuer and/or from the Transfer Agent.
- 10.1.3. 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.
- 10.1.4. The minimum application for a Bond is US\$10,000.00 with subsequent multiples of US\$1,000.00.
- 10.1.5. 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.
- 10.1.6. All alterations on the Bond Application Form, other than the deletion of alternatives, must be authenticated by the full signature of the Applicant/Applicants.
- 10.1.7. 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.
- 10.1.8. Applications sent by facsimile or by means other than methods stipulated in the Prospectus will not be accepted.
- 10.1.9. Applications, once given, are irrevocable and may not be withdrawn once submitted.
- 10.1.10. 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.

**10.2. Payment**

- 10.2.1. 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.
- 10.2.2. 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.
- 10.2.3. All charges incurred in submitting the Bond Application Form, together with the requisite funds, are for the account of the Applicant.
- 10.2.4. 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.

**10.3. Receipt of Applications**

- 10.3.1. 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.
- 10.3.2. 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.
- 10.3.3. 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.

**10.4. Treatment of Applications**

- 10.4.1. 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.
- 10.4.2. 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.
- 10.4.3. 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.
- 10.4.4. 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.
- 10.4.5. 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.
- 10.4.6. 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.

## 10.5. Bond Certificates

10.5.1. 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.

10.5.2. Applicants will not receive Bond Certificates by email or facsimile.

10.5.3. Applicants may opt to receive the Bonds in electronic (i.e. dematerialized) form for by way of crediting their Central Securities Depository (CSD) system accounts with the allocated number of Bonds, though they may opt to receive them in material form (Bond Certificates). Bondholders may opt to replace certificates with electronic and dematerialised Bonds once the CSD module for Bonds has been commissioned. Applications for such replacements will be handled through the Registrar/ Transfer Agent.

10.5.4. Trading of the Bonds on the ZSE will be under prevailing rules and regulations of the ZSE as read with the Securities Act [Chapter 24:25] and the regulations made in terms thereof.

10.5.5. Should the Bonds module on the CSD platform be operational by the time Bonds are listed on the ZSE, Applicants who elect to receive allocated Bonds in electronic form shall have their CSD 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.

10.5.6. In the case of joint applications, the joint Applicants should have a CSD Account in the name of the joint Applicants, in default of which a Bond Certificate shall be issued in the name of joint Applicants.

## 10.6. Rejection of Applications

10.6.1. Applications shall be rejected if full value of the Bonds applied for is not received.

10.6.2. 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.

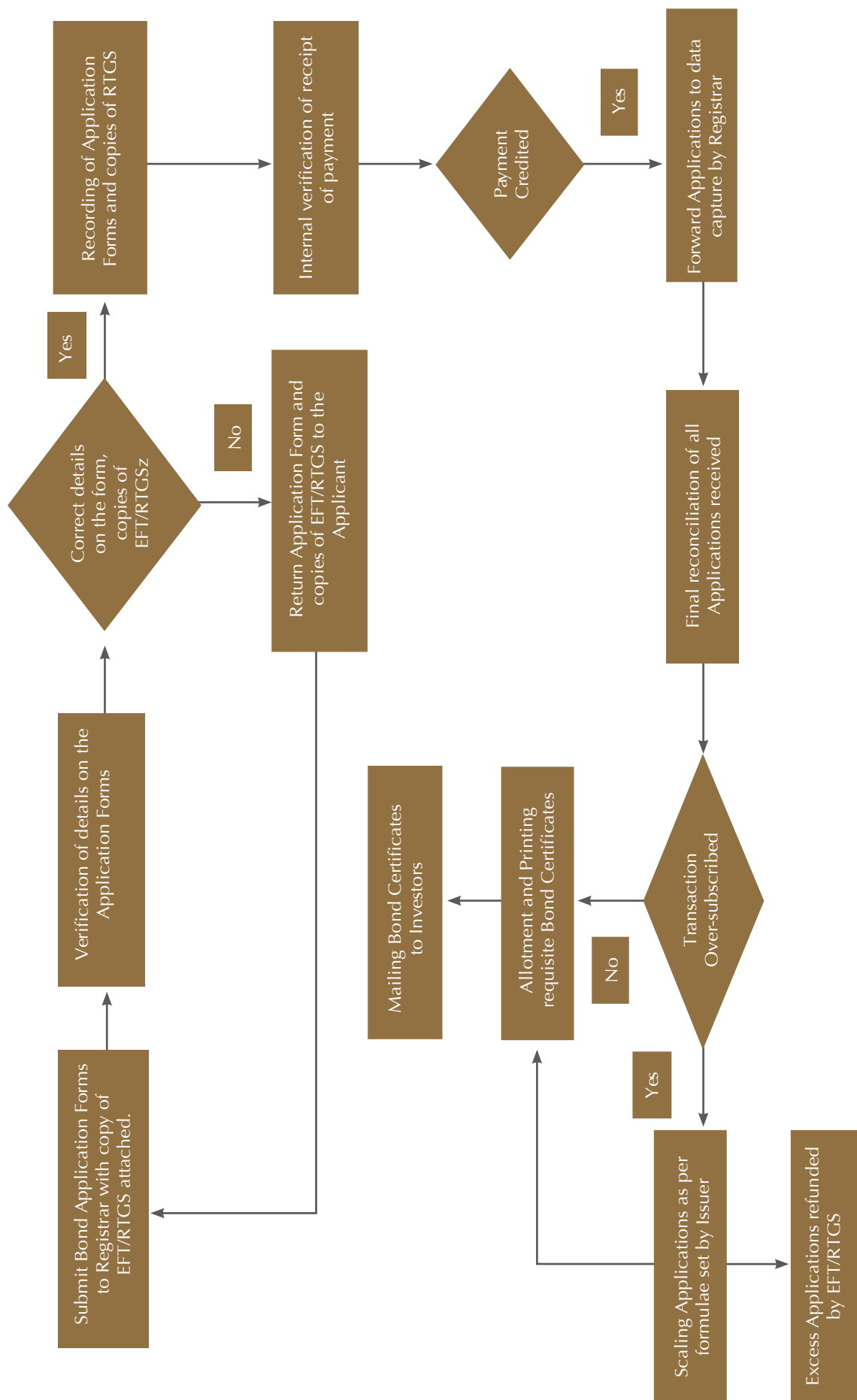
**10.7. Refunds**

- 10.7.1. Refunds will ONLY be made through EFT to an Applicant's bank account.
- 10.7.2. 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.
- 10.7.3. 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.

**10.8. Selling Restrictions**

- 10.8.1. 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.
- 10.8.2. The sale or transfer of Bonds by Bondholders will, upon listing, be subject to the rules and regulations of the ZSE, and all such other applicable laws and regulations.

