Infrastructure Development Bank of Zimbabwe

2017 ANNUAL REPORT

NATIONAL GROWTH AND TRANSFORMATION ENABLERS

IDBZ
Infrastructure Development Bank of Zimbabwe

OUR VISION

"A Zimbabwe with a robust, inclusive and sustainable growth and development"

OUR MISSION

"To champion sustainable infrastructure development through: mobilization of resources; capacity building; and knowledge generation and sharing in support of national efforts for inclusive socio-economic development".

OUR VALUES

INTEGRITY

PROFESSIONALISM

INNOVATION

SERVICE ORIENTATION

SUSTAINABILITY

KNOWLEDGE GENERATION & SHARING

NATIONAL GROWTH AND TRANSFORMATION ENABLERS

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Acknowledgments

The Annual Report 2017 was prepared by the Financial Management & Reporting Division and Economics, Strategy & Performance Monitoring Unit. The Executive Committee and Director – Finance Department provided overall guidance.

FINANCIAL HIGHLIGHTS

NPL ratio
7% (Dec-16: 9%)

Revenue 16% up
$8.6m (FY16: $7.4m)

Profit 176% up
$1m (FY16: -$1.3m)

Total assets 18% up
$189m (FY16: $160m)

Equity 13% up
$54.8m (Dec-16: $48.7m)

DEVELOPMENT IMPACT

Projects developed to bankability: **US$85.7m**

Project funding raised: **US$26.6m**

Serviced housing stands delivered: **1061 units**

Housing projects under implementation: **US$36m (4227 serviced stands)**

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Willard L Manungo
Board Chairman

Thomas Zondo Sakala
(Chief Executive Officer)

Vavarirai H Choga
Non-Executive Director

Nelson Kudenga
Non-Executive Director

Joseph Mhakayakora
Non-Executive Director

Shadreck S Mlambo
Non-Executive Director

Margaret M Sangarwe
Non-Executive Director

Charles S Tawha
Non-Executive Director

Kenias Kanguru
Bank Secretary

CORPORATE MANAGEMENT

Thomas Zondo Sakala
(Chief Executive Officer)

Cassius Gambinga
(Director - Finance)

Desmond Matete
(Director - Infrastructure Projects)

Philip Tadiwa
(Director - Corporate Services & HR)

Kenias Kanguru
(Bank Secretary)

Nobert Munengwa
(Executive Assistant to the CEO)

Dr Khutula Sibanda
(Chief Economist/ Head of Strategy & Performance Monitoring)

Daniel Makono
(Legal Counsel)

Douglas Mapuranga
(Head ICT Unit)

Nobert Mutasa
(Head Credit & Operations Unit)

Reggie Dangarembwa
(Head Corporate Banking & Trade Finance Unit)

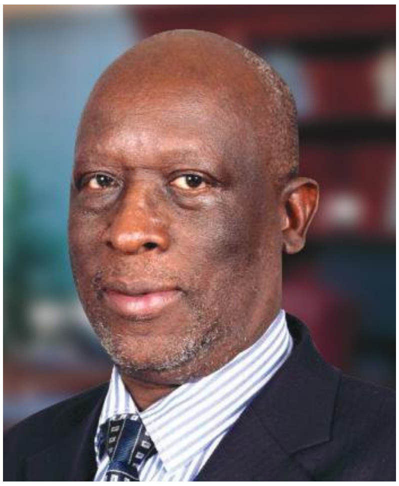
Takaidza Mabuto
(Head Risk Management Unit)

Patrice Muzonda
(Head Internal Audit Unit)

Willing Zvirevo
(Head Resource Mobilisation & Climate Finance)

CHAIRMAN'S STATEMENT

> "...Going forward, the Bank stands ready to collaborate and harness partnerships towards the provision and delivery of adequate, reliable, affordable and sustainable infrastructure and social services in support of economic growth..."



Background

During the period under review, Zimbabwe witnessed a marked improvement in its economic performance. The Gross Domestic Product (GDP) grew by 2.8 % in 2017 compared to 0.65% in 2016. This good performance was on the back of improved agricultural sector growth of around 14.6% in 2017 compared to 5.5% in 2016. This exponential growth was due to a good rain season and strong Government support through the Command Agriculture and Presidential Input Schemes.

The improved GDP growth was supported by other sectors such as mining and quarrying (8.5%) and electricity and water (10.7%) which also performed well. Key challenges that continued to weigh down the country's growth were inadequate power supply, antiquated equipment and lack of significant new capital investment inflows, among others.

Contribution to the Country's Development Agenda

Looking forward, the Bank expects to benefit from Government policies championed by His Excellency President E. D Mnangagwa that are geared towards promoting investor friendly policies. These measures include prudent fiscal policy, re-engagement with the international community, improving the ease of doing business and pursuance of political stability.

During the period under review, the Bank continued to deliver on its infrastructure development mandate based on its Medium-Term Strategy (MTS) (2016-2020) which places focus on key economic enablers. The Bank's programmes are inspired and guided by the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset) and the United Nations Sustainable Development Goals (SDGs).

Drawing from this compass provided in government policy documents and the international development agenda, the Bank has remained steadfast in fulfilling its mandate of promoting economic development and growth, and the improvement of the living standards of Zimbabweans through development of the national stock of infrastructure which includes, but is not limited to energy, transport, water and sanitation, information communication technology (ICT) and housing.

Bank Performance

I am pleased to report that the Bank continued to impact positively on the country's development outcomes during the period under review. It has managed to perform well in development of bankable projects in various sectors particularly the housing sector and in project implementation and monitoring of Public Sector Investment Programme (PSIP) projects whose level of execution has continued to improve towards attainment of key milestones to project completion.

Notable progress was made on the implementation of on going projects since my last report. These include:

- the New Marimba Housing Project in Harare which has delivered a total of 357 high and medium density residential stands; and
- Clipsham Views Housing Project in Masvingo which delivered 704 low density residential stands and 69 commercial and institutional stands.

The Bank successfully monitored the implementation of an array of PSIP projects and certified claims amounted to US$101.85 million with significant funding being utilized in the roads rehabilitation and dam construction project across the country. The symbiotic relationship the Bank has built with the Government is delivering positive results in infrastructure delivery and gradually closing the gap in our overall infastructure requirements to support economic growth.

In line with development finance trends at the global stage, the Bank has embraced green financing and was nominated by Government in 2017 to be the National Implementing Entity (NIE) for the Green Climate Fund (GCF). Its role will be to coordinate project packaging and other activities aimed at securing funding from the GCF and other green finance sources for climate resilient projects in the infrastructure space. In this regard, the Bank is working towards being accredited to the GCF and is also exploring funding mechanisms to broaden its resource mobilization base.

Outlook and Appreciation

Going forward, the Bank stands ready to collaborate and harness partnerships towards the provision and delivery of adequate, reliable, affordable and sustainable infrastructure and social services in support of economic growth.

Let me take this opportunity to extend my appreciation to the Government through the Minister of Finance and Economic Development, Hon. P. A. Chinamasa, MP, who has continued to facilitate the recapitalization of the Bank by availing an additional US$20 million in funding under the 2018 budget. This support will go a long way in the fulfillment of the Bank's target capital level of US$250 million under its medium-term strategy.

The Bank remains grateful to the Chief Secretary to the President and Cabinet, Dr Misheck Sibanda, for his invaluable guidance and wise counsel in the implementation of IDBZ strategies towards mandate delivery during the period under review.

The Bank also appreciates the support from its various stakeholders; our valued customers, suppliers and business partners for their continued interactions with the bank at various levels of its operations and interventions.

I also wish to acknowledge the contribution of my colleagues on the Board, management and staff for working tirelessly to lift the performance of the Bank in its mandate delivery and drive to achieve sustainable results especially in the context of a challenging macroeconomic environment.

Willard L. Manungo
Chairman
30 May 2018

CHIEF EXECUTIVE OFFICER'S STATEMENT

Bank Operations
The Bank's 2017 Work Programme and Budget were crafted around the theme: ***"Building Bankability."*** Consistent with this theme, I am happy to report that significant progress was made to convert a number of projects that were at concept stage into bankable projects. During the period under review, the Bank developed to bankability more than US$ 85.7 million worth of projects.

The year also saw improved internal operational efficiency as the Bank became fit-for-purpose to achieve its developmental mandate whilst maintaining financial sustainability.

The key highlights for the reporting period include the following:

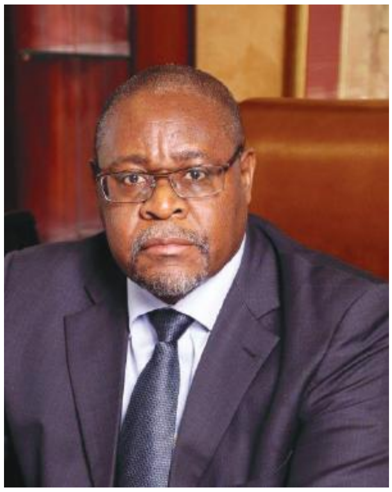
- The Bank managed to raise US$26.6 million for housing projects;
- The Bank was nominated by the Government of Zimbabwe as the Green Climate Fund (GCF) National Designated Entity (NDE);
- Projects worth US$85.7 million were approved by the Board in 2017 for funding, namely:
- Kariba Housing Project – US$14.8 million;
- Empumalanga West Housing and Waste Water Treatment Plant Rehabilitation Project – US$5.8 million;
- Sumben Housing Project – US$15.4 million;
- University Students and Staff Accommodation Programme – US$34 million; and
- Victoria Falls Municipality Water Sanitation and Health (WASH) project – US$15.7 million.
- The Bank successfully monitored the implementation of PSIP projects and certified claims amounted to US$101.85 million attributable to various projects mainly in the transport (road rehabilitations) and water (dam construction projects) sectors; and
- The Bank successfully completed the implementation of Clipsham Views Housing Project, Masvingo - US$6.7 million; and New Marimba Housing Project, Harare – US$2.9 million.

Since 2016, approximately US$5 million was disbursed from the Project Preparation and Development Fund (PPDF) towards funding of project preparation and feasibility studies for student accommodation projects, housing projects; transport and renewable (solar) energy projects.

The Bank continued to engage various Development Finance Institutions (DFIs)/Multilateral Development Banks (MDBs) with a view to establishing cooperation frameworks that will allow the Bank to access technical assistance and co-financing opportunities for project preparation and implementation. In the medium term, it is the Bank's objective to have some of these DFIs/MDBs as strategic shareholders in line with the Bank's recapitalisation process and leveraging Government support to bring on board private sector investment to fund our national infrastructure gap.

To improve its internal operational efficiency, the Bank intensified efforts to implement reforms aimed at revamping its business operational processes, ICT systems and procedures, risk management systems and adaptation of result-based management that is accompanied by appropriate strategic planning and a robust monitoring and evaluation framework. Key skills have been brought on board in critical areas and staff of the Bank continue to undergo various training programmes to enhance their capacity as well as generate knowledge required to discharge their various roles and responsibilities.

Financial Performance
The Bank's revenue grew 16% to US$8.6 million during the year driven by strong performance from the housing projects portfolio which recorded a growth of 281% in net revenue from stands sales to close the year at US$6.1 million. Fees and commission income also registered growth of 172% with US$2.7 million recorded as income and this was driven by the Bank's advisory and monitoring work on key infrastructure projects.



Total comprehensive profit for the year of US$0.98 million (2016: Loss US$1.3 million) was recorded. The Bank is now benefiting from refocusing to core mandate with revenue and asset portfolio predominantly backed by medium to long term infrastructure business. Fair value gains of US$1.8 million were recorded on investment property following renovations which improved occupancy rates and income from leased properties under tenancy.

Total assets grew by 18% to US$189 million spurred by growth in the Bank's housing projects portfolio, that is, land and inventory work-in-progress. Cash and bank balances closed at US$41 million, a 79% growth from prior year, thus reflecting continued sound liquidity management whilst supporting core mandate delivery.

"Consistent with the "Building Bankability" theme, I am happy to report that significant progress was made to convert a number of projects that were at concept stage into bankable projects."

The loan portfolio continued to perform well, particularly the energy portfolio funded from infrastructure bonds and consequently, the Non-Performing Loan (NPL) ratio went down from 9% to 7%. Resolution of the non-performing exposure to Meikles Limited will bring the NPL ratio below the Reserve Bank of Zimbabwe threshold of 5% and concerted efforts made towards accomplishing this target.

Appreciation
I remain very grateful to the Government, the Ministry of Finance and Economic Development, the Reserve Bank of Zimbabwe and all other stakeholders for their unrelenting support. I thank the Board for their invaluable contribution and guidance, as well as Management and Staff for their sterling work and dedication towards the attainment of the Bank's vision.

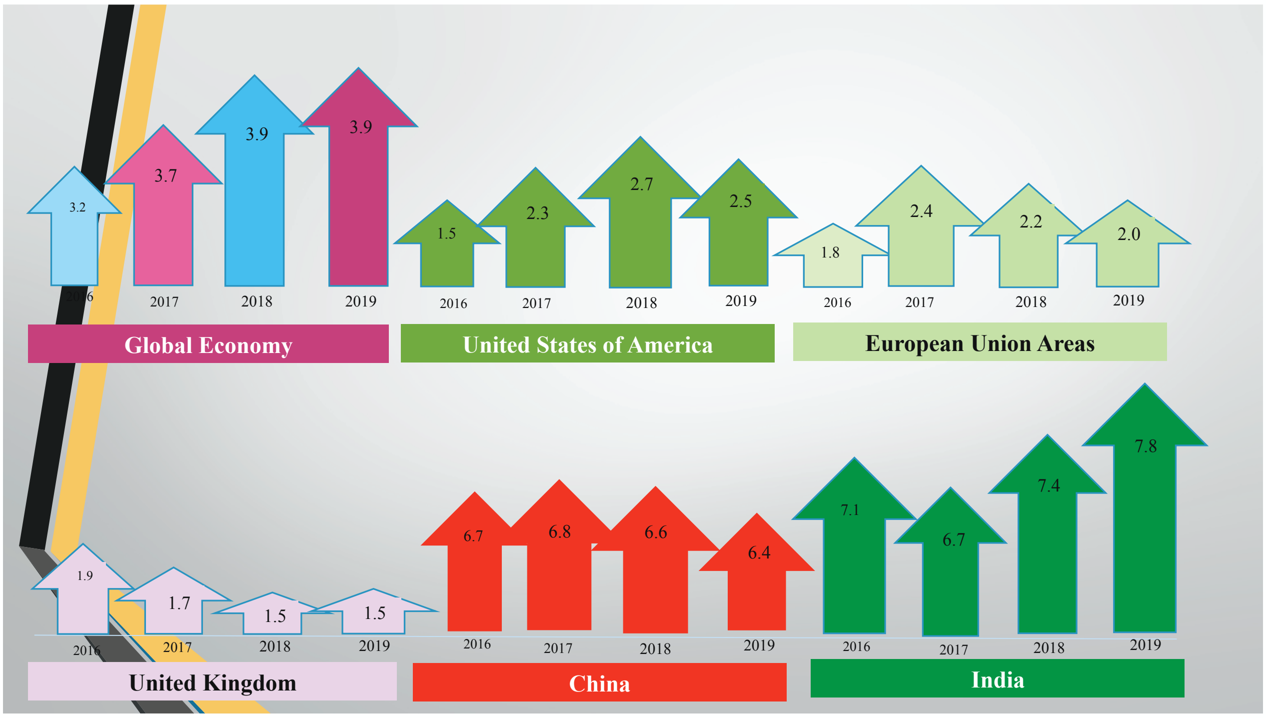
Thomas Z. Sakala
Chief Executive Officer
30 May 2018

CHAPTER 1: ECONOMIC UPDATE

1.1 Global Economic Performance and Outlook

The world economy remained stable and is expected to grow by 3.9% in 2018, an increase from the 3.7% recorded in 2017 and 3.2% in 2016 (IMF, 2018) as shown in Figure 1. There was relatively weak growth in both the US and the Euro zone attributable partly to global uncertainty; a low level of investment and low labour productivity. The reduced global demand affected the growth prospects of developing economies that are heavily dependent on commodities. Zimbabwe and other developing economies were affected through: deterioration of terms of trade; persistent volatility in global financial markets; weak global trade; subdued investment;; decline in global demand; gradual tightening of US monetary policy; and the rise of protectionism and nationalistic sentiments in both the USA and the United Kingdom.

Figure 1: Economic Growth and Prospects; World, USA, European Union, UK, China and India, % GDP growth



Source; IMF, Jan -2018

[1] World Economic Outlook Update, 22 January 2018

The global financing conditions have been accommodative in 2017 characterized by low interest rates especially in China, UK and USA. However, Africa's liquidity situation remained tight as an aftermath of the commodity super-cycle and inability to tap into the global market due to perceived high sovereign risk. Zimbabwe missed opportunities offered by the global financial markets on account of the perceived high country risk and the sovereign debt overhang.

Global Commodity Prices in 2017 stabilized in line with the 2016 recovery trend. Oil prices were pegged at US$ 28 a barrel at the beginning of 2016, ending the year at US$ 55 a barrel. Similarly, metals and minerals products recorded strong price gains during 2017. The commodity price increases were at the back of increased demand in China as a result of investments in infrastructure and the USA plans for massive infrastructure projects.

In the **outlook period,** the global economy is anticipated to grow marginally from 3.7% in 2017 to around 3.9% in both 2018 and 2019 (IMF, 2018). The growth will, however, be different across regions. Low Income Developing Economies and Emerging Developing Economies will continue to be the main drivers of the global growth as they are expected to register around 5.2% and 5.1% growth, respectively in 2018. Advanced economies are projected to register 2.3% growth in both 2017 and 2018, and ease to 2.2% in 2019. Downside risks in the Advanced Economies include low aggregate demand and increased protectionist policies that may lower trade and cross-border investment flows. In addition, slow growth in the Chinese economy, as it continues to rebalance, may affect demand for commodities over the next 3 years.

The global financial markets are expected to benefit from accommodative monetary policy as inflation rates are expected to remain very low. However, US Federal Reserve's benchmark interest rate is expected to increase to around 1.5% by the end of 2018, compared to a low of 0.5% in 2016 (IMF, 2018). It is estimated that there will be US$100 billion reduction in portfolio investment flows in 2018 to emerging markets due to monetary normalisation compounded by high debt levels and overstretched asset valuations in major economies. The tightening of global credit market is expected to continue with developing economies including Zimbabwe feeling the pinch.

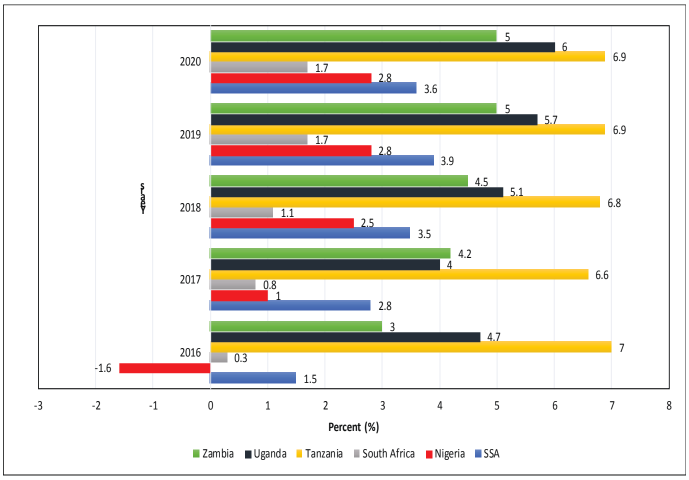
It is envisaged that prices of commodities will further increase in 2018 albeit at a very slow pace in harmony with the gradual recovery of global output and demand. In this regard, global commodity price indices are projected to pick up marginally in 2018 and 2019. The World Bank has projected a rebound of crude oil prices in 2018 by 9%, while gold will slightly decline by 2%, with increases in nickel (3%) and platinum (5%). The increase in commodity prices will partly be triggered by an increase in oil production (USA, Libya & Nigeria), strong demand from China and coal production disruption in Australia.

1.2 Sub-Saharan Africa Economic Performance and Outlook

On average, Sub-Saharan Africa (SSA) economic growth is estimated at 2.8% in 2017 up from 1.5% in 2016 as shown in Figure 2. The improved growth is on the back of the stabilisation of the commodity prices. Signs of Chinese investments picking up in some African countries and improved political stability mostly in Southern Africa will add to the growth impetus. SSA has seen significant investments in infrastructure over the past two years in energy, telecommunications and transport, construction, and tourism sectors. Further, most African economies are undertaking reforms to shade overdependence on export of primary commodities thereby building resilience to shocks from commodity price instability.

Fiscal and sovereign debt crisis in the Euro zone and the slow growth in advanced economies have tended to limit growth in SSA economies. Weak growth in Southern Africa was driven by slowdown in South Africa, the largest economy in the region as shown in Figure 2.

Figure 2: Sub-Saharan Africa Growth Projections for selected countries



Source: AfDB, IMF and World Bank

Looking ahead, SSA is anticipated to grow below the global average from 2.7% in 2017 to 3.5% and 3.9% in 2018 and 2019, respectively. Geopolitical tensions, domestic political discord, weak governance and corruption, extreme weather events, terrorism and security concerns, could derail growth. In the medium term, SSA will continue to feel the impact of the end of commodity super cycle, diminishing foreign exchange reserves due to the fall in export revenues, and marked depreciation of national currencies. The challenging global environment dominated by sluggish recovery in advanced economies, will be a drag on African economies growth.

1.3 Zimbabwe Economic Performance and Outlook

Zimbabwe's economic growth is estimated at 3.7% in 2017 up from 0.65% in 2016. This is at the back of improved agriculture production and higher commodity prices (MoFED, 2017). The ***agriculture*** sector is expected to grow by 14.6% in 2017 up from 5.5% in 2016. This is attributed to normal to above normal rainfall during the 2016/17 agricultural season.

Other government agricultural support schemes like the Command Agriculture and the Presidential Input Scheme also contributed to improved output. This was evidenced by an increase in the earnings from tobacco exports and improved maize output. There is greater anticipation for an improvement in wheat production during the 2017/2018 cropping season.

The manufacturing sector growth is estimated at a paltry 1% in 2017, a slight improvement from 0.9% achieved in 2016. **Industry** capacity utilization declined from 47.4% in 2016 to 45.1% in 2017. The affected sectors include non-metallic mineral products, wood and furniture, transport and equipment production, and petroleum products.

The mining sector growth is projected at 7.5% growth in 2017 compared to 8.2% in 2016. The sector has benefited from stability in international commodity prices. This sector was affected by inadequate power supply, high labour costs, a punitive tax regime, and limited access to international finance at the back of perceived high country risk.

The macroeconomic environment remained relatively stable in 2017. The downside risks included persistent liquidity challenges, acute foreign currency shortages, growing Government debt and budget deficit, negative savings, low foreign investment flows and increased uncertainty in the economy. These challenges negatively affected the Bank operations during the period under review.

Inflation remained very stable but negative in 2016 at -1.56%. In 2017, it averaged between 1% and 2% with sharp increases in September and October 2017 due to shortages of some basic commodities such as cooking oil and fuel. High government budget deficit that has been financed through domestic borrowings worsened the situation. Inflation affected the uptake of Bank instruments aimed at raising long term funding for infrastructure development.

In terms of the financial sector, as of December 2016, money supply was pegged at US$ 5.7 billion. It increased by 15% to reach US$ 8.02 billion in November 2017 representing a 47% year on year increase. This increase has put pressure on demand for cash leading to increases in foreign currency premium as economic agents sought to hedge against possible erosion of value of RTGs balances through depreciation.

With regards to the Stock exchange market, over the period under review, the industrial index gained by 123% and the mining index by 143%. During the same period in 2016, the industrial index had gained by 5% and the mining index by 40%. These varied developments were influenced partly by speculative behaviour as investors moved money from the money market to the stock market. Going forward, the stocks are expected to self-correct on the back of company closures and the expected economic stability after the forthcoming 2018 elections.

The Government revenues improved from US$ 3.5 billion in 2016 to an estimated US$ 3.8 billion in 2017. Despite the improvement, Government expenditure continued on an upward spiral with the wage bill taking about 93% of the tax revenues in 2017 leaving meagre resources for capital expenditure.

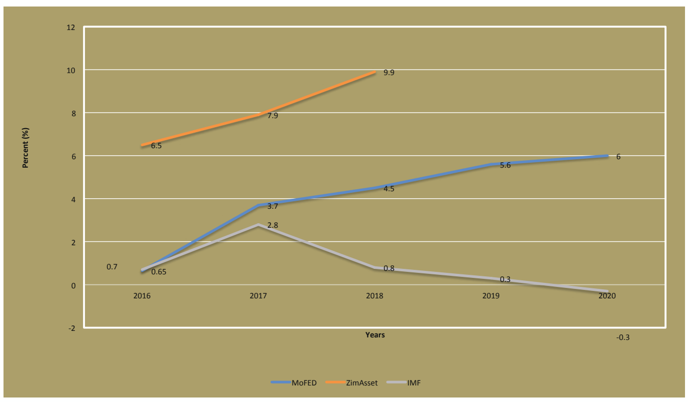
The country debt situation worsened from 70% of GDP in 2016 to 75% in 2017, US$ 11.3 billion and US$13.6 billion, respectively. The country has been in arrears to the IMF and to other institutions for some time and steps were taken to resolve these through the Lima Reengagement Initiative. Slow progress towards debt resolution compromises the implementation of the Bank's Resource Mobilisation Strategy as it was expected that the resolution of the external country debt would provide an opportunity for new lines of credit and increased flow of foreign capital in the infrastructure sectors. It was estimated that US$1.5 billion of new concessionary financial resources for budgetary balance of payments and development support will be available after debt clearance .

Zimbabwe's political environment in 2016 and 2017 has been uncertain and hence the perceived high country risk profile. The economic sanctions and slow progress on reengagement hampered access to Official Development Assistance (ODA), Foreign Direct Investment (FDI) and trade with the European Union (EU) and the United States. The change of Government arrangement on 24th of November 2017 ushered in a new dispensation that is more open for business and investment promotion. The new Government is committed to reengagement with the international community and to improving the ease of doing business.

1.4 Zimbabwe Development Thrust and Outlook

Zimbabwe's GDP growth is estimated at 3.7% in 2017 and 4.5% in 2018. However, the IMF estimated a lower growth of 2.8% in 2017, 0.8% in 2018 and 0.3% in 2019 (see Figure 3). The headwinds include low aggregate demand owing to low inflation and tight liquidity; fiscal deficit, and foreign currency shortages. Proposed steps to address these challenges by the new political dispensation and government gives hope of improved GDP growth.

Figure 3: Zimbabwe GDP Growth Projections



Source: MoFED, ZimAsset and IMF

[2] http://www.herald.co.zw/zim-finalises-arrears-clearance-strategy/

For 2018 going forward, the manufacturing sector is projected to slow down in terms of growth at the back of a myriad of challenges that include foreign currency shortages, antiquated machinery, high cost of funding, competition from cheap imports and lack of long term funding (table 1). Similarly, the agriculture sector is expected to grow by 10.7% in 2018 down from 14.6% in 2017 at the back of 2017/2018 erratic rains, army worm outbreaks and lack of adequate inputs due to foreign currency shortages. The mining sector growth forecast in 2018 is expected to ease to 6.10% from 8.50% in 2017 (table 1). The expected stability of international commodity prices and increased investments in the agriculture will minimise chances of further declines.

Table 1: Zimbabwe GDP growth prospects by sectors 2017-2018

	2017	2018	2019	2020
GDP Growth	3.70	4.50	5.60	6.00
Agriculture & forestry	14.60	10.70	8.10	8.90
Mining & quarrying	8.50	6.10	7.60	8.90
Manufacturing	1.00	2.10	3.90	4.20
Electricity & water	10.70	28.50	11.90	6.60
Construction	2.20	2.10	8.10	8.40
Distribution, Hotels & restaurants	1.10	7.30	7.00	8.00
Transportation & communication	2.30	1.90	4.10	6.00
Financial, banking & insurance activities	0.20	1.20	9.20	6.20
Admin activities	-0.90	-0.90	-0.90	-0.90
Education & Training	2.30	0.50	3.10	3.10
Human health & social work activities	2.00	2.20	1.00	1.00
Private education & health	2.20	0.90	2.70	2.60
Real estate	2.20	2.10	8.10	8.40
Other	-1.70	-0.80	-0.20	1.00
Private households with employed persons	-1.50	0.00	0.80	0.00

Source: Ministry of Finance and Economic Development, 2018 Budget Statement

The macroeconomic environment is expected to remain uncertain for the period 2018-2020 as the economy undergoes transformation following the new political dispensation and government. There is hope that prudent Government fiscal policies, reengagement with the international community, ease of doing business reforms and maintenance of political stability, will help promote positive growth in 2018. Inflation is expected to remain stable at around 3% in 2018. However, high fiscal deficit, high debt of above 70% of GDP, and negative savings of -11% will remain as key challenges. In particular, the financing of deficit through public borrowing will reduce resources for infrastructure funding and will crowd out private sector.

The resolution of the Zimbabwe's external debt situation to below 60% of GDP, as recommended by SADC under the Finance and Investment Protocol, is expected to go a long way in reducing the country risk, thus attracting the much-needed foreign investment. To stabilise the foreign exchange market, the monetary authorities are expected to stick to the fixed exchange rate policy and maintain the multi-currency environment. This is likely to further exacerbate the foreign currency shortages in the country with the growing trade deficit. The low domestic savings base coupled with fiscal deficit, will lead to limited domestic capacity to finance long term investment required for infrastructure development. The period under review coincides with the 2018 harmonised elections. Economic prospects in 2018 may therefore be affected by uncertainty due to political tensions within the main political parties.

CHAPTER 2: INFRASTRUCTURE; STATUS, FINANCING AND PRIORITIES

2.1 The Infrastructure Situation in Zimbabwe

The African Development Bank (AfDB, 2018) noted that Africa's industrialisation agenda is hamstrung by insufficient stock of productive infrastructure in power, water, and transport. Adequate and efficient infrastructure catalyses economic development because it reduces transaction costs thus helps to improve supply side competitiveness. Furthermore, infrastructure raises and sustains economic productivity and growth.

Poor quality infrastructure services can also increase the input material costs of consumer goods by up to 200% in certain African countries (AfDB, 2018). In addition, the AfDB estimates that inadequate electricity supply costs SSA approximately 2 percentage points of GDP growth annually as limited access to electricity and chronic power shortages impede efforts to raise living standards for nearly 1 billion people across the region.

Despite the benefits associated with infrastructure, Zimbabwe is still unable to fulfil its infrastructure requirements estimated at US$1.7 Billion (World Bank 2012) from 2009 to 2020. Recent estimates by the Government of Zimbabwe shows that the overall funding requirements for infrastructure investment for 2016 was US$2.7 billion. However only US$257 million was spent by Government on capital expenditure leaving a huge funding gap. Similarly, in 2017, the Government allocated only US$135.7 million towards infrastructure projects against a total funding requirement of US$ 3.56 billion (Table 2). Zimbabwe infrastructure needs are amplified by the fact that nearly US$5 billion is required in the transport sector alone over the next ten years for road construction, rehabilitation, grading and routine maintenance against a Government funding of less than US$30 million.

Table 2: Funding Requirements for Identified 2017 Infrastructure Projects

Sector	Funding Requirement (US$ million)	Budget Allocation (US$ million)	Funding Gap (US$ million)
Energy and Power Supply	346.2	5.0	341.2
Transport	1 187.7	29.4	1 158.3
Water and Sanitation	84.2	42.6	41.6
ICT	145.2	19.3	125.9
Housing	1 800.0	39.4	1 760.6
TOTAL	**3 563.3**	**135.7**	**3 427.6**

Source: MoFED, 2017 National Budget

Zimbabwe's power requirements are estimated at 2 067MW in 2018 against an average generation of about 1 230MW. To close this gap, it is therefore necessary to attract investment in the supply of reliable, sustainable and affordable energy. In the housing sector, it is estimated that Zimbabwe has a housing deficit of more than 1.3 million housing units.