Subscription Process Flow: Bond Issue Flow Chart





# Part 11

## Documents Incorporated by Reference and Available for Inspection



## Documents Incorporated by Reference and Available for Inspection

### 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 Bond by the Government of the Republic of Zimbabwe;
- (iii) Letter from Ministry of Finance & Economic Development confirming compliance with Public Finance Management Act [*Chapter 22:19*];
- (iv) Series 2 2014B Bonds, Guarantee from the Government of the Republic of Zimbabwe;
- (v) IDBZ Board resolution to issue Series 2 2014B Bond;
- (vi) Letter from the office of the Commissioner of Insurance and Pensions granting Prescribed Asset Status to the Bonds;
- (vii) Letter from the Reserve Bank of Zimbabwe granting Liquid Asset Status and Lender of Last Resort Security Status;
- (viii) Letter from Treasury confirming Tax Exemption on Coupon;
- (ix) Letter from ZETDC confirming the extension of Revenue Cession to cover the Bond Issue;
- (x) Summary of Sinking Fund Performance for the last 19 months;
- (xi) Trust Deed between the Issuer and the Bondholders Trustee;
- (xii) IDBZ Annual Reports 2009-2013;
- (xiii) Letters of comfort and status update Ref: Removal of Legacy Debt by Ministry of Finance & Economic Development
- (xiv) ZPC's Annual Reports 2009-2013;
- (xv) Project information for KSPS Extension Project Documents;
- (xvi) Project information for Harare Power Station Repowering;
- (xvii) Project information for KSPS Refurbishment;
- (xviii) Letters of Consent from the Bond Trustee and Advisors noted below;

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

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.

# Directors' Responsibility Statement

The Directors of IDBZ whose names are listed in this 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 in this Prospectus 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 Infrastructure Development Bonds.

The Directors further confirm that there are no legal proceedings, including any such proceedings which are pending or threatened, of which 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 19th day of November 2014.

## Name

## Title and Signature

Manungo, Willard Lowenstern



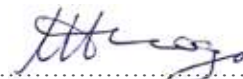
Non Executive Chairman

Chikaura, Charles



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

# Part 12

## Appendices



# Appendix 1:

Report of the Independent Auditor on the Summary  
Financial Statements





**The Directors**  
**Infrastructure Development Bank of Zimbabwe**  
**99 Rotten Row**  
**Harare**

**19 November 2014**

**Dear Sirs**

The accompanying summary consolidated financial statements, which comprise the summary consolidated statements of financial position as at 31 December 2013, the summary consolidated statement of comprehensive income, the summary consolidated statement of changes in equity and the 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 for the year ended 31 December 2013. Our audit report on those consolidated financial statements dated 19 June 2014 contained an emphasis of matter paragraph as described in the opinion paragraph.

These 2013 summary consolidated financial statements are presented together with the summary consolidated financial statements for the financial years ended 31 December 2009, 2010, 2011 and 2012. These were audited by Messrs. PricewaterhouseCoopers Chartered Accountants (Zimbabwe) and their audit opinions are as presented in those years' annual reports. We therefore placed reliance on the work of the previous auditors. The annual reports for the financial years ended 31 December 2009, 2010, 2011 and 2012, together with the annual report for 31 December 2013, are available for inspection at the registered office of IDBZ –IDBZ House, 99 Rotten Row, Harare. Those consolidated financial statements, and the summary consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of the auditor's report on those consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the Infrastructure Development Bank of Zimbabwe.

#### **Directors' Responsibility for the Summary Financial Statements**

The Directors are responsible for the preparation and fair presentation of the summary consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of summary consolidated financial statements that

are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

#### **Opinion**

In our opinion, the summary financial statements derived from the audited financial statements of the Infrastructure Development Bank of Zimbabwe for the financial year ended 31 December 2013 are consistent, in all material respects, with those financial statements. Our audit report dated 19 June 2014 on the consolidated financial statements of the Group for the year ended 31 December 2013 includes the following emphasis of matter paragraph.

#### **Emphasis of matter**

We draw your attention to the matters highlighted below:

- As disclosed in note 19 of the consolidated financial statements, the Group has shareholder loans denominated in various foreign currencies amounting to US\$39,889,575 (2012: US\$37,544,268) as at 31 December 2013, 80% of which are guaranteed by the Government of Zimbabwe. The loans are past due and the Group is unable to service the interest charges and to repay the capital.
- For the year ended 31 December 2013, total liabilities of the Group exceeded total assets by US\$6,357,901 (2012: US\$11,344,865).

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our audit opinion is not qualified in respect of these matters.

Yours faithfully

*(Signed on original)*

DELOITTE & TOUCHE  
Chartered Accountants (Zimbabwe)

19 November 2014

## Consolidated Statements of Financial Position

|  | 2013<br>US\$       | 2012<br>US\$        | 2011<br>US\$        | 2010<br>US\$        | 2009<br>US\$        |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|
| <b>ASSETS</b>                                      |                    |                     |                     |                     |                     |
| Cash and cash equivalents                          | 3 286 076          | 10 897 032          | 23 748 808          | 54 047 242          | 1 870 663           |
| Financial assets at FVTPL                          | 8 851              | 6 198               | 43 904              | 47 927              | 44 351              |
| Available for sale assets                          | 5 534 695          | 173 156             | -                   |                     |                     |
| Loans and advances to customers                    | 63 254 495         | 66 443 494          | 30 548 961          | 38 831 714          | 7 859 223           |
| Assets pledged as collateral                       | 12 494 118         | 11 224 420          | 11 029 971          | 13 856 345          | -                   |
| Trade and other receivables                        | 2 153 000          | 3 769 328           | 4 520 195           | 1 620 422           | 943 564             |
| Investment in associates                           | 1 892 580          | 2 599 337           | 1 696 055           | 1 969 085           | 1 001 585           |
| Inventories  | 1 326 744          | 185 249             | 249 941             | 1 251 744           | 1 147 697           |
| Investment property                                | 11 472 305         | 11 128 092          | 6 447 760           | 5 361 860           | 3 683 125           |
| Intangible assets                                  | 473 040            | 665 632             | 706 878             | -                   | -                   |
| Property and equipment                             | 4 023 038          | 4 398 337           | 4 123 830           | 4 154 927           | 3 898 007           |
|  | 105 918 942        | 111 510 275         | 83 116 303          | 121 141 266         | 20 448 215          |
| Non-current assets held for sale                   | -                  | -                   | 338 846             | 264 861             | -                   |
| <b>Total assets</b>                                | <b>105 918 942</b> | <b>111 510 275</b>  | <b>83 455 149</b>   | <b>121 406 127</b>  | <b>20 448 215</b>   |
| <b>EQUITY AND LIABILITIES</b>                      |                    |                     |                     |                     |                     |
| <i>Equity attributable to owners of the parent</i> |                    |                     |                     |                     |                     |
| Share capital                                      | 24 490             | 23 311              | 23 311              | 21 537              | -                   |
| Share premium                                      | 9 171 552          | 5 847 969           | 5 847 969           | 849 743             | -                   |
| Amount awaiting allotment                          | -                  | -                   | -                   | -                   | 850 000             |
| Non-distributable reserves                         | (22 373 613)       | (22 373 613)        | (22 373 613)        | (22 373 613)        | (22 365 988)        |
| Fair value reserve                                 | 1 575 182          | -                   | -                   | -                   | -                   |
| Retained earnings/(accumulated losses)             | 4 782 329          | 4 681 067           | 1 606 756           | 874 189             | (3 082 699)         |
|  | (6 820 060)        | (11 821 266)        | (14 895 577)        | (20 628 144)        | (24 598 687)        |
| Non-controlling interest                           | 462 159            | 476 401             | 537 427             | 555 303             | 536 535             |
| <b>Total equity</b>                                | <b>(6 357 901)</b> | <b>(11 344 865)</b> | <b>(14 358 150)</b> | <b>(20 072 841)</b> | <b>(24 062 152)</b> |
| <b>LIABILITIES</b>                                 |                    |                     |                     |                     |                     |
| Deposits from customers                            | 36 164 718         | 57 070 817          | 46 702 685          | 19 662 703          | 7 113 474           |
| Foreign lines of credit                            | 49 595 104         | 39 797 560          | 37 164 316          | 36 446 555          | 36 295 815          |
| Local lines of credit                              | 23 105 367         | 22 910 708          | 10 821 136          | 83 136 571          | -                   |
| Other Liabilities                                  | 3 411 654          | 3 076 055           | 3 125 162           | 2 233 139           | 1 101 078           |
| <b>Total Liabilities</b>                           | <b>112 276 843</b> | <b>122 855 140</b>  | <b>97 813 299</b>   | <b>141 478 968</b>  | <b>44 510 367</b>   |
| <b>Total equity and liabilities</b>                | <b>105 918 942</b> | <b>111 510 275</b>  | <b>83 455 149</b>   | <b>121 406 127</b>  | <b>20 448 215</b>   |