Given limited Public Sector resources, there is a need for Government to crowd in private sector investment in infrastructure development through Public-Private

[3] African Economic Outlook 2018: Macroeconomic Developments and Structural Change

Partnerships (PPPs), and also invest in feasibility studies to prepare projects for successful investment promotion. To facilitate this process, the Bank has established a Project Preparation and Development Fund (PPDF) and enhanced its procurement procedures in line with best practice. Treasury has complemented the Bank's efforts in addressing the project preparation funding gap by also establishing a National PPDF facility in 2016 which is being funded through budgetary allocations.

The change in political leadership has ushered new ways of doing business underpinned by fiscal restraint, respect for investment agreements and strengthening of cooperation with global partners as outlined in the 2018 National Budget. Amendments to the Indigenisation and Economic Empowerment Act [Chapter 14:33] have rationalised the country's indigenisation framework which has been a major impediment to foreign direct investment (FDI). External debt arrears clearance and reengagement with multilateral financial institutions will also help to create an environment conducive to attracting capital. This paradigm shift by Government has generated tremendous interest in the country's investment opportunities from investors and development partners around the world. By December 2017, investment commitments of around US$3 billion were recorded (ZIA, 2017). Zimbabwe now features as one of the frontier markets in SSA that presents opportunities for investment, trade and infrastructure development.

2.2 Building Bankability

The Bank, since 2016, recognised that in order to successfully implement its resource mobilisation strategy there was need to adequately address both institutional and project bankability. Therefore, the Bank has accelerated various initiatives to enhance its ability to meaningfully contribute to the national development agendas. In that regard, the Bank has aligned its governance frameworks, corporate structure and processes to strategy for enhanced operational efficiency and effectiveness. Through the 2018 National Budget, Treasury has committed US$20 million towards the capitalization of the Bank in support of the Bank's ambition of reaching a capital base of US$250 million by the end of 2018.

2.3 Project Bankability

The Bank's project development and appraisal framework has been enhanced to ensure that identified projects are adequately packaged for financing and implementation, with the ultimate objective being to minimise the time lag between project approval and implementation, as well as maximising project developmental impacts.

Complementary to the efforts above, the Bank is engaging Treasury and other Government Line Ministries to facilitate the undertaking of bankable feasibility studies and other project preparation activities on priority national projects using resources allocated to the National PPDF.

The Public Investment Management Guidelines (PIMGs) introduced in January 2018, will help standardize practices for project identification, packaging, approval, procurement and implementation by Government line ministries, public entities and local authorities. The primary objective of the PIMGs is to enhance the quality of public investment preparation, appraisal and selection, as well as to provide line ministries and implementing agencies with a framework that draws from experiences of best practices in project implementation. A key aspect of the Guidelines is the emphasis on adequate project preparation through the undertaking of bankable feasibility studies upon which decisions can be made to ensure infrastructure delivery is sustainable, affordable and provides value for money.

2.3.1 Project Development

Project development in Zimbabwe is broadly affected by the lack of project promoters' institutional capacity to prepare and package projects to bankability. While there is consensus with regards to the need to develop infrastructure in the country, most infrastructure projects are still at concept stage without any feasibility studies. This prompted the Bank to come up with the PPDF in 2016 to facilitate the development of projects to bankability by funding pre-feasibility and feasibility studies. However, more financial resources are still required from Government and development partners alike to develop all targeted priority infrastructure projects.

2.3.2 Project Management

Project monitoring and supervision is critical to delivery of infrastructure projects within budget and achieving the targeted goals and outcomes. To this end, the Bank's monitoring and evaluation efforts have led to improvements in the projects delivery efficiencies including national priority projects under the Public Sector Investment Projects (PSIP).

From 2010, Government has disbursed in excess of US$800 million towards priority infrastructure projects through the Bank, of which US$38.8 million and US$73.1 million was disbursed in 2016 and 2017, respectively. This is reflective of Government's commitment to improve the country's infrastructure requirements for economic development and growth. The total outstanding payment certificates on various Government projects stood at US$ 38.2 million as at end of 2017.

Some of the enduring challenges on projects implementation are:

- Lack of appropriately experienced human capital of Implementing Agents (IAs);
- Inadequate availability of foreign currency to import project components.
- Unprofitability of state owned enterprises and parastatals; and
- Rent seeking behaviour.

To mitigate the above outlined challenges, the Bank will:

- Assist in developing capacity of the implementing agents to undertake projects;
- Finance players in the infrastructure value chain; and

- Put in place mechanisms to ensure effective and efficient monitoring of deployed resources for infrastructure projects.

2.3.3 Planning Capacity and Challenges

Significant improvement in project planning has been realised in a number of Implementing Agencies (IAs). This is evidenced by improved packaging on projects being monitored by the Bank. These projects have relevant documents which include the preliminary and detailed engineering drawings, priced bills of quantities, technical specifications and tender documents in compliance with national procurement policies and guidelines.

2.3.4 Capacity of Contractors and Suppliers

During the period under review, the Bank observed that engineering and construction industry lack adequate capacity to successfully execute infrastructure projects owing to insufficient working capital. In an attempt to mitigate this, the Bank embarked on providing working capital to corporates involved in the infrastructure value chain.

2.4 Knowledge Generation and Sharing

The Bank maintained its focus on fostering knowledge generation and information sharing in infrastructure development by offering measured advice to stakeholders and Government through workshops, seminars and other key national events. The Bank continues to follow up on the country's development objectives, policies and to carry out necessary political, economic, environmental, social, technological and legal factors affecting the realisation of the its mandate. Through its participation in national capacity building initiatives aimed at improving responsiveness to tenders, the Bank managed to engage stakeholders and capacitate bidders.

The Bank also participated in meetings organised by the Government of Zimbabwe to review the Public Procurement and Disposal of Public Assets Act and the Public Procurement and Disposal of Public Assets (General) Regulations from the time of their first gazetting in August 2017. The Act and Regulations were subsequently passed into law and became effective in January 2018.

CHAPTER 3: BANK'S RESPONSE TO DEVELOPMENTAL CHALLENGES IN ZIMBABWE

3.1 Harnessing Partnerships for Infrastructure Development

For the year 2018, the Bank has come up with a Work Programme and Budget under the theme "Harnessing partnerships for infrastructure rehabilitation, expansion and national socio-economic transformation".

3.1.1 Bank Capitalisation and Strategic Partnerships

Given the magnitude of the country's infrastructure funding gap, the Bank requires a sizeable balance sheet which it can use to co-finance selected projects and also leverage to raise long term capital from both local and international sources. Due to its thin capital base, the Bank's resource mobilisation efforts are currently constrained, and this presents a challenge to the Bank's ability to deliver the required developmental impact.

The Bank is therefore constantly engaging Government, as shareholder, to inject additional capital. Initiatives in the pipeline include undertaking a private placement in 2018 and inviting local institutional investors to take up shareholding in the Bank. The next phase of the Bank's capitalisation roadmap involves the engagement of other Development Finance Institutions (DFIs), Multilateral Development Banks (MDBs) and strategic investment funds to bring them into the Bank's capital structure through a combination of investment instruments.

Parallel to the capitalisation initiatives are the ongoing engagements with various DFIs and MDBs which are aimed at developing partnerships for collaboration on the packaging, financing and implementation of projects. These relationships will allow the Bank to access a larger network of financiers and to unlock lines of credit, co-financing opportunities, credit enhancements and opportunities for knowledge sharing and technical assistance.

The resolution of the country's external debt arrears and normalization of relations with bilateral and multilateral institutions is a pre-condition for the Bank's initiatives to yield positive results.

3.1.2 Challenges to Resource Mobilisation Efforts

In some instances, the Bank experienced delays in securing regulatory approvals and necessary project permits/licences which are required to ensure project bankability. These challenges had a negative impact on the Bank's resource mobilisation activities but are expected to be tackled within the context of improving the Ease of Doing Business. These challenges are additional to the macroeconomic environment discussed in Chapter 1.

3.1.3 Resource Mobilisation Strategy

The Bank's resource mobilisation activities are anchored on its multi-dimensional Resource Mobilisation Strategy (2016) which seeks to increase project financing outcomes. whilst focusing on growing the Bank's balance sheet. The strategy is anchored on:

- Capitalisation of the Bank;
- Project financing initiatives for bankable projects;
- Strategic partnerships with other DFIs and MDBs;
- Climate finance initiatives for bankable green projects; and
- Public-Private Partnerships (PPPs).

3.2 Procurement

Infrastructure development in Zimbabwe is affected by limited capacity to bid for infrastructure projects among many other factors. The Bank is in the process of aligning its procurement processes with the new *Public Procurement and Disposal of Public Assets Act and the Public Procurement and Disposal of Public Assets (General) Regulations.*

After successfully establishing a Procurement Secretariat, the Bank is now geared towards delivering high quality and value for money, goods, works and services through sustainable cost savings. The Bank will collaborate with private and public sectors to deliver socially and economically sustainable outcomes through a robust procurement system. The Bank's procurement processes are also aimed at increasing operational efficiency of the IAs and minimising project completion risks.

3.3 Environment and Climate Change

In support of the national climate change mitigation and adaptation goals, the Bank in 2017, added and enhanced skills required in the execution and funding of climate change projects and programmes by establishing a standalone Climate Finance Division in the Resource Mobilisation Unit.

The Bank is expected to facilitate project development and resource mobilisation for some of the country's climate change mitigation and adaptation projects. The focus will be on renewable energy and low emission off-grid systems, climate-friendly transport, irrigation schemes and waste management.

The Bank was nominated by the Ministry of Environment, Water and Climate (MoEWC) as the National Implementing Entity (NIE) in the context of the Green Climate Fund (GCF). Its role will be to coordinate project packaging and other activities aimed at securing funding support from the GCF and other providers of climate finance. In that regard, the Bank is working towards being accredited to the GCF.

In preparation for GCF accreditation and aligning with best practice, the Bank is in the process of strengthening its business processes and developing a robust Environmental and Social Safeguards Framework and Gender Policy. This will enable the Bank to adequately mainstream environmental, social and gender issues in the project development cycle.

The Bank is also working with other development partners in climate finance to access the various funding platforms available for the financing of green projects. The Bank is exploring funding mechanisms to broaden its sources of climate finance and crowding in private sector investment into green projects.

3.4 Looking Ahead

3.4.1 Summary Infrastructure Projects

The targeted values of project approvals for funding (bankable projects) in the focus sectors for the period 2018 – 2020 are indicated in Table 3.

Table 3: Project Approval Targets

SECTOR	2018	2019	2020
	US$ (millions)	US$ (millions)	US$ (millions)
Energy	27.3	75.0	50.0
Transport	-	-	440.0
Water and Sanitation	75.7	-	13.0
Housing	54.6	65.5	78.6
ICT	-	-	-
Total	**151.6**	**140.5**	**581.6**

The details are elaborated below:

3.4.2 Sector details

Energy Generation: Energy is a critical element in all production processes. Therefore, any meaningful industrialization and indeed economic development can be elusive without affordable, reliable, secure and sustainable energy supply. One of the most important measures of economic progress is energy consumption per capita, of which many developing countries including Zimbabwe lag behind in terms of this indicator. In light of the foregoing, the Bank targets to develop mostly renewable energy generation projects to bankability with the capacity to generate close to 59.9 MW of energy in line with green energy initiatives. Table 4 shows renewable energy projects targeted for preparation and development between 2018 and 2020.

Table 4: Energy Generation Projects to be developed to bankability (2018-2020)

Name of Project	Capacity (MW)	Estimated Project Cost (US$ million)
Gwanda Solar Plant	5.0	6.9
Manako (Osborne) Mini Hydro	2.5	6.7
Rufaro Solar Farm One	50.0	75.0
Odzani Mini-Hydro Electric Power	2.4	6.4
TOTAL	**59.9**	**95.0**

Water and Sanitation: World Bank (2017), pointed out that water scarce regions such as the Middle East and Sahel region in Africa could lose as much as 6% of GDP growth by 2050 due to water scarcity. In Zimbabwe, many new urban residential areas being developed are not yet connected to municipal water and sewage reticulation systems, while old residential areas face erratic supplies due to dilapidated pipes and other infrastructure problems. This has created a fertile ground for waterborne diseases, placing residents at risk. Meanwhile, the Government of Zimbabwe (GoZ) has encouraged local authorities to come up with enhanced revenue collection systems and improve service delivery in the water and sanitation sector. The Bank, therefore, targets to develop to bankability and implement the following water and sanitation projects during the planning period:

Table 5: Proposed Water and Sanitation Projects to be developed to Bankability (2018-2020)

Project	Estimated Project Cost (US$ million)
Chiredzi Town Council Water and Waste Water Augmentation	9.7
Victoria Falls Water and Wastewater Augmentation	15.7
Ingwizi Dam and Bambanani Irrigation Scheme	TBA

Transport: An efficient transport system is a sine qua non for economic development, regional trade and integration as it enhances connectivity and leads to improved access to schools, health, markets and employment opportunities. In Zimbabwe, the transport sector requires huge investments as the railway sector is dysfunctional and most roads are in a state of disrepair due to long periods of lack of maintenance. The situation has been exacerbated by flooding which damaged the roads during the 2016/2017 rainfall season. Some of the roads are impassable and this has increased travel time, vehicle maintenance and transaction costs. For instance, National Railways of Zimbabwe (NRZ) requires US$400 million for capitalization and Harare roads require about US$800 million for the city to achieve the vision of a world class status by 2025.

In light of this, the Bank seeks to actively participate in resolving the transport sector challenges through project development and promote PPPs through offering advisory services to Government. The following projects are targeted for advisory services during the period 2018 – 2020: It must be noted that under Programme for Infrastructure Development in Africa (PIDA) two priority corridors involve Zimbabwe in the context of the North-South Corridor and the Beira Corridor.

Table 6: Targeted Advisory Services in the Transport Sector (2018-2020)

Project Name and Description	Estimated Project Value (US$ million)
Beitbridge-Harare-Chirundu Road dualisation and rehabilitation	2 700
Beitbridge Boarder Post Upgrading	300
Harare Nyamapanda Road (Road network expansion)	TBA
Bulawayo-Victoria Falls Road (Road network expansion)	TBA
Mutare Christmas Pass By-Pass (Road network expansion)	TBA
Kwekwe-Silobela-Nkayi-Lupane (Road network expansion)	TBA
New Victoria Falls Bridge (Construction of new Vic Falls Bridge)	TBA

In the next 3 years, the Bank targets to develop to bankability the Harare-Chitungwiza Railway Line project and mobilize resources for financing.

ICT: SSA remains one of the least connected regions in the world, with a mobile penetration of 82% compared to the 100% global average (World Bank, 2017). In order to boost connectivity and increase network coverage, service providers will need to accelerate their investment in mobile towers, particularly in rural areas. In Zimbabwe, access to mobile services was recorded at 88.5% in 2014 with Matabeleland North province having the lowest percentage of 77.7% (ZimStat, 2017). On average, access to mobile services was estimated at 83.7% in rural areas and 97.4% in urban areas. Similarly, access to internet services was estimated at 60.1% nationally, with 86.1% in urban areas and 45.6% in rural areas (Ibid). The urban-rural divide in the ICT sector is a major developmental challenge in African countries. The Bank will in consultation with relevant Government departments, explore innovative ICT projects that can be rolled out during 2018-2020 period. Exploratory work is on-going.

Housing: Housing sector development is important in stimulating economic growth, mobilizing savings and employment creation. Development of housing contributes to the improvement in the living standards as safe and secure housing is a basic need. Given the estimated housing backlog in most urban areas in Zimbabwe, there is a compelling need for housing development. In Zimbabwe, the growth in university student enrolments have led to an inadequate student accommodation, exposing students to unsafe and insecure housing conditions detrimental to their academic endeavours. During the period 2018 – 2020, the Bank will support infrastructure development in the housing sector through developing projects to bankability, servicing of stands and advisory services.

Fully serviced stands are expected to be delivered for the following projects in 2018:

1. Empumalanga West Housing Project(EWHP)
2. Kariba Housing Development Project
3. Glen Forest Memorial Park (fully serviced graves)

The following projects are expected to be developed to bankability and some of which are going to be implemented during the period 2018 – 2020:

1. Remainder of Sumben Estate (Mount Pleasant, Harare)
2. University Students and Staff Accommodation Programme (USSAP) projects:
   The Bank is developing projects targeting student accommodation complexes in:
   - Bulawayo
   - Bindura
   - Lupane
   - Harare
   - Manicaland
   - Chinhoyi
   - Catholic University of Zimbabwe (CUZ)
   - Women's University in Africa
   - Great Zimbabwe
3. Chipinge Housing Development (Chipinge)
4. Gwanda Municipality Housing (Gwanda)
5. Radar Properties Housing (Bulawayo)
6. Marondera Housing (Marondera)
7. Lot 2 Killarney Estate Housing (Harare)

In addition to the above projects, the Bank will continue to render transaction **advisory services** to the Ministry of Primary and Secondary Education on the New Schools Development Project. The project will see the Government constructing 2056 new schools throughout the country.

Additional PSIP projects: Through its Agency Agreement with the Government, the Bank has always supported the Government in the implementation of priority projects through the PSIP by providing project management and advisory services. For the years 2018 – 2020 it is planned that PSIP projects worth US$95.9 million (2018), US$105.4 million (2019) and US$116.0 million (2020) will be managed by the Bank.

3.4.3 Infrastructure Value Chain Activities

It is envisaged that the Bank's trade finance and credit facilities are expected to capacitate players in the infrastructure value chain to improve their capacity to deliver on projects. For the period 2018 – 2020, it will support value chain players as indicated by the loan book sizes in Table 7:

Table 7: Projected Trade Finance Loan Book Size (2018 – 2020)

SECTOR	2018	2019	2020
	(US$ m)	(US$ m)	(US$ m)
Energy	2.0	2.2	2.4
Transport	2.0	2.2	2.4
Water and Sanitation	1.8	2.0	2.2
Housing	13.6	15.0	16.5
ICT	3.0	3.3	3.6
Total	**22.4**	**24.6**	**27.1**

The Bank faced a number of challenges operating in the infrastructure value chain that include; high economy wide debtor problem, foreign currency shortages and lack of affordable long-term lines of credit. Accessing international credit lines was hampered by the perceived high country risk among many other things.

3.4.4 Resource Mobilisation Activities

The Bank's resource mobilisation activities for the period 2018-2020 are premised on the Bank's multi-dimensional Resource Mobilisation Strategy (RMS) as approved by the Board in 2016. The strategy is intended to increase project financing outcomes. Table 8 shows the resource mobilisation targets over the next three years.

Table 8: Resource Mobilisation Targets (2018 – 2020)

OBJECTIVE	EXPECTED OUTPUTS		
	2018	2019	2020
	(US$ m)	(US$ m)	(US$ m)
Project developed to bankability	151.6	140.5	581.6
Project financing targets	61.1	85.0	78.0
Bank capitalisation (additional)	25.0	40.0	135.0
Climate Financing	Submission of final GCF application by 30 September 2018	Accreditation to GCF by 30 September 2019	Funding from GCF Resources

The Bank is in the process of strengthening its business processes and also developing a robust Environmental and Social Safeguards Framework and Gender Policy which will enable the Bank to adequately mainstream environmental, social and gender issues in the project cycle in line with best practice.

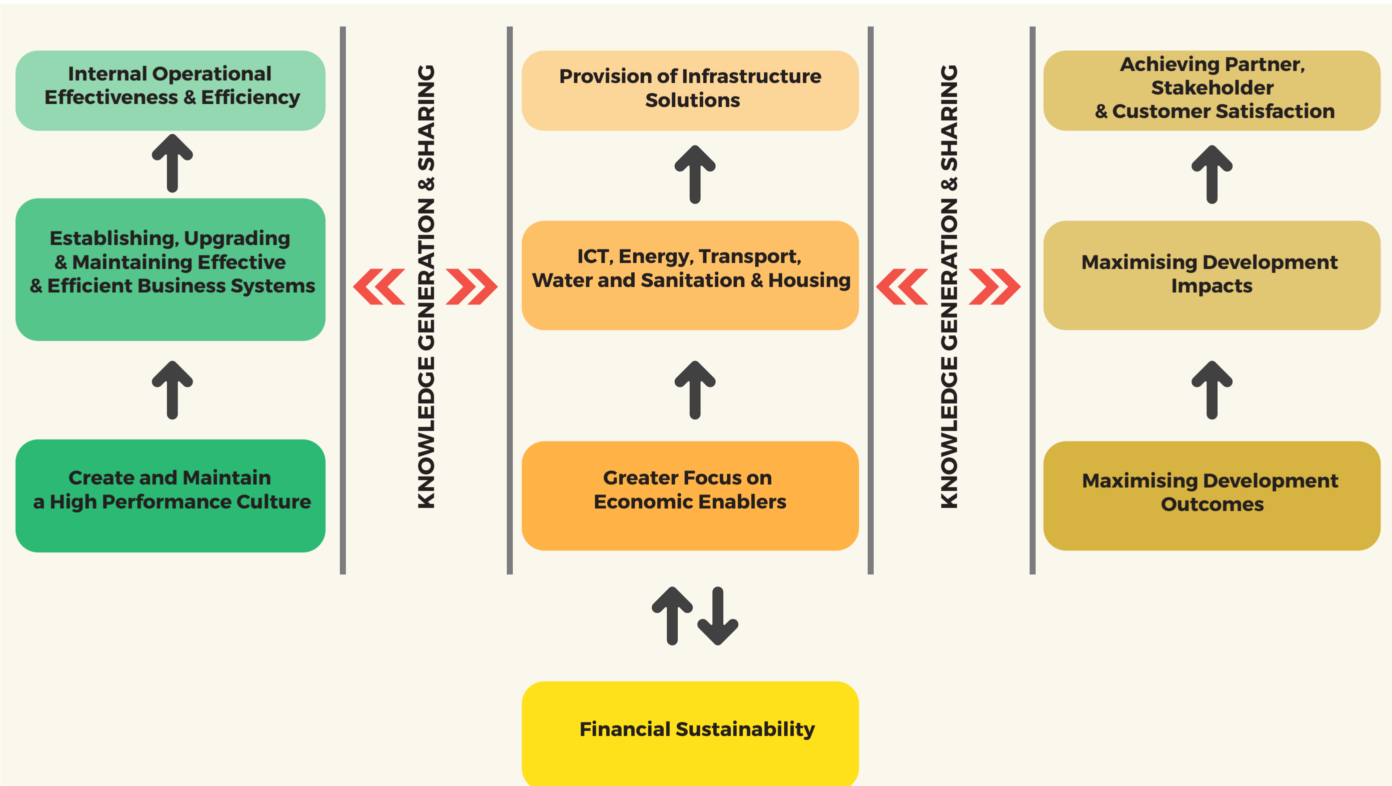
With the assistance of development partners, the

Bank is also building technical capacity in the area of climate finance and the packaging of green projects. In order to access the various funding platforms available for the financing of green projects, the Bank will explore a number of funding mechanisms with the objective of broadening its sources of climate finance and crowding in private sector investment into green projects in support of national climate goals.

3.4.5 Operational Efficiency

The Bank keeps on improving its operational efficiency, through consistent knowledge generation and sharing, improving business systems and fostering a high-performance culture. With greater focus on economic enablers infrastructure, the Banks seeks to maximise development outcomes and impacts to the satisfaction of its stakeholders. As shown in Figure 4, the the Bank activities are premised on financial sustainability.

Figure 4: Medium Term Strategy and Result Measurement Framework



Source; IDBZ, MTS & RMF 2016-2020

In 2017, the Bank embarked on several key activities to strengthen its operational efficiency. An Active Projects Processing Schedule (APPS) was designed for efficacious implementation of the MTS. This has resulted in the Bank achieving a robust multi-sector project pipeline whose projects are at various stages of development to bankability.

In preparation for the Reform Strategy to be spearheaded by the State Enterprises Reform Agency (SERA), the Bank reviewed the terms of reference for the Consultant and set up an IDBZ Reform Strategy Team in anticipation. Other initiatives include enhancing the Bank's corporate governance framework in readiness for the implementation of the Public Entities Corporate Governance Bill, strengthening expertise across key functional areas and improving the Bank's processes throughout the project cycle.

The Bank adopted COBIT5 as the preferred IT Governance and Management Framework for the organisation. Similarly, the Bank's management finalised the system requirements documentation and project management structure that will be responsible for identifying and implementing new systems, that is the Core Banking System (CBS), Human Resource Management System (HRMS), and Project Management System (PMS). The procurement processes for the new systems have since commenced and are being handled by the Procurement Secretariat.

CHAPTER 4: BANK OPERATIONS AND DEVELOPMENT IMPACT

4.1 Overview

In line with its mandate, the Bank continued to contribute to Zimbabwe's development through infrastructure development. The following was achieved in 2017: In the housing sector, the Bank managed to fully service 1042 residential stands in high, medium and low density on the New Marimba Housing Project in Harare and Clipsham Views Housing Project in Masvingo. The Bank also successfully monitored to completion the construction of Tokwe-Mukosi Dam, Masvingo with a capacity of 1.8 million mega litres. From its multisector project pipeline, the Bank prepared and developed projects worth US$85.7 million to bankability and these were at various stages of fundraising and implementation at the close of the year.

Total PSIP projects managed under the technical advisory support and implementation agency agreement, with Government, amounted to more than US$101 million. The support to the infrastructure value chain was reflected through the trade finance loan book that reached US$11.02 million in 2017. The Bank continued playing a catalytic role in infrastructure development by offering advisory services to national priority projects i.e. Beitbridge-Harare Road Rehabilitation and Dualisation Project and the Ministry of Primary and Secondary Education Schools Development Project targeting the construction of 2056 schools. In support of advancing infrastructure development, the Bank managed to raise US$26.6 million during the period under review through Infrastructure Bonds issuance and alternative instruments such as Participating Preference Shares.

4.2 Infrastructure Focus Sectors

The Bank continued with the development of a multisector project pipeline in line with its mandate and implementation of approved bankable projects in its focus sectors as articulated below.

4.2.1 Energy

In 2017, Kariba South Power Station (KSPS) Refurbishment and Extension Project for which the Bank raised US$50 million in prior years, saw the completion of one of the two units with an output of 150 MW. The Bank supervised and monitored work on the construction of Tokwe-Mukosi Power House worth US$1.2 million.

During the year, the Bank listed its energy bonds (IDB Series 1 2014B and IDB Series 2 2014B) on the Financial Securities Exchange (FINSEC) Fixed Income Board to enhance the instruments' liquidity and facilitate secondary market trading. Going forward, the Bank plans to list some of its infrastructure bonds as a strategy to broaden market participation in the instruments, in the process deepening the local debt capital market.

4.2.2 Transport

In the transport sector, the Bank was involved through monitoring the Emergency Roads Rehabilitation Programme by Government that covered 8 provinces and certified work amounted to US$24.12 million.

The programme was implemented by the road authorities and funded by Zimbabwe National Road Administration (ZINARA) and Treasury. The Bank was involved in the disbursement and implementation monitoring of the rehabilitation works undertaken by the Department of Roads. As at December 2017, the estimated percentage to completion was 48%. Below is a table of attained outputs.

Table 9: Emergency Road Rehabilitation Programme Outputs

Item	Output
Budget Envelope (US$ million)	53.9
Disbursed Amount (US$ million)	24.1
Grading (km)	3 566
Reseal/ Overlay (km)	147
Road reconstruction (km)	18
Re & spot gravelling (km)	592
Premix pothole patching (km)	2 683
Culvert construction (number)	4
Bridge construction (number)	4

Other road projects monitored by the Bank in 2017 under PSIP funding were:

- Harare – Mutare Road Dualisation (5.5 km), Goromonzi turnoff to tollgate,budget cost US$5.9million ;
- Bindura – Shamva Road construction (4.4 km), CH 21+037 to 27+360, budget cost US$5.6 million; and
- Harare – Bulawayo Road Dualisation (9.0 km), Norton turnoff to toll gate, budget cost US$10.9 million.
- Mvurwi -Kanyemba landing bay & road approach construction (3.5km), budget cost US$4.8 million.

During the period under review, the Bank continued to play the lead transaction advisory role to GoZ on the Beitbridge – Harare – Chirundu (including the Harare Ring-Road) Upgrading and Dualisation Road Project. To that end, traffic and legal analyses were completed and an environmental and social assessment study commenced at the end of 2017.

4.2.3 Water & Sanitation

In the **Water and Sanitation Sector,** the Bank in 2017 successfully monitored Tokwe-Mukosi Dam construction (US$ 300 million) which was completed and commissioned in May and also contributed to the preparation of the Tokwe-Mukosi integrated Development Framework (Tokwe-Mukosi Investment Master Plan). The Bank also successfully monitored the implementation of the rehabilitation of municipal water and sanitation systems in Chipinge, Gwanda and Beitbridge which were all commissioned in August 2017.

The Bank has prepared and packaged the Victoria Falls Water, Sanitation and Hygiene (WASH) (US$15.7 million) for fundraising.

Table 10: Summary of Dam Projects under Implementation

Project Title	Project Description	Project Cost	Project Status as at 31 December 2017
Tokwe-Mukosi Dam	The project is located in Masvingo Province. A rock fill dam project with upstream reinforced concrete slab with a total capacity of 1.8 million mega litres of water	Total amount disbursed US$ 298.0 million	The Dam project was completed and was commissioned on 19 May 2017. The Contractor has demobilized from the site but maintains a team to carry out maintenance works on the main dam.
Gwayi-Tshangani Dam	The project is located in Matabeleland South province. The dam is a concrete gravity arch dam, incorporating a 200m long spillway with a height of 71m. The capacity is 635 x 106m3 with a 10% yield of 210 x 106m3 per year.	Total estimated project costs US$121.7 million	Excavations for foundations were completed. Permanent works on the dam were suspended on 17 December 2017 due to flooding of the river bed.
Causeway Dam	The project is located in Mashonaland East province. The Dam is a conventional zoned earthfill embankment with a maximum height of 18 metres. The embankment has a total length of 455 metres and a crest width of 8 metres. There are two saddle dams, one on right bank and the other on the left bank. These are zoned earthfill embankment saddle dams with upstream riprap protection and grassing on the downstream.	Total estimated project cost US$ 18.0 million.	The contractor was working on foundation excavation and construction.
Semwa Dam	The project is located in Mashonaland Central province. Construction of a 72m high, 500m long rockfill dam with an upstream concrete membrane and a central core dam with a capacity of 260 x106m3	Total estimated project cost US$140,5 million.	Works had been under suspension since January 2015.
Marovanyati Dam	The project is located in Manicaland Province. Construction of a dam with a capacity of 50 x106m3. It is a 35m high, 800,000m3 zoned earthfill embankment with a crest length of 470m. It also includes the construction of a 120m long concrete ogee spillway and an intake tower linked to tunnel housing two 900mm diameter steel pipes.	US$33.3 million.	The Contractor resumed operations in July 2017 and by December 2017 the contractor was undertaking foundation excavation and construction.

Municipal water and sanitation rehabilitation

The Bank was involved in the monitoring of water and sanitation rehabilitation projects that are meant to ensure that small towns have reliable and adequate water supply and efficient sewer disposal systems. These projects will go a long way in promoting improved health and making towns and human settlement inclusive, safe, resilient and sustainable in line with SDG 6. Table 11 shows water and sanitation projects managed by the Bank in 2017.

Table 21: PSIP Water and Sanitation Projects under Bank Management in 2017

Project	Outputs	Location	Project Cost (US$ million)	% Completion as at 31 December 2017	Cumulative Disbursements (US$ million)
Gwanda Municipality Water project	10 Mega litre water reservoir	Gwanda	3.17	98%	2.72
Chipinge Town Council • Water and sewer upgrading project	Water sedimentation tanks	Chipinge	1.08	100 %	0.79
Total			4.25		3.51

4.2.4 ICT

The Bank is still in the process of identifying ICT projects that fall in the domain of fibre optic backbone and distribution infrastructure. Similarly, opportunities are being explored to finance the rollout of dedicated ICT infrastructure to facilitate interconnectivity among institutions of higher learning across the country.