## Consolidated Statements of Comprehensive Income

|  | 2013<br>US\$ | 2012<br>US\$ | 2011<br>US\$ | 2010<br>US\$ | 2009<br>US\$ |
|--|--------------|--------------|--------------|--------------|--------------|
| Interest and similar income                        | 13 421 294   | 13 513 891   | 14 886 407   | 10 900 132   | 1 345 418    |
| Interest and similar expense                       | (8 007 498)  | (6 547 998)  | (4 952 009)  | (5 503 799)  | (2 059 652)  |
| Net interest income/(loss) after impairment charge | 5 413 796    | 6 965 893    | 9 934 398    | 5 396 333    | (714 234)    |
| Loan impairment charge                             | (1 289 021)  | (2 097 028)  | (5 745 473)  | (2 923 521)  | (514 757)    |
| Net interest income after impairment charge        | 4 124 775    | 4 868 865    | 4 188 925    | 2 472 812    | (1 228 991)  |
| Fee and commission income                          | 5 340 967    | 2 398 819    | 2 874 242    | 1 454 052    | 710 246      |
| Net gains/(losses) on financial assets at FVTPL    | 2 653        | 3 542        | (4 023)      | 3 575        | 5 142        |
| Dividend income                                    | 265          | 1 224        | 1 789        | -            | -            |
| Other operating income                             | 897 226      | 1 628 227    | 434 253      | 1 895 933    | 623 429      |
| Fair value gain/ (loss) on investment property     | 1 320 350    | 4 264 869    | 1 016 750    | 1 693 236    | (419 100)    |
| Net foreign exchange (losses) / gains              | (329 063)    | 337 088      | 1 472 124    | 1 410 406    | (423 353)    |
| Operating expenses                                 | (10 063 419) | (9 772 524)  | (8 570 479)  | (4 973 703)  | (2 282 836)  |
| Share of loss from associates                      | (706 757)    | (220 858)    | (198 890)    | -            | -            |
| Profit/(loss) for the year                         | 586 997      | 3 509 252    | 1 214 691    | 3 956 311    | (3 015 463)  |
| Other comprehensive income                         | 1 575 182    | -            | -            | -            | -            |
| Total comprehensive income/ (loss) for the year    | 2 162 179    | 3 509 252    | 1 214 691    | 3 956 311    | (3 015 463)  |
| Total comprehensive income/(loss) attributable to: |              |              |              |              |              |
| Equity holders of the parent entity                | 2 176 422    | 3 574 289    | 1 232 567    | 3 955 934    | (3 101 249)  |
| Non-controlling interest                           | (14 243)     | (65 037)     | (17 876)     | 377          | 85 786       |
|  | 2 162 179    | 3 509 252    | 1 214 691    | 3 956 311    | (3 015 463)  |

## Consolidated Statements of Cash Flows

|  | 2013<br>US\$ | 2012<br>US\$ | 2011<br>US\$ | 2010<br>US\$ | 2009<br>US\$ |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Cash flows from operating activities</b>                  |              |              |              |              |              |
| Profit/(loss) for the year                                   | 586 997      | 3 509 252    | 1 214 691    | 3 956 311    | (3 015 463)  |
| <b>Adjustments of non-cash items:</b>                        |              |              |              |              |              |
| Depreciation of property and equipment                       | 522 443      | 343 068      | 354 509      | 340 431      | 301 747      |
| Amortisation   | 258 786      | 231 038      | 93 014       | -            | -            |
| Loan impairment charge                                       | 1 289 021    | 2 097 028    | 5 745 473    | 2 923 521    | 514 757      |
| Net foreign exchange loss/(gain)                             | 1 103 110    | 137 905      | (711 955)    | (1 410 406)  | -            |
| Profit on disposal of property and equipment                 | (123 643)    | 177 580      | -            | -            | -            |
| Profit on disposal of subsidiaries                           | -            | (494 061)    | -            | (38 695)     | (107 519)    |
| Profit on disposal of investment property                    | (32 137)     | (553 000)    | -            | (3 000)      | 419 200      |
| Fair value (gain)/loss on investment property                | (1 288 213)  | (3 711 869)  | (1 016 750)  | (1 690 298)  | -            |
| Non-cash interest expense on foreign lines of credit         | 1 247 013    | 1 313 566    | 2 066 265    | 1 403 402    | -            |
| Changes in provisions  | 128 186      | 849 189      | 985 359      | -            | -            |
| Net losses on financial assets at FVTL                       | (2 653)      | (3 542)      | 4 023        | (3 575)      | (5 142)      |
| Share of (profits)/losses from associate                     | -            | -            | -            | -            | -            |
| Repayment of loan through encumbered assets                  | 706 757      | 220 858      | 198 890      | -            | -            |
| Other non-cash items   | 18 537       | (1 200 000)  | -            | -            | -            |
|  | (7 723)      | -            | -            | 118 376      | -            |
|  | 4 414 204    | 2 909 289    | 8 867 848    | 5 596 067    | (1 892 420)  |
| <b>Changes in:</b>   |              |              |              |              |              |
| Loans and advances to customers                              | 1 899 978    | (37 991 561) | 2 537 280    | (34 116 467) | (6 424 467)  |
| Assets pledged as collateral                                 | (1 249 698)  | (214 449)    | 2 826 374    | (13 856 345) | -            |
| Financial assets at FVTPL                                    | -            | -            | -            | (3 576)      | (2 940)      |
| Other receivables and prepayments                            | 1 616 328    | 211 254      | (2 899 773)  | (825 311)    | (1 302 890)  |
| Deposits from customers                                      | (20 906 099) | 10 368 132   | 27 039 983   | 12 549 229   | 7 103 749    |
| Foreign lines of credit                                      | -            | -            | -            | -            | 1 816 955    |
| Inventories  | (1 141 495)  | 64 692       | -            | 83 136 571   | -            |
| Other liabilities  | (311 086)    | (49 107)     | 268 594      | 1 172 067    | 445 686      |
| <b>Net cash inflow/(outflow) from operating activities</b>   | (15 677 868) | (24 701 750) | (38 640 305) | 53 652 235   | (256 327)    |
| <b>Cash flow from investing activities</b>                   |              |              |              |              |              |
| Acquisition of property and equipment                        | (161 746)    | (359 159)    | (687 667)    | (597 351)    | (12 963)     |
| Proceeds from sale of property and equipment                 | 138 226      | 38 925       | -            | 38 695       | -            |
| Purchase of interest in associates                           | -            | (1 050 000)  | -            | (967 500)    | -            |
| Sale of interest in a subsidiary to non-controlling interest | -            | 687 831      | -            | -            | 12 225       |
| Purchase of available for sale financial assets              | (461 595)    | (173 156)    | -            | -            | -            |
| Purchase of investment property                              | -            | -            | -            | -            | (1 725)      |
| Purchase of intangible assets                                | (66 194)     | (189 454)    | (435 636)    | -            | -            |
| Proceeds from sale of investment property                    | 976 137      | 252 100      | -            | 50 500       | 56 625       |
| <b>Net cash inflow/(outflow) from investing activities</b>   | 424 828      | (792 913)    | (1 123 303)  | (1 475 656)  | 54 162       |