The Bank is also scanning for investment opportunities in the rollout of wireless broadband network across Zimbabwe under the PPPs. This programme is expected to deliver efficient communication systems at lower cost to the economy consistent with the country's development thrust.

4.2.5 Housing

In 2017, Kariba Housing Project (US$14.8 million) was developed to bankability together with USSAP (US$34 million)[4] , Sumben Housing Project, Mount Pleasant, Harare (US$15.4 million) and Empumalanga West Housing Project, Hwange (US$5.8 million).

Progress was made in the implementation of Bank projects; New Marimba Housing Project with a total of 357 high and medium density residential stands was completed in the first quarter of 2017 and Clipsham Views Housing Project was officially handed over to beneficiaries in the second half of 2017. The Clipsham Views Project yielded a total of 704 low density residential stands and 69 commercial and institutional stands. Occupation of these stands is expected in the 2nd quarter of 2018 after meeting local authority compliance requirements.

The Bank also monitored Mbizo 22 remedial works (US$ 0.7 million) which were completed in June 2017.

Since the successful issuance of the US$5 million maiden Housing Bond in December 2015 to finance the development of the New Marimba Park (Harare) and Clipsham Views (Masvingo) housing projects, the Bank has to date issued Housing Bonds totalling US$37.9 million to fund the implementation of various housing projects.

On the student accommodation side, funding agreements have been concluded with three institutional investors who are funding the Bulawayo Student Accommodation Project in partnership with the Bank, whilst advanced investor engagements are underway to mobilise funding support for the Lupane Student Accommodation Project.

The Bank is working on packaging a sizeable pipeline of housing projects, including student accommodation, which are at various stages of preparation. The Bank is open to various funding mechanisms to mobilise adequate financial resources required for the implementation of these projects.

[4] Consists of projects in Bulawayo, Bindura and Lupane.

The proposed Sumben Housing Project is set to deliver 370 low density residential stands averaging 2,000 square metres. New Marimba Housing Project delivered 136 medium density and 221 high density stands that were all taken up by 2017. During the third and last quarter of 2017 some beneficiaries had started building their houses. It is expected that the beneficiaries will take occupancy of their high density stands in the 2nd quarter of 2018 after satisfying the local authority compliance requirements.

The Bank continued to build on its past successes and during the year approached the market seeking to raise a total of US$67.9 million in support of various projects that had been approved by the Board for implementation as shown in Table 12.

Table 12: Housing Projects and their funding requirements

Projects	Funding Required (US$ million)
Housing projects (Empumalanga West, Kariba and Sumben)	32.9
University Student Accommodation (Bulawayo, Bindura and Lupane)	35.0
Total Funding Requirement	**67.9**

The Bank issued 5-year Housing Bonds to mobilise capital for the three housing projects. Of the three bonds issued, the US$14.9 million Kariba Housing Bond is now fully subscribed, and the Bank is still receiving subscriptions under private placement for the US$12.2 million Sumben Housing Bond and US$5.8 million Empumalanga West Housing Project. To date, the Bank has raised a cumulative amount of US$117 million through the issuance of infrastructure development bonds since the bond programme commenced in 2012.

4.3 Trade Finance and Corporate Banking Activities

One of the challenges in infrastructure delivery, as already noted, is lack of capacity by implementing agencies. In some cases they lack appropriate funding for capitalisation and working capital. The Bank, therefore, planned in 2017 to support players in the infrastructure value chain through loans and trade finance facilities. Table 13 shows Trade Finance and Corporate Banking activities.

Table 13: Trade Finance Lending, 2017

Activity Description	Loan Book size/ (US$, million)
Energy	0.25
Transport:	0.81
Water & Sanitation:	-
Information & Communication Technology:	2.10
Housing	4.78
Existing Book (mixed)	3.03
Bank Guarantees:	0.06
Total loan book: Target:	**11.02**

The capital expenditure facilities were for the acquisition of earthmoving plant and equipment as well as vehicles such as tippers. Beneficiaries are involved in the manufacturing of concrete products such as concrete pipes, culverts, shelverts and pavers among others. In addition, the Bank supports the IAs with all forms of Bank Guarantees such as bid, performance, advance and retention bonds.

4.4 Procurement and Fiduciary Services

The Bank developed a robust Procurement & Tender Policy Manual covering the procurement of Works, Goods, Consulting & Non-Consulting services for infrastructure projects as well as other ancillary works, goods & services that support the Bank's general non-technical operations.

With the support of a Procurement Consultant, the Bank continued to review and benchmark its procurement processes to align it with best practice with the aim of ensuring effective execution of infrastructural projects and to ensure value for money and efficiency. In this vein, the total value of contracts successfully executed surged upwards from US$597 thousand achieved in 2016 to US$22.4 million in 2017. Currently, the Bank is procuring for the following projects among others:

- Core Banking System, Human Resources Management System and Project Management System.
- Construction of Accommodation for Health Sector and Academic Staff/ Students in all provincial capitals.

The Bank's procurement processes were fined-tuned during the year under review to increase transactional speed through initiatives such as establishment of an e-procurement portal. The e-procurement portal enables paperless registration of suppliers, contractors and consultants. A total of 194 suppliers, contractors and consultancy were successfully registered on the Bank's e-procurement portal as at 31 December 2017.

The Bank was also active on dgMarket which enabled suppliers of various services who are registered worldwide to get ready access to information about business opportunities from the Bank's tenders. Through these initiatives, the Bank has improved the procurement process by a reduction in the average turnaround time from 79 days to 40 days. This average turnaround time relates to the time taken from date of issuing of Bidding Documents / Request for Proposals to contract signing. Going forward, the Bank will also be implementing e-tendering in line with the GoZ's Public Procurement Modernisation Project to ensure that the wider objective of ease of doing business is achieved.

4.5 Development Effectiveness

The IDBZ is in the business of advancing sustainable infrastructure development through: mobilisation of appropriate resources, knowledge generation and sharing and project preparation and packaging in support of national development imperatives. The Bank endeavours to achieve development outcomes and impacts without compromising financial sustainability.

Figure 5: IDBZ Business Model

Inputs/ Activities

Resource Mobilisation
- Robust pipeline of Bankable Projects,
- Adequately capitalized Bank,
- Fostering Strategic Partnerships,
- Active Participation in Capital Markets through debt and equity instruments,
- Public Private Partnerships
- Green Financing Initiatives

Infrastructure Project Development & Management
- Project Identification
- Mandate Acquisition
- Project Preparation & Development
- Project Appraisal
- Project Monitoring and Implementation
- Post Implementation Evaluation
- Project/ Transaction Advisory Services

Knowledge Generation & Sharing
- Capacity Building
- Business Intelligence
- Project Completion Reports
- IDBZ Data Platform and Website Updates
- Sharing knowledge at national international platforms

Outputs

Infrastructure Financing
- Housing – US$ 26.6 million raised
- Nominated as GCF national designated entity,
- Ongoing Strategic Engagements.

Approved Projects (US$ 85.7 million)
- Kariba Housing Project – US$ 15.4 million
- Empumalanga West Housing and Waste Water Treatment Plant Rehabilitation Project - US$ 5.8 million
- Sumben Housing Project - US$ 15.4 million
- University Students and Staff Accomodation Programme - US$ 34 million.
- Victoria Falls Municipality WASH project - US$ 15.7 million
- **PSIP Projects under management - US$ 101.85 million**
- **Projects Succesfully Implemented**
  - **Clipsham Views, Masvingo – US$ 6.7 million**
  - **New Marimba, Harare - US$3.04 million**

Knowledge Generation Activities
- Participation in 5 Infrastructure Workshop
- Capacity Building Workshop to improve tender responsiveness.
- Project Launch
- Partnered SADC DFRC in: Leadership, Project Finance, Appraisal and Management training programmes

Outcomes

Housing
- 1 499 fully serviced stands delivered
- 6 296 beneficiaries

Transport
- Graded roads – 3 566 km
- Reseal/Overlay roads – 147 km
- Reconstructed roads – 18 km
- Gravelling – 592 km
- Pothole patching – 2 683 km
- Bridges – 4

Energy
- Power generation – 150 MW – KSPS
- 97 500 households – potential beneficiaries

Water and Sanitation
- Tokwe Mukosi Dam – 1.8 million ML.
- Water Sedimentation Tanks (CHipinge Town Council)

CHAPTER 5: INSTITUTIONAL REFORMS

5.1 Organisational Restructuring and Related Changes

In 2017, the GoZ nominated the Bank to be the National Implementing Entity (NIE) for the Green Climate Fund (GCF). Given the additional role, the Bank re-configured and re-designated the structure of its Resource Mobilization Division into a Resource Mobilisation and Climate Finance Unit.

The Bank also adjusted the structure of its Infrastructure Projects Department Bulawayo Regional Office in response to increased business volumes in the Southern region. To improve efficiency and effectiveness in the delivery of the Bank's mandate, the Procurement Secretariat was made a standalone division. Critical skills were also recruited to strengthen other key departments and units in the Bank.

To ensure adequacy of skills and competencies to support the Medium-Term Strategy, the Bank managed to successfully implement capacity building initiatives for key staff. The Bank reviewed its employee performance management system and trained staff on implementation of the same as a way of instilling and reinforcing a performance driven culture.

In pursuit of excellency, focus has been on building a Bank that values people, develops their talent and creates opportunities for career development. In 2017, employee engagement was good as depicted by a staff retention rate of 100%. Furthermore, the Bank implemented Corporate Wellness Programmes in an endeavour to enhance employee health and safety.

5.2 Stakeholder Engagement

In an era where stakeholders expect organisations to operate in a sustainable and responsible manner, the importance of Corporate Social Responsibility (CSR) is paramount. The Bank's approach to CSR considers how projects in the focus areas can assist in building a more robust and inclusive society. This also entails adhering to strong governance and compliance practices in all Bank operations.

The Bank's visibility greatly improved over the period as a result of positive media coverage, advertising campaigns, events and project videos. As a way of continuous stakeholder engagement, the Bank among many other initiatives successfully held handover ceremonies for its completed and ground-breaking ceremonies for new projects. These efforts were complemented by strong presence on the digital space as the Bank launched a new website and social media platforms that include Facebook, Twitter and YouTube.

In addition, the Bank sought to make a difference through sponsoring training programmes in partnership with the Southern African Development Community-Development Finance Resource Centre (SADC-DFRC) in the following areas:

- Project Resuscitation and Turnaround Management;
- Monitoring & Evaluation of Development Projects;
- Intermediate Project Finance; and
- Investment Appraisal and Risk Analysis.

These programmes were geared towards capacitating personnel in SADC DFIs to deliver in line with their national development thrusts and the SDGs.

Going forward, the Bank remains committed to engaging in continuous dialogue with its stakeholders as it strives to play a part in the implementation of the SDGs and Africa 2063 vision thus building a sustainable world.

CHAPTER 6: BOARD FIDUCIARY DUTIES

6.1 Corporate Governance Framework and Charter and Code of Ethics

IDBZ is a development finance institution established in terms of section 3 of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) (the IDBZ Act) and is managed in accordance with an established Governance Structure, Regulatory Framework, Corporate Governance Charter, and Code of Conduct and Ethical Framework as shown in Figure 6.

Figure 6: Corporate Governance: Framework, Charter, Code of Conduct and Ethics

IDBZ - The Bank	Governance Framework	Corporate Governance Charter	Code of Conduct & Ethical Framework
• DFI - focuses on infrastructure sectors • Energy, Water and Sanitation, Transport, ICT and Housing **Values** • Integrity, • Professionalism, • Innovation, • Service Orinetation, • Sustainability, • Knowledge Generation and Sharing.	• Established in 2005 - IDBZ Act [Chapter 24:14] • Regulated by the MoFED. • Supervised by RBZ - Finance Act Number 3 of 2014 which amended the Banking Act [Chapter 24:20] • Sections of the Banking Act that will apply to IDBZ are stated in General Notice 115 of 2017. • Member of the Depositor Protection Corporation (DPC). • JV Act [Chapter 22:22].	• Consolidation of: • Relevant provisions of the IDBZ Act [Chapter 24:14], • The Public Finance Management Act [Chapter 29:19], • The Corporate Governance Framework (CGF) for State Enterprises Parastatals • The IDBZ Shareholder Regulations. • Public Procurement and Disposal of Public Assets Act [Chapter 22:23].	• The Code of Ethics Policy provides a framework under which Directors, staff and people who interact with the Bank are expected to conduct themselves. • The Code is designed to promote honest and ethical conduct and is founded on the Bank's core values.

6.1.1 Corporate Governance Charter

The Bank has in place a Board approved Corporate Governance Charter (the Charter) that was crafted primarily to codify the various governance standards and instruments that impact on the operations of the Bank into one document which would serve as a reference point on corporate governance as well as legal and regulatory requirements and compliance. The Charter is a consolidation of relevant provisions of the IDBZ Act, the Public Finance Management Act [Chapter 29:19], the Corporate Governance Framework (CGF) for State Enterprises and Parastatals and the IDBZ Shareholder Regulations. The Charter is a live policy document which is subjected to regular reviews as the legal and regulatory environment changes. A major review will be undertaken once the Public Entities Corporate Governance Bill is enacted into law. The review will also seek to embrace and incorporate provisions of the recently enacted Public Procurement and Disposal of Public Assets Act [Chapter 22:23].

6.1.2 Code of Conduct and Ethical Framework

As a development finance institution with a statutory mandate to champion infrastructure development through mobilisation of appropriate resources, the Bank has a special responsibility to ensure that its business operations and activities are conducted on the highest ethical plane. The Bank endeavours to be at the forefront in promoting business practices and processes that meet international best practice and is conducted in a transparent manner. To that end, IDBZ is constantly reviewing and strengthening policies and procedures that govern staff interactions with Government, suppliers, customers and other stakeholders. The Code of Ethics Policy provides a framework under which all Bank stakeholders are expected to conduct themselves. The Code is designed to promote honest and ethical conduct and is founded on the Bank's core values of integrity, professionalism, innovation, service orientation, sustainability and knowledge generation and sharing.

6.2 IDBZ Governance Structure

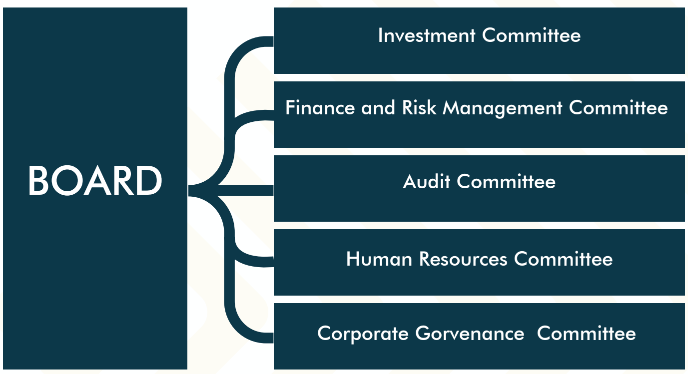


Figure 6: IDBZ Board Committees

6.3 Board of Directors

Through an amendment to Section 4 (2) of the IDBZ Act, the Minister of Finance and Economic Development reduced the statutory size of the Board to a minimum of 7 Directors and a maximum of 9 Directors. The current Board of Directors consists of eight (8) directors, only one of whom is an executive director. In line with Section 7 (2), the Board appointed two experts to sit on two critical Board Committees, namely, the Audit Committee and the Human Resources Committee.

The duties and responsibilities of the Board are outlined in section 4A of the IDBZ Act. The Board is responsible for formulating and implementing policies and strategies necessary for the achievement of the Bank's objectives. The Board supervises the overall activities engaged in by the IDBZ ensuring that the Bank has adequate control systems to monitor and manage risk, and further, that there is an efficient and effective use of the Bank's resources.

As an overarching responsibility, section 4A (e) of the Act requires the Board to formulate and enforce rules of good corporate governance and ethical practices for observance by the IDBZ Directors, management and staff. To effectively discharge its oversight and stewardship role, the Board meets regularly, at least once every quarter.

6.4 Delegation of Authority

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

6.5 Bank Secretary

In order to support the Board in exercising its functions and responsibilities, the office of the Bank Secretary coordinates and acts as an interface between management, Board committees and shareholders. The Secretary is an advisor to the Board and custodian of corporate information and records of the Bank.

With clearance from the Board Chairman, any Board member has a right to seek and obtain, at the Bank's cost, independent expert and/or professional advice on any subject relating to the business operations of the Bank.

6.6 Board Remuneration

The Board remuneration takes into account:

- State Owned Enterprises remuneration guidelines;
- Industry norms and market benchmarks;
- Effort and time devoted to Bank work;
- Expenses incurred in pursuance of the Bank's business; and
- Capacity of the Bank to pay.

The Minister of Finance and Economic Development approves the recommended remuneration.

6.7 Board Committees

For the efficient and effective discharge of the Board's mandate, the Board has established and delegated some of its duties and responsibilities to five (5) sub-committees. The Terms of Reference of each committee are approved by the Board and reviewed annually or as necessary reference.

The Board sub-committees ensure transparency in the discharge of their duties. They are also obliged to fully disclose all their decisions and recommendations to the main Board. The Board may 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 directors of the Bank. This is intended to enhance the effectiveness of Board Committee functions, particularly in areas requiring technical and professional input and is provided for in the IDBZ Act.

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

6.7.1 Investment Committee

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

- credit applications from the Bank's business units;
- equity investment proposals or applications;
- the form and value of collateral/security to be taken against loan exposures; and
- the Bank's strategy for growing the loan book and the overall business portfolio.

6.7.2 Audit Committee

The role of the Committee is to provide assistance to the Board of Directors in fulfilling its responsibility to the Bank with respect to the internal controls and audit processes that optimally support the Bank's strategic objectives. The Committee is wholly comprised of independent non-executive directors, inclusive of the Chairperson, and meets at least four times a year. The Committee's terms of reference include the following;

- to ensure that financial statements are prepared in accordance with the enabling Act and the applicable International Financial Reporting Standards;
- to evaluate the effectiveness of management information systems and the Bank's overall anti-fraud programs and internal controls;
- to review reported and noted weaknesses in controls and any deficiencies in systems and their remediation plans to address them;
- to evaluate the effectiveness of all Bank systems;
- to review and approve the annual internal audit plan and engagement work program;
- to monitor the independence and effectiveness of the internal audit function in the overall context of the Bank's risk management system;
- to review developments in corporate governance and best practice and consider their impact and implication for Bank processes and structures;

- to recommend the appointment, terms of engagement, remuneration and oversight of the work of the Bank's external auditors;
- to review, with the Bank's Legal Counsel, legal compliance and legal matters that could have a significant impact on the Bank's financial statements; and
- to ensure effective and smooth cooperation between executive management, internal audit, and external audit.

6.7.3 Corporate Governance Committee

The Committee is at the centre of the Board's emphasis on good corporate governance standards and practices. Its terms of reference are as follows:

- to develop and recommend to the full Board a set of corporate governance principles for adoption by the IDBZ from time to time in line with best practice;
- to review the process of identifying candidates for appointment to the Board and to develop and recommend programmes for post-induction development/training for Board Members; and
- to oversee the self-appraisal and performance evaluation of the Board and individual directors.

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

6.7.4 Finance and Risk Management Committee

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

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

The Committee comprises four (4) members inclusive of the Chairperson. The Chief Executive Officer is a member of the Committee while all other members are non-executive directors.

6.7.5 Human Resources Committee

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

The Committee is charged with ensuring the prevalence and observance of good labour and employment practices by the Bank for harmonious industrial relations. In this role, the Committee is charged with ensuring that the Bank adopts best practice in human resources management. The Committee's terms of reference are:

- to determine overall remuneration, retention and incentive schemes and benefits of executive management of the Bank;
- to recommend and monitor the level and structure of remuneration for senior executive management;
- to review and recommend to the Board the Bank's overall compensation policy for all staff under the Bank's employ;
- to oversee succession planning policies for executive management and their adequacy;
- to review, at least once annually, the organizational structure of the Bank and, where appropriate, recommend to the Board any material changes thereto; and,
- to review and consider for approval, proposed appointment of any person to a senior executive management position.

Board and Board Committee Attendance Record for 2017

NAME OF DIRECTOR/ MEMBER	MAIN BOARD		AUDIT COMMITTEE		HUMAN RESOURCES COMMITTEE		FINANCE & RISK MANAGEMENT COMMITTEE		CORPORATE GOVERNANCE COMMITTEE	
	Total	Number Attended	Total	Number Attended	Total	Number Attended	Total	Number Attended	Total	Number Attended
Manungo WL (Chairman)	4	4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sakala TZ[2]	4	4	Ex-officio	Ex-officio	4	4	4	4	Ex-officio	Ex-officio
Choga VH	4	4	4	4	n/a	n/a	n/a	n/a	3	3
Kudenga N	4	4	n/a	n/a	4	4	n/a	n/a	3	3
Mhakayakora J	4	3	4	4	4	4	4	3	n/a	n/a
Mlambo SS[3]	4	0	4	0	n/a	n/a	n/a	n/a	3	0
Mukahanana-Sangarwe M	4	3	n/a	n/a	4	3	4	3	3	2
Tawha CS	4	3	n/a	n/a	n/a	n/a	4	3	3	2
Chiromo NHC[1]	n/a	n/a	4	3	n/a	n/a	n/a	n/a	n/a	n/a
Jinda E[1]	n/a	n/a	n/a	n/a	4	3	n/a	n/a	n/a	n/a

NOTES:

1. Messrs NHC Chiromo and E Jinda are not Directors and sit on the Audit Committee and Human Resources Committee respectively as independent expert. Their appointment is in line with Section 7 (2) of the IDBZ Act [Chapter 24:14]
2. The CEO attends meetings of the Audit Committee and Corporate Governance Committee as ex-officio.
3. Dr SS Mlambo has been unable to attend meetings because he is unwell.

The expectation is that directors should attend at least 75% of all scheduled board meetings unless there are justifiable reasons for non-attendance.

CHAPTER 7: RISK MANAGEMENT REPORT

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

Main Areas of Focus

- Reinforcing the Bank's Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) through implementation of Sanctions Screening.
- Facilitating the implementation of IFRS 9 accounting standard for assessment and quantification of impairments.
- Development of the Environmental &Social screening framework and the Project Risk Rating framework that complement the Environmental & Social Policy, in line with the Bank's Green Finance drive.

7.1 Risk Spectrum

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

7.1.1 Credit Risk

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

7.1.2 Project Risk

The Bank aims to minimise financial and/or reputational loss that may result from project risk by ensuring that a clear and comprehensive approach is embedded in all project management processes. In order to effectively screen, assign and review risk ratings to projects that are undertaken, the Bank is developing a project risk rating framework. This will also assist management to make informed decisions, monitoring project risk to stay within the Bank's risk appetite.

7.1.3 Liquidity Risk

The Bank's strategy on management of Liquidity risk is centred on having a wide array of funding sources to complement the core deposit base. Other factors such as cost overruns may affect the Bank liquidity position, therefore, there is need to continuously improve internal control processes that impact on liquidity management. This task is overseen by a Management Liquidity Committee.

7.1.4 Market Risk

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

7.1.5 Operational Risk

The Bank has a defined methodology of quantifying, tracking and reporting on all operational risk issues and this has enhanced the Bank's risk awareness culture. Each functional area has a responsibility for identifying risk areas through self-assessments.

7.1.6 Strategy Risk

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

7.1.7 Reputational Risk

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

7.1.8 Legal & Compliance Risk

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

7.1.9 Money Laundering Risk

This is the risk of financial or reputational loss suffered as a result of transactions in which criminal financiers disguise the origin of funds they deposit in the Bank and then use the funds to support illegal activities. The Bank manages this risk through; adherence to Know Your Customer (KYC) Procedures and effective use of compliance enabling technology to enhance anti-money laundering program management, communication, monitoring and reporting.

7.2 Development Finance Institutional Rating

The Bank's 2017 rating covering the financial year ended 31 December 2016 is based on the Prudential Standards, Guidelines and Rating System [PSGRS] for African Development Financial Institutions, certified and validated by the Bank's external auditors Deloitte. The assessment assigned an 'A' rating for the period under review. The rating scale evaluates three critical areas namely; governance, financial prudence and operational standards. The risk assessment ratings are summarised below:

Standard	Weighted Score per Standard	Deloitte and Touche Rating 2016	Deloitte and Touche Rating 2017
Governance Standards	40%	35.4%	41.4%
Financial Prudential Standards	40%	26.0%	21.9%
Operational Standards	20%	18.1%	17.2%
Overall Score		79.5%	80.5%
PSGRS Rating		A	A

CHAPTER 8: DIRECTORS' REPORT

8.1 Business of the Bank

The Bank seeks to provide infrastructure development solutions through project preparation and packaging, resource mobilisation, financing, advisory services and infrastructure value chain financing.

8.2 General Policy Directions of the Minister

In terms of Section 9A(1) of the IDBZ Act [Chapter 24:14], the Minister of Finance and Economic Development may give the Board general directions regarding the policy it is to observe in the exercise of its functions, and the Board shall take all necessary steps to comply with every such directive.

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

During the year under review the Minister did not issue any policy directive to the Bank.

8.3 Authorized and Issued Share Capital

8.3.1 Ordinary Share Capital

The authorized share capital of the Bank remained at 15,000,000 ordinary shares with a nominal value of US$0.01 each whilst the issued ordinary share capital remained 4,462,090 ordinary shares with a nominal value of US$0.01 each.

8.3.2 Preference Share Capital

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

8.4 Investments

As at the year end, the Bank had the following sizeable investments:

Subsidiaries

Waneka Properties (Private) Limited	- 70%
Manellie Investments (Private) Limited	- 100%
Mazvel Investments (Private) Limited	- 51%
Kariba Housing Development Project	- 90%
Hwange Empumalanga West Housing Project	- 90%
Norton Medical Investments (Private) Limited	- 60%

Associates and Investments

Africom Continental (Private) Limited	- 33.31%
Chengetedzai Depository Company Limited	- 13.25%
Mosi Oa Tunya Development Company (Private) Limited-20.60%	
Norsad Finance Limited	- 4.55%
Zimbabwe Insurance Brokers Limited	- 1%

Joint Operation

Clipsham Views	- 56.26%

Detailed information regarding the Bank's subsidiaries, joint operation, associate companies and investments is given in the notes to the financial statements.

8.5 Financial Results for the year

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

8.6 Dividends

The Directors are not recommending a dividend for the year ended 31 December 2017 due to the need to reinvest profits to finance current and new infrastructure projects.

8.7 Corporate Governance and Performance Monitoring System

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

9 Compliance with the Corporate Governance Framework ("CGF") for State Enterprises and Parastatals

The Bank substantially complied with provisions of the Corporate Governance Framework for State Enterprises and Parastatals and achieved an internal compliance rating of 80% against a target of 85%.

9.1 Going concern

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) using appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

With a capital base of US$49.4 million as at 31 December 2017 and taking into account the Bank's future business prospects presented by the breadth and scope of its mandate, the Directors have a reasonable expectation that the Bank has adequate resources to continue as a going concern in the foreseeable future. Under the circumstances, a continuous assessment of going concern will be done.

9.2 Directorate

There were no changes on the Board of Directors during the year under review. The Minister amended the IDBZ Act [Chapter 24:14] to reduce the size of the Bank's Board from a minimum of 12 prescribed in the Act to a minimum of 7 and a maximum of 9 Directors.

9.2.1 Directors' Interest in the Bank

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

9.2.2 Directors' Emoluments

Directors' emoluments are disclosed in the notes to the Financial Statements.

9.2.3 Interest of Directors and Officers

The Directors and Bank Officers had no material interest in:

- all contracts that were entered into during the year; and
- any third party nor company responsible for managing any of the business activities of the Bank.

9.3 Auditors

Shareholders will be requested to approve the remuneration of the Auditors for the year ended 31 December 2017.

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

WL Manungo
Chairman

TZ Sakala
Chief Executive Officer

CHAPTER 9: DIRECTORS' RESPONSIBILITY STATEMENT

9.1 Financial Statements for Infrastructure Development Bank of Zimbabwe

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

To enable the directors to meet these responsibilities, systems of accounting and internal controls are maintained that are aimed at providing reasonable assurance that assets are safeguarded. The Bank's Internal Audit function which reports to the Audit Committee, regularly evaluates these systems and makes recommendations for improvements where necessary.

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

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

The responsibility of the independent auditors is to report on the financial statements. Their report to the members is set out on pages 37 to 43 of this report.

The financial statements were approved by the Board of Directors on the 30th of May 2018 and are signed on its behalf by the Chairman and Chief Executive Officer.

Preparer of Financial Statements

The Financial Statements have been prepared under the supervision of C. Gambinga and have been audited in terms of the Infrastructure Development Bank of Zimbabwe Act Chapter (24:14).

C. Gambinga
Finance Director

W L Manungo
Chairman

T Z Sakala
Chief Executive Officer

2017 FINANCIAL RESULTS

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Infrastructure Development Bank of Zimbabwe

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Infrastructure Development Bank of Zimbabwe and its subsidiaries, joint operation and associates (the "Bank" or the "Group") as set out on pages 45 - 96, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act (Chapter 24:20).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Public Accountants and Auditors Board (PAAB) Code of Ethics which is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 34 which discusses contingencies within the Group. As at 31 December 2017, the Group was involved in a litigation case involving a company in the petroleum industry which contended that the Group should honour a purported guarantee of US$847,848 issued in favour of a third party. IDBZ appealed against the judgment of the High Court to the Supreme Court thus effectively staying execution of the High Court judgment. The appeal hearing was held on 23 May 2017 and judgment was reserved. Additionally, the Group foreclosed on agricultural farms in Matebeleland with a fair value of $1,050,000. These assets have not been recorded in the financial statements as no economic benefits have been derived from the agricultural farms thus far. A contingent asset has been disclosed in anticipation of receipt of compensation with respect to the loss of control of the land.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters below relate to the audit of the financial statements.

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition and the automated nature of interest calculations	
International Standards on Auditing "ISA" 240 requires the auditor to presume the risk of material misstatement due to fraudulent revenue recognition. Revenue is recognised from the following streams: interest income, property sales, and fees and commission income. Income from interest enhancing mechanisms is amortised over the tenure of the loan facilities. This is a highly automated process, which requires numerous information technology related checks and balances as well as manual reconciliations of the same. The Bank suspends interest on non-performing loans when reasonable doubt exists about the recoverability of a loan. Judgement is required in the determination of whether or not it is probable that the Bank will receive interest on impaired financial instruments. Given the significance of the balances, the automated nature of the computations as well as the significant judgements made in the suspension of interest, this was considered to be a key audit matter. The revenue recognition policy is disclosed in note 2.19.1 and the revenue balances (comprising of interest and non-interest income) are disclosed in Notes 24.1, 25, 26 and 28. The policy for suspended interest is disclosed in note 2.56.	In responding to the identified matter, our audit procedures included the following: - Making enquiries of those charged with governance regarding the policies in regarding revenue recognition for the various streams and assessed compliance with the relevant accounting framework; - Obtaining an understanding of the internal control environment. This involved obtaining evidence about the design and implementation of the controls around revenue and their operating effectiveness; - Performing detailed substantive testing of journal entries processed for revenue to ensure these were appropriately authorised, complete and accurate; - Performed detailed substantive tests to determine occurrence of property sales; - We performed analytical reviews of fees and commission income; - We made use of Internal Information technology specialists to evaluate key controls over the loan administration system; - We engaged Internal Data Analytics specialists to independently re-compute interest income and non-interest income namely fees, commission income using analytical methods and compared to recorded amounts; and - We performed detailed substantive testing of journal entries to record suspended interest to obtain evidence that entries posted were valid and accurate. We obtained reasonable assurance that revenue was appropriately accounted for and disclosed in the financial statements.

Valuation and impairment of loans and advances

As disclosed in note 10, the Group had gross loans and advances of $55 906 801 and a provision for impairment of US$2 176 440 as at 31 December 2017.