## Consolidated Statements of Cash Flows

|  |                  |                   |                   |                   |                  |
|--|------------------|-------------------|-------------------|-------------------|------------------|
| <b>Cash flow from financing activities</b>                             |                  |                   |                   |                   |                  |
| Payment of dividends   | -                | (499 978)         | (500 000)         | -                 | -                |
| Repayment of foreign lines of credit                                   | (661 512)        | (1 200 000)       | -                 | -                 | -                |
| Increase in foreign lines of credit                                    | 8 113 750        | 2 253 292         | -                 | -                 | -                |
| Increase/ (decrease) in bonds and local lines of credit                | 13 620 102       | 17 950 965        | (72 315 435)      | -                 | -                |
| Repayment of local lines of credit                                     | (4 474 556)      | (5 861 393)       | -                 | -                 | -                |
| Repayment of bonds   | (8 950 887)      | -                 | -                 | -                 | -                |
| Issue of shares  | -                | -                 | 5 000 000         | -                 | -                |
| Capital injection  | -                | -                 | -                 | -                 | 850 000          |
| Net cash (outflow)/inflow from financing activities                    | 7 646 897        | 12 642 887        | (67 815 435)      | -                 | 850 000          |
| Net increase/(decrease) in cash and cash equivalents                   | (7 606 143)      | (12 851 777)      | (30 298 434)      | 52 176 579        | 647 835          |
| Cash and cash equivalents at the beginning of the year                 | 10 897 032       | 23 748 808        | 54 047 242        | 1 870 663         | 1 222 828        |
| Effect of exchange rate fluctuations on cash and cash equivalents held | (4 813)          | -                 | -                 | -                 | -                |
| <b>Cash and cash equivalents at the end of the year</b>                | <b>3 286 076</b> | <b>10 897 032</b> | <b>23 748 808</b> | <b>54 047 242</b> | <b>1 870 663</b> |



# Consolidated Statements of Changes in Equity

|  | Share Capital | Share premium | Non-distributable Reserve ("NDR") | Fair Value reserve | Retained earnings | Total before non-controlling interest | Non-controlling interest | Total equity |
|--|---------------|---------------|-----------------------------------|--------------------|-------------------|---------------------------------------|--------------------------|--------------|
|  | US\$          | US\$          | US\$                              | US\$               | US\$              | US\$                                  | US\$                     | US\$         |
| Balance as at 31 December 2012                         | 23 311        | 5 847 969     | (22 373 613)                      | -                  | 4 681 067         | (11 821 266)                          | 476 402                  | (11 344 865) |
| Profit for the year                                    | -             | -             | -                                 | -                  | 601 240           | 601 240                               | (14 243)                 | 586 997      |
| Other comprehensive income                             | -             | -             | -                                 | 1 575 182          | -                 | 1 575 182                             | -                        | 1 575 182    |
| Fair value reserve available for sale financial assets | -             | -             | -                                 | -                  | -                 | -                                     | -                        | -            |
| Transactions with owners of the Group                  | 1 179         | 3 323 583     | -                                 | -                  | -                 | 3 324 762                             | -                        | 3 324 762    |
| Dividend declared                                      | -             | -             | -                                 | -                  | (499 977)         | (499 977)                             | -                        | (499 977)    |
| Balance as at 31 December 2013                         | 24 490        | 9 171 552     | (22 373 613)                      | 1 575 182          | 4 782 329         | (6 820 060)                           | 462 159                  | (6 357 901)  |
| Balance as at 1 January 2012                           | 23 311        | 5 847 969     | (22 373 613)                      | -                  | 1 606 756         | (14 895 577)                          | 537 427                  | (14 358 150) |
| Profit for the year                                    | -             | -             | -                                 | -                  | 3 574 289         | 3 574 289                             | (65 037)                 | 3 509 252    |
| Other comprehensive income                             | -             | -             | -                                 | -                  | -                 | -                                     | -                        | -            |
| De-recognition of non-controlling interest             | -             | -             | -                                 | -                  | -                 | -                                     | 4 011                    | 4 011        |
| Dividend paid  | -             | -             | -                                 | -                  | (499 978)         | (499 978)                             | -                        | (499 978)    |
| Balance as at 31 December 2012                         | 23 311        | 5 847 969     | (22 373 613)                      | -                  | 4 681 067         | (11 821 266)                          | 476 402                  | (11 344 865) |

# Appendix 2:

## Report of the Independent Assurance Provider



**The Directors**  
**Infrastructure Development Bank of Zimbabwe**  
**99 Rotten Row**  
**Harare**

**19 November 2014**

**Dear Sirs**

**INDEPENDENT ASSURANCE PROVIDER REPORT  
ON INFRASTRUCTURE DEVELOPMENT BONDS  
OF UP TO SIXTY-FIVE MILLION UNITED STATES  
DOLLARS (US\$65,000,000)**

**Introduction**

We have performed our assurance engagement procedures listed below, following the extension of the Revenue Assignment Agreement signed by Infrastructure Development Bank of Zimbabwe (“IDBZ” or “the Bank”), Zimbabwe Electricity Transmission and Distribution Company (Private) Limited (“ZETDC”) and Zimbabwe Power Company (Private) Limited (“ZPC”), for a 5 year period, the directors of IDBZ are proposing to raise the following:

- an additional top-up facility of fifteen million United States of America dollars (US\$ 15,000,000) for the ZETDC, in the form of Series 1 2014B Infrastructure Development Bonds (“Bonds”) for the purposes of completing the pre-paid metering project; and
- an amount of fifty million United States of America dollars (US\$ 50,000,000) for ZPC, in the form of Series 2 2014B Bonds for the purposes of the Refurbishment of ZPC’s Kariba South Power Station and Repowering of Harare Power Station.

We were given the mandate to perform the following reasonable assurance procedures:

1. Assess monthly electricity bill settlement inflows into the Sinking Fund from the ring-fenced customers over the 19 months ended 31 October 2014.
2. Establish an average monthly inflow figure for the 19 months ended 31 October 2014 under the existing Series I 2012B Bonds for thirty million United States of America dollars (US\$30,000,000).
3. Assess the adequacy of the current inflows to service the combined obligations of Series 1 2014B and Series 2 2014B Bonds.

4. Evaluate whether the current Series I 2012B Bonds Sinking Fund balance and the projected inflows to 5 December 2014 are sufficient to cover the outstanding principal and coupon obligations.

**Management’s responsibility**

IDBZ management is responsible for the completeness and accuracy of the Series I 2012B Sinking Fund bank statement and the preparation of the combined ZETDC Series 1 2014B and Series 2 2014B amortisation schedule.

**Assurance provider’s responsibility**

Our responsibility is to express a conclusion on the review of the Revenue Assignment Agreement, the Series I 2012B Sinking Fund bank statements and the combined Series 1 2014B and Series 2 2014B amortisation schedule provided, based on conducting a reasonable assurance engagement. We performed our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (“ISAE”) 3000 Assurance Engagements Other Than Audits or Reviews of Historical Information. This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain reasonable assurance about whether the report is free from material misstatement.

Our assurance engagement involves performing procedures to obtain sufficient appropriate evidence about the information contained in the report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement in preparing the report, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.



## Evaluation

Based on our review, our opinion is as follows:

1. Monthly average electricity bill settlement inflows from the ring-fenced customers was on average US\$1.7m, which is in line with the amount stated in the “Sources of Revenue to the Sinking Fund” section of this prospectus. If maintained at these levels the monthly receipts will adequately cover the combined monthly Sinking Fund obligations (1x cover) for Series 1 2014B (US\$15 million) and Series 2 2014B (US\$50 million).
2. The 12-month rolling average over the 19 month period ended 31 October 2014 presented a constant inflow trend month on month. Assuming all conditions remain unchanged, we expect the monthly average electricity bill settlement inflows to present a similar trend, thereby meeting the monthly Sinking Fund obligation target of 1x cover.
3. The Sinking Fund Arrangement currently in place appears sufficient to sustain the bi-annual principal and coupon repayment obligations of the bond instruments over the 60 months tenure (computed from December 2014).
4. Based on the current Sinking Fund balances and the projected inflows to 5 December 2014, the Sinking Fund appears sufficient to service the outstanding principal and coupon of US\$20 million and US\$2 million respectively for the Series I 2012B Bonds.

## Forward looking statement

Certain assertions made in our review constitute forward-looking statements. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: strategy; the economic outlook for the country; growth prospects and outlook for operations, individually or in the aggregate; liquidity and capital resources. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such risks, uncertainties and other factors, include technical analysis,

general economic and business conditions, industry trends, interest rate fluctuations, changes in business strategy and other risks. PwC based these forward-looking statements on particular assumptions and actual results may differ materially from those expressed by the model. Owing to this risk, there can be no assurance that the accuracy of the results can be guaranteed.

## Conclusion

Based on our work, nothing has come to our attention that causes us to believe the following:

- the monthly receipts will not adequately cover the combined monthly Sinking Fund obligations for Series 1 2014B (US\$15 million) and Series 2 2014B (US\$50 million) over the 60 month tenure; and
- the current Sinking Fund balances and the projected inflows to 5 December 2014, will not sufficiently service the outstanding principal and coupon of US\$20 million and US\$2 million respectively for the Series I 2012B Bonds.

Yours faithfully

*(Signed on original)*

PricewaterhouseCoopers  
Chartered Accountants (Zimbabwe)

# Appendix 3:

## Form of Bond Certificate and Transfer Form



|                    |                             |
|--------------------|-----------------------------|
| Bond Series Number | <b>Series 2 2014B Bonds</b> |
| Certificate Number |                             |

|                  |  |
|------------------|--|
| Transaction Type |  |
| Transaction Date |  |

# BOND CERTIFICATE



Infrastructure Development Bank of Zimbabwe

( Established in terms of Section 3 of the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14] )  
 US\$ 50,000,000.00 FIVE YEAR FIXED RATE UNSUBORDINATED INFRASTRUCTURE DEVELOPMENT BONDS

This Bond Certificate certifies that \_\_\_\_\_ the " Bondholder"  
 of; \_\_\_\_\_ Address  
 is, as at the date hereof, registered as the holder of \_\_\_\_\_ Principal Amount

of Fixed Rate, Unsubordinated Bonds referred to above of Infrastructure Development Bank of Zimbabwe (the "Issuer") on the terms of the Trust Deed referred to in the Terms and Conditions (the "Terms and Conditions") endorsed hereon. The Bonds are subject to the Terms and Conditions and are issued subject to, and with the benefit of, the Trust Deed referred to in the Terms and Conditions. Expressions defined in the Terms and Conditions have the same meanings in this Bond Certificate.

The Issuer, for value received, promises to pay to the holder of the Bond(s) represented by this Bond Certificate upon presentation and (when no further payment is due in respect of the Bond(s) represented by this Bond Certificate) surrender of this Bond Certificate on the Record Date (or on such earlier date as the amount payable upon early redemption in accordance with the Terms and Conditions falls due) the amounts payable upon redemption under the Terms and Conditions in respect of the Bonds represented by this Bond Certificate and to pay interest in respect of such Bonds from the Issue Date in arrears at the rates, in the amounts and on the dates for payment provided for in the Terms and Conditions together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions of the Bond Issue.

For the purposes of this Bond Certificate, (a) the holder of the Bond(s) represented by this Bond Certificate is bound by the provisions of the Trust Deed, (b) the Issuer certifies that the Bondholder is, at the date hereof, entered in the Register as the holder of the Bond(s) represented by this Bond Certificate, (c) this Bond Certificate is evidence of entitlement only, (d) title to the Bond(s) represented by this Bond Certificate passes to the transferee only on due registration on the Register, and (e) only the holder of the Bond(s) represented by this Bond Certificate is entitled to payments in respect of the Bond(s) represented by this Bond Certificate.

**This Bond Certificate shall not become valid for any purpose until authenticated by or on behalf of the Transfer Agent, Corpserve Registrars (Private) Limited.**

**ISSUER'S EXECUTION**  
 IN WITNESS whereof, the Issuer **INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE**, has caused this Bond Certificate to be signed on its behalf by:

**CERTIFICATE OF AUTHENTICATION**  
 This Bond Certificate is authenticated by or on behalf of the Transfer Secretary: **CORPSEERVE REGISTRARS**,  
 2nd Floor ZB Centre, Corner First Street / K. Nkrumah Avenue, Harare:

\_\_\_\_\_  
 Chief Executive Officer

\_\_\_\_\_  
 Authorised Signatory  
 (for the purposes of authentication only)

**Company Secretary**

**Date**

|                                      |                |                   |               |                      |               |
|--------------------------------------|----------------|-------------------|---------------|----------------------|---------------|
| TRANCHE NUMBER:                      |                | MATURITY DATE:    | 18 Dec 2019   | PRINCIPAL REPAYMENT: | Semi Annually |
| PRINCIPAL AMOUNT:                    | US\$50 million | RATE OF INTEREST: | 8% p.a        | INTEREST PAYMENT:    | Semi Annually |
| INTEREST AND PRINCIPAL PAYMENT DATES | 2015           | 2016              | 2017          | 2018                 | 2019          |
|                                      | 1st Half-Year  |                   | 2nd Half-Year | 1st Half-Year        | 2nd Half-Year |
|                                      | 2nd Half-Year  | 1st Half-Year     | 2nd Half-Year | 1st Half-Year        | 2nd Half-Year |