Credit risk remains a significant challenge affecting the financial services sector as evidenced by the level of non-performing loans. There is risk of non-recoverability of loans and advances primarily due to generally low liquidity and business performance constraints within the economy.

This is heightened by the following:

- The lack of a reliable credit bureau in Zimbabwe that performs independent background and creditworthiness checks through maintaining records of individuals' credit histories;
- The pervasive high level of retrenchments and salary reductions in the country which handicap the ability of customers to honour their debts; and
- The fact that some loans may be unsecured or partially secured due to the diminishing security values owing to general economic underperformance and liquidity constraints.

In determining the provision for credit losses, the following key judgements and estimates are made:

- An assessment of whether there is a measurable decrease from a portfolio of loans;
- Expected default based on historical loss experience for similar assets; and
- Discount rate determination for the purposes of discounting future expected cash flows.

Because of the significance of the balance, and the fact that it is subject to significant estimation and judgement, we have considered impairment of loans and advances to be a key audit matter.

The disclosures relating to loans and advances balance and the related impairment are contained in Note 10.

In evaluating the appropriateness of the valuation of loans and advances, we performed the following procedures:

- Evaluated the design and implementation of controls in this area;
- Reviewed the documentation evidencing the existence of credit assessments on customers in accordance with the Group's policies as well as applicable laws and regulations;
- Assessed recoverability of loans and advances through circularisation of a sample of balances and analysed customer payment trends for the year under review as well as subsequent receipts;
- Matched loan tenures to the application of the loan and recalculated the expected loan balances at year end, which was then compared with the recorded amount to identify customers in arrears;
- Reviewed the security pledged by customers for a sample of advances and assessed whether it adequately covered the advance balance at year end; and
- Assessed the valuation of security pledged by customers for loan balances by comparing security values to recent market transactions or recent valuations of similar properties in similar locations.

In evaluating the adequacy of impairment provision against loans and advances we performed the following;

- Obtained evidence in respect of key controls over the models and manual processes for impairment events identification and collateral valuation;
- Assessed and challenged the appropriateness of management judgements and methodology used in the determination of the provision;
- Assessed key changes in the assumptions against industry standards and historical data;
- Assessed the reasonableness of the percentage used by management in the determination of impairment on the general loan book;
- Assessed the reasonableness of discount rates used in the calculation of present values of forecast future cash flows or anticipated asset disposals in potential liquidation cases. This was done by:
    - assessing the loan agreements for applicable interest rates for loans in default; and
    - comparison with the maximum rates prescribed by the regulatory bank;
- We reviewed the calculations of present value of future cash flows prepared by management for specific impairment in line with guidance from applicable financial reporting standards, with a particular focus on the timing of cash flows, discount rates used and support for projected cash flows;
- Independently recalculated the present value of

- future cash flows from customers and compared with management's calculation;
- Tested the reasonableness of future cash flows expected from a sample of customers by assessing future realizable values from auction of assets pledged as collateral; and
- Assessed the adequacy of related disclosures.

We found that the Directors applied sound judgement in determining impairment for loans and advances. The disclosures thereof were assessed to be adequate.

Classification of business arrangements

In order to deliver its mandate, the Group enters into business arrangements with various entities/parties noteably in the area of housing development.

Judgement is applied in the assessment of the underlying agreements to determine the appropriate classification and resultant accounting treatment of these arrangements.

The following business arrangements were entered into during the year:
- Kariba Housing Development Project;
- Mazvel Investments (Private) Limited;
- Empumalanga West Housing Project;
- Mosi-Oa Tunya Development Company; and
- Zim-Campus Properties (Private) Limited.

Due to the level of judgement required in the assessment of the agreements, we have considered this area to be a key audit matter.

The description of all business arrangements entered into by the Group has been disclosed per Notes 12.

The accounting policies have been disclosed in Notes 2.3a – e.

In evaluating the classification of the business arrangements, we performed the following procedures:

- Reviewed the technical documentation prepared by management outlining their assessment of the agreements and conclusions on whether these were subsidiaries, associates, joint ventures, joint operations or investments;
- Performed an assessment of the classifications of the agreements by independently analysing underlying agreements and their characteristics against the requirements of applicable accounting standards;
- We consulted with our Internal accounting and technical specialists with regards to our independent assessment;
- Reviewed consolidation workings with a view to assess specific treatment of balances from these entities; and
- We reviewed the annual report to assess the adequacy of the disclosures pertaining to the business arrangements.

We found that the Directors applied sound judgment in their determination of the classification of the business arrangements as either subsidiaries, associates or joint operations.

We found that the balances were appropriately accounted for in the consolidation process. The related disclosures were assessed to be detailed and useful.

Completeness and existence of land (investment properties and land and buildings)

The Group had investment properties and land and buildings valued at $ 13 393 573 and $2 527 513 respectively (refer to notes 14 and 16).

The Group acquires these assets through direct purchase or through foreclosures. Given the time taken for foreclosures as well as finalization of transfer of ownership of assets, an assessment is made with respect to :

- whether or not the Group is able to exercise control over assets for which the transfer processes are not yet final at reporting date; and
- whether or not an asset exists as at year-end.

The completeness of the related registers and movements is an area of focus.

Given the above, the existence and completeness of investment properties and property, plant and equipment were considered key audit matters.

All disclosures relating to property, plant and equipment and investment properties have been included in Note 14, Note 16 and Note 34b respectively.

In evaluating the completeness of the fixed asset register and the investment properties movement schedule, we performed the following procedures:

- We tested the design and implementation of controls over the registration of properties and verification of properties recorded in the ledger;
- We performed a deeds search at the Department of Deeds in Harare and Bulawayo and:
  - Where properties were identified that the Group held legal title deeds to, we assessed whether the Bank had rights to the properties in accordance with the applicable accounting framework; and
  - For assets recorded in the ledger for which the title deeds were not available at the Deeds Office, we verified the legal status of these as cessions through enquiries with legal counsel and inspection of the underlying sale agreements.
- Challenged the Directors' assessment around controls and rights to property;
- We circulated confirmations to the legal counsel who acted as conveyancers for the Bank and agreed the properties listed thereon to the financial records and our deeds search results;
- Challenged the classification of investment property and the appropriateness thereof after assessing the purpose for which the properties was held;
- Reviewed disclosures in the annual report for adequacy and appropriateness.

We found the Directors applied due process in their determination of the completeness and existence of immovable properties.

The disclosures thereof were detailed and appropriate.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's statement, other explanatory information (excluding audited amounts and schedules) contained in the risk management report; which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misrepresented.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act (Chapter 24:20) and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Charity Mtwazi.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the disclosure requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act (Chapter 24:03).

Deloitte & Touche

Deloitte & Touche
Per: Charity Mtwazi
Partner
Registered Auditor
PAAB Registration Number 0585
6 June 2018

CHAPTER 10: AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR PERIOD TO 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 US$	2016 US$
ASSETS			
Cash and bank balances	6	40 973 320	22 833 256
Inventories	13	16 094 871	4 280 997
Other receivables and prepayments	11	4 461 502	3 002 693
Loans and advances to customers	10	53 730 361	65 141 796
Investment securities	7	315 786	51 513
Financial assets at fair value through other comprehensive income	8	9 556 537	7 518 492
Treasury bills and other financial assets	9	42 452 817	42 994 979
Investment in associates		3 907 601	1 210 307
Investment property	14	13 393 573	9 380 000
Intangible assets	21	155 824	14 105
Property and equipment	16	3 928 173	3 508 473
Deferred taxation	15	12 915	-
Total assets		**188 983 280**	**159 936 611**
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits from customers	20	45 918 559	47 004 142
Local lines of credit and bonds	22	84 211 738	56 868 305
Other liabilities	23	4 072 504	7 393 688
Total liabilities		**134 202 801**	**111 266 135**
EQUITY			
Share capital	17	44 620	44 620
Share premium	17	8 934 396	8 934 396
Non distributable reserve	18	(256 617)	(256 617)
Preference share capital	19	38 283 003	38 283 003
Fair value reserve		3 578 461	3 224 878
Accumulated losses		(1 180 064)	(1 822 797)
Equity attributable to equity owners of the Group		**49 403 799**	**48 407 483**
Non-controlling interest in equity		5 376 680	262 993
Total shareholders' equity		**54 780 479**	**48 670 476**
Total equity and liabilities		**188 983 280**	**159 936 611**

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

Willard L. Manungo
(Chairman of the Board)

Thomas Zondo Sakala
(Chief Executive Officer)

Date: 30 May 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$	2016 US$
Interest and related income	24.1	10 130 403	12 147 443
Interest and related expense	24.2	(6 613 388)	(6 301 291)
Net interest income		3 517 015	5 846 152
Property sales	25	6 104 829	1 600 324
Cost of sales		(3 795 529)	(1 070 821)
Net income on property sales		2 309 300	529 503
Fees and commission income	26	2 733 467	1 004 969
Dividend income		26 530	44 983
Revenue		**8 586 312**	**7 425 607**
Other income	28	740 919	1 771 021
Loan impairment charge	10.1	(464 360)	(1 597 558)
Fair value loss on investment property	29	1 790 001	(1 660 560)
Net gain on financial assets at fair value through profit or loss	27	264 273	2 256
Net foreign exchange gains	30	53 505	322 175
Operating expenses	31	(10 108 148)	(7 606 248)
Share of loss of associate		(248 997)	(162 453)
Profit / (loss) for the year before taxation		613 505	(1 505 760)
Income tax credit		12 915	-
Profit / (loss) for the year		**626 420**	**(1 505 760)**
Other comprehensive income			
Items that may be reclassified to profit and loss			
Net fair value gain on financial assets at fair value through other comprehensive income	8	353 583	207 965
Other comprehensive income for the year net of tax		353 583	207 965
Total comprehensive profit/(loss) for the year		**980 003**	**(1 297 795)**
Profit / (loss) for the year attributable to:			
Equity holders of the parent entity		642 733	(1 291 323)
Non-controlling interest		(16 313)	(214 437)
		626 420	(1 505 760)
Total comprehensive loss attributable to:			
Equity holders of the parent entity		996 316	(1 083 358)
Non-controlling interest		(16 313)	(214 437)
		980 003	**(1 297 795)**
Basic profit /(loss) per share from profit/(loss) for the year attributable to equity holders (US cents)	33	**14**	**(29)**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$	2016 US$
Cash flow from operating activities			
Profit / (Loss) for the year		613 505	(1 505 760)
Adjustments for:			
Depreciation	16	223 856	159 793
Amortisation	21	23 492	4 596
Loan impairment charge	10.1	464 360	1 597 558
Provisions and accruals		85 895	871 348
Sundry debtors impairment		85 012	197 955
Net losses from translation of foreign currency balances	30	(53 505)	13 568
Profit on disposal of property and equipment		2 976	(29 460)
Loss on disposal of investment property	14	-	7 566
Unrealised fair value (gain)/ loss on investment property	14	(1 790 001)	1 652 994
Loss on financial assets measured at fair value through profit and loss		(264 273)	(2 256)
Share of loss of associate	12.5	248 997	162 453
Bad debts recovered		(343 407)	(1 268 624)
Impairment for property plant and equipment		-	540 000
Other non-cash items		-	(52 308)
		(703 093)	**2 349 423**
Changes in :			
Loans and advances to customers		7 023 417	(4 066 669)
Other receivables and prepayments		1 458 810	309 869
Inventories		(11 678 835)	(1 936 002)
Deposits from customers		(1 085 583)	(1 603 775)
Other liabilities		(345 894)	(449 417)
Net cash used in operating activities		**(5 331 178)**	**(5 396 571)**
Cash flow from investing activities			
Acquisition of property and equipment	16	(647 264)	(1 002 128)
Proceeds from sale of property and equipment		2 182	193 158
Acquisition of financial assets at fair value through other comprehensive income		(1 684 463)	-
Proceeds from sale of investment property		21 078	68 955
Acquisition of investment property		(1 917 660)	(750 246)
Net cash used in investing activities		**(4 226 127)**	**(1 490 261)**
Cash flow from financing activities			
Proceeds from issue of bonds	22	26 897 648	22 549 700
Repayment of bonds	22	(16 006 583)	(13 222 682)
Rights issue			1 956 332
Increase in local lines of credit	22	16 806 304	911 551
Net cash generated from financing activities		**27 697 369**	**12 194 901**
Net increase in cash and cash equivalents		**18 140 064**	**5 308 069**
Cash and cash equivalents at 1 January 2017		22 833 256	17 525 187
Cash and cash equivalents at 31 December 2017	6	**40 973 320**	**22 833 256**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Ordinary share capital US$	Share premium US$	Non distributable reserve US$	Preference share capital US$	Fair value reserve US$	Accumulated Losses US$	Total before non-controlling interest US$	Non controlling interest US$	Total equity US$
Balance as at 1 January 2017	**44 620**	**8 934 396**	**(256 617)**	**38 283 003**	**3 224 878**	**(1 822 797)**	**48 407 483**	**262 993**	**48 670 476**
Non controlling interest from new subsidiaries								5 130 000	5 130 000
Profit / loss) for the year						642 733	642 733	(16 313)	626 420
Other comprehensive income:									
Net fair value gain on financial assets at fair value					353 583		353 583	-	353 583
Balance as at 31 December 2017	**44 620**	**8 934 396**	**(256 617)**	**38 283 003**	**3 578 461**	**(1 180 064)**	**49 403 799**	**5 376 680**	**54 780 479**
Balance as at 1 January 2016	**24 490**	**9 171 552**	**(22 373 613)**	**38 283 003**	**3 016 913**	**(531 474)**	**27 590 871**	**477 430**	**28 068 301**
Loss for the year	-	-	-	-	-	(1 291 323)	(1 291 323)	(214 437)	(1 505 760)
Other comprehensive income:									
Net fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	207 965	-	207 965	-	207 965
Transfer from share premium to non distributable reserve	-	(22 116 996)	22 116 996	-	-	-	-	-	-
Transactions with owners of the Group:									
Rights issue	20 130	21 879 840	-	-	-	-	21 899 970	-	21 899 970
Balance as at 31 December 2016	**44 620**	**8 934 396**	**(256 617)**	**38 283 003**	**3 224 878**	**(1 822 797)**	**48 407 483**	**262 993**	**48 670 476**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 INFRASTRUCTURE DEVELOPMENT BANK GROUP PROFILE AND PRINCIPAL ACTIVITIES

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

The consolidated financial statements were approved by the directors on 30 May 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations and in the manner required by the Companies Act (Chapter 24:03), Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) and the Banking Act(Chapter 24:20).

Currency

The financial statements are expressed in United States of America dollars ("USD") which is both the functional and presentation currency.

2.1.1 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share- based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

Comparative financial information

The financial statements comprise statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.1.2 "Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IAS 7 (Effective for annual periods beginning on or after 1 January 2017)	"The amendment requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
Amendments to IAS 12 (Effective for annual periods beginning on or after 1 January 2017)	The amendment clarifies the recognition of Deferred Tax Assets for Unrealised Losses.
Annual Improvements to IFRSs 2014-2016 Cycle	The company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and the company has not early adopted them. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The application of these amendments has had no effect on the company's financial statements as none of the company's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

2.1.3 Impact of standards and interpretations in issue but not yet effective
IFRS 9: Financial instruments

The Group will be adopting IFRS 9: Financial instruments as issued by the IASB in July 2014 with a date of transition of 1 January 2018. The adoption of the new standard will result in changes in accounting policies and adjustments to the amounts of prior periods.

As permitted by the transitional provisions of IFRS 9, the Group will not restate comparative figures at the initial adoption of IFRS 9.

Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition will be recognised in the opening retained earnings and other reserves of the period beginning 1 January 2018.

The adoption of IFRS 9 will result in changes in the Bank's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments, such as IFRS 7 Financial Instruments: Disclosures.

The Group is currently in the process of performing an analysis to ascertain the extent of the changes from IAS 39 to IFRS 9. Set out below are some of the disclosures relating to the likely impact of the adoption of IFRS 9 on the classification of the Group's financial instruments.