# FORM OF TRANSFER

| TRANSFEROR DETAILS  |                    |                    |           |                  |
|---|--------------------|--------------------|-----------|------------------|
|   | CERTIFICATE NUMBER | BONDHOLDER NAME(S) | SIGNATURE | PRINCIPAL AMOUNT |
| <p>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 Transfer Agent to transfer the Bond(s) on the books kept for registration thereof.</p> | 1                  |                    |           |                  |
|   | 2                  |                    |           |                  |
|   | 3                  |                    |           |                  |
|   | 4                  |                    |           |                  |
|   | 5                  |                    |           |                  |
| TOTAL BONDS   |                    |                    |           |                  |

| TRANSFEEE DETAILS (INCLUDING REGISTERED BANK ACCOUNT DETAILS) |                |   |             |                  |            |
|---|----------------|---|-------------|------------------|------------|
|   | POSTAL ADDRESS | ELECTRONIC TRANSFER DETAILS (FOR INTEREST AND PRINCIPAL REMITTANCE) |             | PRINCIPAL AMOUNT |            |
| TRANSFEEE NAME(S)   |                | 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 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 Definitive 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 Transfer Agent together with the Definitive Certificate in question for cancellation. The transferor 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 Transfer Agent 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) to 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. **PRINCIPAL AND COUPON PAYMENT:** Principal and Coupon Payments will be effected upon confirmation of surrender of this Bond certificate to the Transfer Agent Corporate 21 days before the Payment Dates as set out in the Investors' Diary. This Certificate will become invalid upon payment of 1/10 of the Principal Repayment amount in terms of the trust Deed.

3. **CLOSED PERIODS:** A Transfer Form for the transfer of interest on any Bond received by the Transfer Agent during the period of 21 calendar days ending on the due date before any payments under the Bonds shall be deemed not to be effectively received by the Transfer Agent until the day following the due date for such payment. No transfer will be registered during the period of 21 calendar days ending on the due date for final redemption, on maturity of the Bond or of any such Bond in whole or in part.

# Appendix 4:

## Application Form

# INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE IDB BOND SERIES 2 2014B - APPLICATION FORM

INSTRUCTIONS

INSTRUCTIONS

- Before completing this form, please read the summary Terms & Conditions of the Bond overleaf and the detailed Terms & Conditions of the Issue set out in the Prospectus accompanying this form.
- Use the original Application Form. Any photocopies must be legible for them to be accepted by the Issuer or Registrar.

|                          |                         |                   |                              |                          |
|--------------------------|-------------------------|-------------------|------------------------------|--------------------------|
| <b>Official Use Only</b> | <b>RECIPIENT'S NAME</b> | <b>DATE STAMP</b> | <b>RECIPIENT'S SIGNATURE</b> | <b>Official Use Only</b> |
|                          |                         |                   |                              |                          |

To the Directors: I/We, the undersigned hereby apply to purchase the amount specified below of the Fixed Rate Infrastructure Development Bonds - (the "Bonds") to be issued by the Infrastructure Development Bank of Zimbabwe (the "Issuer") upon the Terms and Conditions set out in this application form, the Prospectus and the Trust Deed (the "Trust Deed") dated 19 December 2014 between Scanlen & Holderness Legal Practitioners (the "Bond Trustee") and the Issuer. I/We authorise the Transfer Agent, Corpserve Registrars (the "Transfer Agent") to send the Bond Certificate allocated to me/us (at my/our risks) to the postal address/physical address given below

## SECTION A: APPLICANT(S) DETAILS (IGNORE SECOND APPLICANT'S FIELD IF THERE IS NO JOINT APPLICANT)

| TITLE(Mr/Ms etc) | SURNAME / COMPANY NAME | FIRST NAME | IDENTITY No. / COMPANY REG No. |
|------------------|------------------------|------------|--------------------------------|
|                  |                        |            |                                |

| TITLE(Mr/Ms etc) | SURNAME / COMPANY NAME | FIRST NAME | IDENTITY No. / COMPANY REG No. |
|------------------|------------------------|------------|--------------------------------|
|                  |                        |            |                                |

**POSTAL ADDRESS**

| PHONE NUMBER | RESIDENCE (TICK✓ APPROPRIATE BOX BELOW)                              | EMAIL ADDRESS |
|--------------|--|---------------|
|              | <input type="checkbox"/> ZIMBABWEAN <input type="checkbox"/> FOREIGN |               |

## SECTION B: DETAILS OF BONDS APPLIED, PAYMENT MADE, PREFERRED REFUND METHOD & SIGNATURES

**AMOUNT OF NOTES IN WORDS:**

(Lots Should Be of Principal Amount Of US\$10,000 And Integral Multiples Of US\$1,000 In Excess Thereof)

| AMOUNT OF NOTES IN FIGURES | PAYMENT (RTGS) REFERENCE NUMBER |
|----------------------------|---------------------------------|
|                            |                                 |

If over-subscribed, the excess value of Bonds will be refunded. Indicate how you would prefer to receive your refund payment. If you do not indicate your preference, a refund cheque will be generated and delivered to your agent or posted to your address

← Tick✓ Here For Refund by EFT. Provide Bank Details Below.      Tick✓ Here For Refund by Cheque →

| APPLICANT'S BANKDETAILS | BANK NAME | BANK CODE | BRANCH NAME | BRANCH CODE | ACCOUNT No. |
|-------------------------|-----------|-----------|-------------|-------------|-------------|
|                         |           |           |             |             |             |

Insert below, the signature(s) of the Applicant(s), or Company Officials, or Authorised Attorneys.  
In the case of Joint Applications, both Joint Applicants and Signatories must sign.

I/We represent and warrant that I/we have the authority and power to purchase and hold the 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.

|   |                     |   |
|---|---------------------|---|
|   |                     |   |
| Holder / Joint Holder / Attorney / Co. Official (Delete Inapplicable) | <b>COMPANY SEAL</b> | Holder / Joint Holder / Attorney / Co. Official (Delete Inapplicable) |
| <b>ID NUMBER</b>  | <b>DATE</b>         | <b>DATE</b>   |
|   |                     | <b>ID NUMBER</b>  |
|   |                     |   |

# INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE

## IDB BOND SERIES 2 2014B - APPLICATION FORM



Established in Zimbabwe in terms of Section 3 of the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14]

### INFRASTRUCTURE DEVELOPMENT BOND APPLICATION FORM

In respect of an offer of 8% fixed rate long term unsubordinated infrastructure bonds of up to US\$50 000 000 00 ("Fifty million United States of America Dollars") due to mature in 2019 at par and listing of the bond on the Zimbabwe Stock Exchange

Offer opens at 9.00 am on the .....20th November 2014 and  
Closes at 4.00 pm on the .....17th December 2014

The Board of Directors may reject any application in whole or in part if the instructions as set out in the Prospectus and this Application Form are not complied with.

#### APPLICANT'S STATEMENT

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

1. I/We have full legal capacity and having read the Information Memorandum and this Application Form including the Prospectus I/we hereby irrevocably apply for and request you to accept my/our application for the under mentioned 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, the Prospectus and the Trust Deed in terms of which the Bonds are constituted.
2. I/We authorize 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 any refunds due to me/us via Electronic Funds Transfer in accordance with the terms and conditions in the the Prospectus.
3. In consideration of agreeing to accept this Application Form, I/we agree that this application shall be irrevocable and shall constitute a contract which shall become binding upon receipt by Infrastructure Development Bank of Zimbabwe, and shall be governed by the terms and conditions of the Trust Deed and Prospectus.
4. I/We acknowledge that the Infrastructure Development Bank of Zimbabwe reserves the right to reject any application of mine/ours found to be in contravention of the above declarations.
5. I/We confirm that all information provided by me/us on the Application Form is true and correct and is in 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.
7. Completing the form  
This completed form should be forwarded by facsimile or by hand to the Registrar at the following address:  
  
Corpserve Registrars (Private) Limited  
2nd Floor ZB Centre  
Corner First Street and Kwame Nkrumah Ave  
P.O Box 2208  
Harare  
Tel: +263 4 758193/ 751559-61 Fax: +263 4 752629
8. Acceptance  
By signing an application form the Applicant undertakes to pay to the Issuer on the Issue Date in same-day funds the purchase price for the Bonds allotted.
9. Settlement procedure
  - 9.1. Full payment must be made on application of bonds and received not later than 4pm on 17 December 2014.
  - 9.2. All payments must be made in favour of the Infrastructure Development Bank of Zimbabwe using the following details.
    - 9.2.1. Account name - IDBZ BOND SERIES 2 2014B
    - 9.2.2. Account number - 3010242420942
    - 9.2.3. Bank - FBC BANK LIMITED
    - 9.2.4. Branch - SAMORA MACHEL
    - 9.2.5. Swift Code - FBCPZWHA
10. General
  - 10.1. The Prospectus and Trust Deed and any contracts resulting from an acceptance of an application for the Bonds shall be governed and construed in accordance with the laws of The Republic of Zimbabwe.
  - 10.2. The Directors reserve the right to reject any application, in whole or in part, particularly if the instructions have not been observed.
  - 10.3. All alterations to this application form must be authenticated by full signature. All applications must be made without any conditions stated by applicants.
  - 10.4. Under no circumstances whatsoever may the name of the applicant be changed and if this is done then the application form will be invalid.
  - 10.5. Applications are made subject to the provisions of the Prospectus to which this form is attached.
  - 10.6. Applications are irrevocable and may not be withdrawn or amended without the written consent of the Issuer.
  - 10.7. Individual applicants must be 18 years of age or older.
11. Allotment procedure
  - 11.1. The basis of allotment will be determined by the Issuer and the Registrar and will be communicated by the Issuer to the Securities and Exchange Commission of Zimbabwe.
  - 11.2. Successful applicants will be notified by the Issuer and the Registrar of the amount of Bonds allotted to them no later than 5:00 pm on Tuesday 23 December 2014.
12. Delivery of Bonds
  - 12.1. The Bonds will be delivered to each successful applicant against cleared funds within 15 days of the Allotment Date.
  - 12.2. No temporary documents of title will be issued.

# INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE IDB BOND SERIES 2 2014B - APPLICATION FORM

INSTRUCTIONS

INSTRUCTIONS

- Before completing this form, please read the summary Terms & Conditions of the Bond overleaf and the detailed Terms & Conditions of the Issue set out in the Prospectus accompanying this form.
- Use the original Application Form. Any photocopies must be legible for them to be accepted by the Issuer or Registrar.

|                          |                         |                   |                              |                          |
|--------------------------|-------------------------|-------------------|------------------------------|--------------------------|
| <b>Official Use Only</b> | <b>RECIPIENT'S NAME</b> | <b>DATE STAMP</b> | <b>RECIPIENT'S SIGNATURE</b> | <b>Official Use Only</b> |
|                          |                         |                   |                              |                          |

To the Directors: I/We, the undersigned hereby apply to purchase the amount specified below of the Fixed Rate Infrastructure Development Bonds - (the "Bonds") to be issued by the Infrastructure Development Bank of Zimbabwe (the "Issuer") upon the Terms and Conditions set out in this application form, the Prospectus and the Trust Deed (the "Trust Deed") dated 19 December 2014 between Scanlen & Holderness Legal Practitioners (the "Bond Trustee") and the Issuer. I/We authorise the Transfer Agent, Corpserve Registrars (the "Transfer Agent") to send the Bond Certificate allocated to me/us (at my/our risks) to the postal address/physical address given below

## SECTION A: APPLICANT(S) DETAILS (IGNORE SECOND APPLICANT'S FIELD IF THERE IS NO JOINT APPLICANT)

| TITLE(Mr/Ms etc) | SURNAME / COMPANY NAME | FIRST NAME | IDENTITY No. / COMPANY REG No. |
|------------------|------------------------|------------|--------------------------------|
|                  |                        |            |                                |

| TITLE(Mr/Ms etc) | SURNAME / COMPANY NAME | FIRST NAME | IDENTITY No. / COMPANY REG No. |
|------------------|------------------------|------------|--------------------------------|
|                  |                        |            |                                |

**POSTAL ADDRESS**

| PHONE NUMBER | RESIDENCE (TICK✓ APPROPRIATE BOX BELOW)                              | EMAIL ADDRESS |
|--------------|--|---------------|
|              | <input type="checkbox"/> ZIMBABWEAN <input type="checkbox"/> FOREIGN |               |

## SECTION B: DETAILS OF BONDS APPLIED, PAYMENT MADE, PREFERRED REFUND METHOD & SIGNATURES

**AMOUNT OF NOTES IN WORDS:**

(Lots Should Be of Principal Amount Of US\$10,000 And Integral Multiples Of US\$1,000 In Excess Thereof)

| AMOUNT OF NOTES IN FIGURES | PAYMENT (RTGS) REFERENCE NUMBER |
|----------------------------|---------------------------------|
|                            |                                 |

If over-subscribed, the excess value of Bonds will be refunded. Indicate how you would prefer to receive your refund payment. If you do not indicate your preference, a refund cheque will be generated and delivered to your agent or posted to your address

← Tick✓ Here For Refund by EFT. Provide Bank Details Below.     
 Tick✓ Here For Refund by Cheque →

| APPLICANT'S BANKDETAILS | BANK NAME | BANK CODE | BRANCH NAME | BRANCH CODE | ACCOUNT No. |
|-------------------------|-----------|-----------|-------------|-------------|-------------|
|                         |           |           |             |             |             |

Insert below, the signature(s) of the Applicant(s), or Company Officials, or Authorised Attorneys.  
In the case of Joint Applications, both Joint Applicants and Signatories must sign.

I/We represent and warrant that I/we have the authority and power to purchase and hold the 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.

|   |                     |   |
|---|---------------------|---|
|   | <b>COMPANY SEAL</b> |   |
| Holder / Joint Holder / Attorney / Co. Official (Delete Inapplicable) |                     | Holder / Joint Holder / Attorney / Co. Official (Delete Inapplicable) |
| <b>ID NUMBER</b>  | <b>DATE</b>         | <b>DATE</b>   |
|   |                     | <b>ID NUMBER</b>  |
|   |                     |   |



# INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE

## IDB BOND SERIES 2 2014B - APPLICATION FORM



Established in Zimbabwe in terms of Section 3 of the Infrastructure Development Bank of Zimbabwe Act [Chapter 24:14]

### INFRASTRUCTURE DEVELOPMENT BOND APPLICATION FORM

In respect of an offer of 8% fixed rate long term unsubordinated infrastructure bonds of up to US\$50 000 000 00 ("Fifty million United States of America Dollars") due to mature in 2019 at par and listing of the bond on the Zimbabwe Stock Exchange

Offer opens at 9.00 am on the .....20th November 2014 and  
Closes at 4.00 pm on the .....17th December 2014

The Board of Directors may reject any application in whole or in part if the instructions as set out in the Prospectus and this Application Form are not complied with.

#### APPLICANT'S STATEMENT

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

1. I/We have full legal capacity and having read the Information Memorandum and this Application Form including the Prospectus I/we hereby irrevocably apply for and request you to accept my/our application for the under mentioned 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, the Prospectus and the Trust Deed in terms of which the Bonds are constituted.
2. I/We authorize 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 any refunds due to me/us via Electronic Funds Transfer in accordance with the terms and conditions in the the Prospectus.
3. In consideration of agreeing to accept this Application Form, I/we agree that this application shall be irrevocable and shall constitute a contract which shall become binding upon receipt by Infrastructure Development Bank of Zimbabwe, and shall be governed by the terms and conditions of the Trust Deed and Prospectus.
4. I/We acknowledge that the Infrastructure Development Bank of Zimbabwe reserves the right to reject any application of mine/ours found to be in contravention of the above declarations.
5. I/We confirm that all information provided by me/us on the Application Form is true and correct and is in 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.
7. Completing the form  
This completed form should be forwarded by facsimile or by hand to the Registrar at the following address:  
  
Corpserve Registrars (Private) Limited  
2nd Floor ZB Centre  
Corner First Street and Kwame Nkrumah Ave  
P.O Box 2208  
Harare  
Tel: +263 4 758193/ 751559-61 Fax: +263 4 752629
8. Acceptance  
By signing an application form the Applicant undertakes to pay to the Issuer on the Issue Date in same-day funds the purchase price for the Bonds allotted.
9. Settlement procedure
  - 9.1. Full payment must be made on application of bonds and received not later than 4pm on 17 December 2014.
  - 9.2. All payments must be made in favour of the Infrastructure Development Bank of Zimbabwe using the following details.
    - 9.2.1. Account name - IDBZ BOND SERIES 2 2014B
    - 9.2.2. Account number - 3010242420942
    - 9.2.3. Bank - FBC BANK LIMITED
    - 9.2.4. Branch - SAMORA MACHEL
    - 9.2.5. Swift Code - FBCPZWH4
10. General
  - 10.1. The Prospectus and Trust Deed and any contracts resulting from an acceptance of an application for the Bonds shall be governed and construed in accordance with the laws of The Republic of Zimbabwe.
  - 10.2. The Directors reserve the right to reject any application, in whole or in part, particularly if the instructions have not been observed.
  - 10.3. All alterations to this application form must be authenticated by full signature. All applications must be made without any conditions stated by applicants.
  - 10.4. Under no circumstances whatsoever may the name of the applicant be changed and if this is done then the application form will be invalid.
  - 10.5. Applications are made subject to the provisions of the Prospectus to which this form is attached.
  - 10.6. Applications are irrevocable and may not be withdrawn or amended without the written consent of the Issuer.
  - 10.7. Individual applicants must be 18 years of age or older.
11. Allotment procedure
  - 11.1. The basis of allotment will be determined by the Issuer and the Registrar and will be communicated by the Issuer to the Securities and Exchange Commission of Zimbabwe.
  - 11.2. Successful applicants will be notified by the Issuer and the Registrar of the amount of Bonds allotted to them no later than 5:00 pm on Tuesday 23 December 2014.
12. Delivery of Bonds
  - 12.1. The Bonds will be delivered to each successful applicant against cleared funds within 15 days of the Allotment Date.
  - 12.2. No temporary documents of title will be issued.

# INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE IDB BOND SERIES 2 2014B - APPLICATION FORM

INSTRUCTIONS

INSTRUCTIONS

- Before completing this form, please read the summary Terms & Conditions of the Bond overleaf and the detailed Terms & Conditions of the Issue set out in the Prospectus accompanying this form.
- Use the original Application Form. Any photocopies must be legible for them to be accepted by the Issuer or Registrar.

|                          |                         |                   |                              |                          |
|--------------------------|-------------------------|-------------------|------------------------------|--------------------------|
| <b>Official Use Only</b> | <b>RECIPIENT'S NAME</b> | <b>DATE STAMP</b> | <b>RECIPIENT'S SIGNATURE</b> | <b>Official Use Only</b> |
|                          |                         |                   |                              |                          |

To the Directors: I/We, the undersigned hereby apply to purchase the amount specified below of the Fixed Rate Infrastructure Development Bonds - (the "Bonds") to be issued by the Infrastructure Development Bank of Zimbabwe (the "Issuer") upon the Terms and Conditions set out in this application form, the Prospectus and the Trust Deed (the "Trust Deed") dated 19 December 2014 between Scanlen & Holderness Legal Practitioners (the "Bond Trustee") and the Issuer. I/We authorise the Transfer Agent, Corpserve Registrars (the "Transfer Agent") to send the Bond Certificate allocated to me/us (at my/our risks) to the postal address/physical address given below

## SECTION A: APPLICANT(S) DETAILS (IGNORE SECOND APPLICANT'S FIELD IF THERE IS NO JOINT APPLICANT)

| TITLE(Mr/Ms etc) | SURNAME / COMPANY NAME | FIRST NAME | IDENTITY No. / COMPANY REG No. |
|------------------|------------------------|------------|--------------------------------|
|                  |                        |            |                                |

| TITLE(Mr/Ms etc) | SURNAME / COMPANY NAME | FIRST NAME | IDENTITY No. / COMPANY REG No. |
|------------------|------------------------|------------|--------------------------------|
|                  |                        |            |                                |

**POSTAL ADDRESS**

| PHONE NUMBER | RESIDENCE (TICK✓ APPROPRIATE BOX BELOW)                              | EMAIL ADDRESS |
|--------------|--|---------------|
|              | <input type="checkbox"/> ZIMBABWEAN <input type="checkbox"/> FOREIGN |               |

## SECTION B: DETAILS OF BONDS APPLIED, PAYMENT MADE, PREFERRED REFUND METHOD & SIGNATURES

**AMOUNT OF NOTES IN WORDS:**

(Lots Should Be of Principal Amount Of US\$10,000 And Integral Multiples Of US\$1,000 In Excess Thereof)

| AMOUNT OF NOTES IN FIGURES | PAYMENT (RTGS) REFERENCE NUMBER |
|----------------------------|---------------------------------|
|                            |                                 |

If over-subscribed, the excess value of Bonds will be refunded. Indicate how you would prefer to receive your refund payment. If you do not indicate your preference, a refund cheque will be generated and delivered to your agent or posted to your address

← Tick✓ Here For Refund by EFT. Provide Bank Details Below.
 Tick✓ Here For Refund by Cheque →

| APPLICANT'S BANKDETAILS | BANK NAME | BANK CODE | BRANCH NAME | BRANCH CODE | ACCOUNT No. |
|-------------------------|-----------|-----------|-------------|-------------|-------------|
|                         |           |           |             |             |             |

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In the case of Joint Applications, both Joint Applicants and Signatories must sign.

I/We represent and warrant that I/we have the authority and power to purchase and hold the 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.

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|   | <b>COMPANY SEAL</b> |   |
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| <b>ID NUMBER</b>  | <b>DATE</b>         | <b>DATE</b>   |
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# INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE

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Infrastructure Development Bank of Zimbabwe

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

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Fax: +263 4 749012/774225