(a) Classification and measurement of financial instruments

Financial Assets	IAS 39	IFRS 9
Cash and bank balances	Amortised cost (loans and	Amortised cost
Treasury bills and other financial	receivables)	Amortised cost
assets	Amortised cost (loans and	Amortised cost
Other receivables	receivables)	Amortised cost
Loans and advances to customers	Amortised cost (loans and	Mandatory FVPL
Trading assets (investment	receivables)	Mandatory FVPL
securities)	Amortised cost (loans and	FVOCI
Other investments	receivables)	
Investments in subsidiaries	FVPL (held for trading)	
	FVPL (held for trading)	Ammortised cost
Financial Liabilities	FVOCI (available for sale)	Ammortised cost
Deposits from customers		Ammortised cost
Local lines of credit and bonds		
Other liabilities	Ammortised cost	
	Ammortised cost	
	Ammortised cost	

(b) Impact on impairment
The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 as at 1 January 2018 are compared as follows:

· IFRS 9 will introduce new impairment considerations that are expected to have a significant impact on the impairment recognised. Impairment is likely to increase as a result of a requirement to recognise impairment using an expected credit loss model, which is a probability-weighted outcome that takes into account forward-looking information, amongst other variables. Currently, IAS 39 requires the recognition of impairment using an incurred loss model, which requires an estimation of losses already incurred. IFRS 9 will result in impairment being recognised on performing assets based on a 12-month probability of default whilst impairment will be recognised on assets that have suffered significant credit deterioration using a lifetime probability of default.

· IFRS 9 will require impairment considerations to be made for exposures that were previously not subject to impairment. The Group has assessed its exposures and observed that the following exposures, which were previously not subject to impairment, will be subject to impairment under IFRS 9.

Exposure Type	31-Dec-17 US$
Undrawn portion of loan commitments	38 519

At year-end, the Group was still in the process of developing forward-looking models for the determination of expected credit losses on its financial instruments. The likely impact on impairment is yet to be quantified.

2.1.4 Impact of other standards and interpretations in issue but not yet effective

Standards in issue	Impact
IFRS 15 - Revenue from Contracts with Customer (Effective for annual periods beginning on or after 1 January 2018)	The standard is set to replace IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31; effective annual periods beginning on or after 1 January 2017, early application permitted. The standard is going to have a direct impact on revenue from the sale of stands due to the fact that stands are sold over a 5- 10 year period so judgement has to be made on revenue recognition at the end of every period in accordance with IFRS 15.
IFRS 16 – Leases	Effective 1 January 2019, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Tis will supersede the current guidance including IAS 17 Leases.
Amendment to IFRS 2(Effective for annual periods beginning on or after 1 January 2018)	The amendments relate to the Classification and Measurement of Share-based Payment transactions.
Amendments to IFRS 10 and IAS 28 (Effective for annual periods beginning on or after 1 January 2018)	The amendments relate to the sale or contribution of Assets between a investor and its Associate or Joint venture. Effective date to be determined.

The implementation of the above changes , except for IFRS 9 and IFRS 15 are not expected to have a significant impact on the Bank's financial statements.

IFRS 9 will impact the accounting of the Bank's financial instruments.

IFRS 15 will impact the recognition of revenue from property sales and other revenue streams.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the United States of America dollar ("US$"), which is the functional and presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income.

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

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Control is achieved when the Group:

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

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

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquires identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

Inter-company transactions, balances, income and expenses on transactions between Group entities are eliminated. Profits or losses resulting from transactions with Group entities that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

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

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

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

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

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

(e) Joint Operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to assets and obligations for the liabilities, relating to the arrangement.

The Group's joint operations are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint operation is accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of the joint operation' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements. When the Group sells assets to a joint operation, the Group recognises only the portion of gains or losses on the sale of assets that is attributable to the interest of the other operators. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The Group accounts for the assets; liabilities ;revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets ;liabilities; revenues and expenses.

When the Group purchases assets from a joint operation, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

2.4 Cash and cash equivalents

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

2.5 Financial assets and liabilities

2.5.1 Financial assets

Classification of financial assets

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

The business model classification of financial assets is an area of significant judgement. The Directors determine classification based on the following:

1. Evaluation of performance of financial assets.
2. Management of risks attached to the assets
3. How managers are compensated.

The entity will need to assess its business models for holding financial assets. The entity will also need to reassess its business models each reporting period to determine whether the business model has changed since the preceding period. Such details should be included in the accounting policy.

a) Investment securities

Investment securities are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Assets in this category are classified as current assets.

b) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Loans and advances are stated net of impairment.

Impairment allowance on loans and advances to customers

Impairments are held in respect of loans and advances. The level of impairment is determined in accordance with the provisions set out in International Accounting Standard, ("IAS"), 39, Financial Instruments: Recognition and Measurement.

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loans and advances. The amount of the allowance is the difference between the carrying amount and the recoverable amount.

The loan loss allowance also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the statement of financial position date. Portfolio provisioning is estimated based upon historical cost patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate. When a loan is uncollectible, it is written off against the related allowance for impairment. Subsequent recoveries are credited to the statement of comprehensive income.

Specific impairment for non-performing loans, covering identified impaired loans, are based on periodic evaluations of the loans and advances and take account of past loss experience, economic conditions and changes in the nature and level of risk exposure. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions.

Specific impairment against loans and advances is based on an appraisal of the loan portfolio, and is made where the repayment of identified loans is in doubt. Portfolio impairment is made in relation to losses which, although not separately identified, are known from experience to exist in any loan portfolio.

Impairment allowances are applied to write-off loans and advances when all security has been realised and further recoveries are considered to be unlikely. Recoveries of bad debts that would have been written off are shown as other income in the statement of comprehensive income.

Non-performing loans
Interest on loans and advances is accrued until such time as reasonable doubt exists about its collectability, thereafter and until all or part of the loan is written-off, interest continues to accrue on customers' accounts but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position.

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

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

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

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

b) Lines of credit and bonds
Lines of credit are recognised initially at fair value, net of transaction costs incurred. Lines of credit are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.5.3 Recognition and measurement
Regular purchases and sales of financial assets are recognised or derecognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and financial assets available for sale are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

When securities classified as financial assets at fair value through other comprehensive income are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains or losses from investment securities'. Dividends on available-for-sale equity investments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity specific inputs.

2.5.4 Categories of financial instruments

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

<table>
<tr><th colspan="3">Category (as defined by IAS 39) Financial Instruments: Recognition and Measurement</th><th>Class (as determined by the Group)</th><th>Subclasses (as determined by the Group)</th></tr>
<tr><td rowspan="10">Financial assets</td><td rowspan="2">Financial assets at fair value through profit or loss</td><td colspan="2" rowspan="2">Financial assets held for trading</td><td>Equity securities listed on the Zimbabwe Stock Exchange</td></tr>
<tr><td>Bankers' acceptances</td></tr>
<tr><td rowspan="6">Loans and receivables</td><td colspan="3">Balances with other banks and cash</td></tr>
<tr><td colspan="3">Loans and advances to other banks</td></tr>
<tr><td rowspan="4">Loans and advances to customers</td><td>Loans to Individuals</td><td>Staff loans</td></tr>
<tr><td rowspan="3">Loans to corporate entities</td><td>Large corporate customers</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Bankers' acceptances</td></tr>
<tr><td>Assets Held to Maturity</td><td colspan="2">Treasury bills and other financial assets</td><td></td></tr>
<tr><td>Financial assets at fair value through other comprehensive income financial assets</td><td colspan="2">Investment securities - equity securities</td><td>Unlisted equity securities</td></tr>
<tr><td colspan="5"></td></tr>
<tr><td rowspan="5">Financial liabilities</td><td rowspan="5">Financial liabilities at amortised cost</td><td colspan="3">Deposits from other banks</td></tr>
<tr><td colspan="3">Lines of credit and bond</td></tr>
<tr><td colspan="2" rowspan="3">Customers deposits</td><td>Large corporate customers</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Individuals</td></tr>
<tr><td rowspan="2">Contingent liabilities & commitments</td><td colspan="4">Loan</td></tr>
<tr><td colspan="4">Guarantees and letters of credit</td></tr>
</table>

2.5.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.5.6 Impairment of financial assets

a) Assets carried at amortised cost

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

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

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

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

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

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

Regulatory guidelines and International Financial Reporting Standards requirements in respect of the Bank's activities The Banking Regulations 2000 issued by the Reserve Bank of Zimbabwe (RBZ) give guidance on allowance for doubtful debts and stipulate certain minimum percentages to be applied to the respective categories of the loan book.

International Accounting Standard 39 (IAS 39), Financial Instruments: Recognition and Measurement (IAS39) prescribes the allowance for impairment losses based on the actual loan losses incurred in the past applied to the sectoral analysis of book debts and the discounting of expected cash flows on specific problem accounts.

The two prescriptions are likely to give different results. The Board has taken the view that where the IAS 39 charge is less than the amount provided for in the Banking Regulations, the difference is recognised directly in equity as a transfer from retained earnings to a regulatory reserve and where it is more, the full amount will be recognised in profit or loss.

Non-performing loans

Interest on loans and advances is accrued as income until such time as reasonable doubt exists about its recoverability, thereafter and until all or part of the loan is written-off, interest continues to accrue on customer's accounts but is not included in income. Such suspended interest is deducted from loans and advances in the statement of financial position. This policy meets the requirements of the Banking Regulations, 2000.

2.6 Taxes

All the receipts and accruals of the Group are exempt from income tax in terms of paragraph 2 of the Third Schedule of the Income Tax Act (Chapter 23:06) and by virtue of Section 10 of the Capital Gains Tax Act (Chapter 23:01) from capital gains tax with the exception of one subsidiary, Mazvel Investments (Private) Limited.

2.6.1 Income tax

Income tax expenses comprise current, AIDS levy and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(a) Current

Current tax comprises expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using rates enacted or substantively enacted at the reporting date in the country where the Bank operates and generates taxable income and any adjustment to tax payable in respect of previous years.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

(b) Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Bank has not rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2.7 Other receivables

Other receivables and prepayments are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non current assets.

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

2.8 Inventories

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

2.8.1 Property development

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

2.8.2 Completed property held for sale

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

2.9 Investment property

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

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

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

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

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

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

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

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

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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

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

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

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

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

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

2.10 Property and equipment

Recognition and measurement

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

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the cost of dismantling the asset and removing items and restoring site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day to day servicing of property and equipment is recognised in the statement of comprehensive income as incurred.

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

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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains or losses on disposals are determined by comparing the proceeds, with the carrying amount and are recognised in the statement of comprehensive income.

2.11 Intangible assets

Software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 4 years.

Amortisation

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

2.12 Impairment of non-financial assets

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

2.13 Share capital

Ordinary shares

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

Preference share capital

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

2.14 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and bonus.

2.15 Trade payables

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

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

2.16 Leases

Group as lessor

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

The finance charges earned are computed at the effective interest rate in the contracts and are brought into income in proportion to balances outstanding under each contract. The unearned portion of finance charges is shown as a deduction from loans and advances.

Group as lessee

Leases of assets under which the lessor effectively retains all the risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

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

2.17 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

2.18 Related parties

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

2.19 Revenue recognition

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

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

2.19.1 Net interest income

Interest income and expenses are recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liabilities to the carrying amount of the financial asset or liabilities. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value, based on the original effective interest rate. Net interest income excludes fair value adjustments on interest-bearing financial instruments. Fair value adjustments on financial instruments are reported under other income.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of a financial asset or liability.

2.19.2 Non-interest income

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

2.19.3 Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is at the ex-dividend date for equity securities. Dividends are reflected as a component of non-interest income based on the underlying classification of the equity instruments.

2.19.4 Rental income

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

2.19.5 Government grants

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

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

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

2.19.6 Property sales

Gross profit arising from the sale of property is recognised on legal completion of the sale that is the point at which the purchase price for the property is paid and the transfer documents are dated.

2.20 Employee benefits

2.20.1 Pension scheme

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

2.20.2 Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.20.3 Short term employee benefits

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

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

2.21 Earnings per share

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

2.22 Dividend distribution

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

2.23 Fiduciary activities

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

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

2.24 Critical accounting estimates and key sources of estimation uncertainty

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

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

2.24.1 Critical accounting judgement in applying accounting policies

Impairment on loans and advances

The Group reviews its loan portfolio to assess impairment at least monthly. In determining whether an impairment should be recorded in the statement of profit and loss, the Group makes judgments as to whether there is measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates of future cashflows based on historical loss experience and future anticipations for assets with credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. For specific impairment the expected cash flows are discounted using the original effective interest rate when the loan was granted.

2.24.2 Key sources of estimation uncertainty

Impairment of financial assets at fair value through other comprehensive income

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

2.24.3 Useful lives and residual values of property and equipment

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

2.24.4 Fair value measurements and valuation processes

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

The Group recognized Treasury Bills as capital for regulatory purposes at nominal value. For financial reporting purposes, valuation intricacies ensued due to:

a) the lack of an active market to use as a reference point from which to draw a "market value "or a "market discount rate" and,
b) the high level of sensitivity to interest parameters which one could possibly apply in a valuation model resulting in a wide dispersion in the possible fair values.

Treasury bills are valued using Time Value of Money basis by applying market discount rate to future cash-flows in order to determine the present value of cash flows. In the absence of a market, IFRS 13 allows for the development of a valuation model using inputs which can either be verifiable or are not verifiable with the extent of verifiability determining whether the valuation model belongs under Level 2 or Level 3 of the valuation input scale.

2.24.5 Going concern

After making enquiries, considerations of budgets, strategic plans and cash flow forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements. Additional information on the going concern assumption is disclosed in Note 38.

2.24.6 Deferred tax

Deferred tax is recognised using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences arising out of the initial recognition of assets or liabilities and temporary differences on initial recognition of business combinations that affect neither accounting nor taxable profit are not recognised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

In determining the amounts used for taxation purposes the directors referred to applicable effective exchange rates at the date of acquisition of assets or incurring of liabilities. The Zimbabwe Revenue Authority (ZIMRA), announced methods to account for the deferred tax arising on assets purchased in ZWD. These methods require the preparer to first estimate the equivalent US$ value of those assets at the time of purchase. Since the measurement of transactions in Zimbabwe dollars in the prior periods is affected by several economic variables such as mode of payment and hyperinflation this is an area where the directors have had to apply their judgement and acknowledge there could be significant variations in the results achieved depending on assumptions made.

3 RISK MANAGEMENT

3.1 Risk Management Policies

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

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

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

In addition, the Group Internal Audit Unit is responsible for independent review of risk management and control environment; and the Group Legal Counsel provides advice and support on legal matters.

A Finance and Risk Management Committee has been set at Board level and it consists of non-executive directors to ensure the importance of this function is emphasized at a higher level.

3.2 Credit risk

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

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

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

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

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

	Maximum Exposure 31 Dec 2017 US$	Maximum Exposure 31 Dec 2016 US$
Credit risk exposure relating to on-balance sheet assets are as follows:		
Bank balances	40 973 320	22 833 256
Treasury bills and other financial assets	42 452 817	42 994 979
Gross loans and advances to customers	55 906 801	67 271 309
Other receivables and prepayments	4 461 502	3 002 693
	143 794 440	136 102 237
Credit risk exposure relating to off-balance sheet assets are as follows:		
Loan commitments	38 591	13 298 133
Financial guarantees	-	-
Maximum exposure to credit risk	143 833 031	149 400 370

Financial guarantees. Financial guarantees principally represent guarantees that require the Group to make certain payments if guarantee holders fail to meet their financial obligations. There was no potential obligation resulting from these guarantees.

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

	2017 US$	2016 US$
Loans and advances (including assets pledged as collateral) are summarised as follows:		
Neither past due nor impaired	48 330 029	56 374 584
Past due but not impaired	405 228	573 551
Individually impaired	7 171 544	10 322 976
Gross	**55 906 801**	**67 271 111**
Less: allowance for impairment	(2 176 440)	(2 129 315)
Net	**53 730 361**	**65 141 796**

3.3 Liquidity risk

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

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

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

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

Contract maturity analysis

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

As at 31 December 2017	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Total US$
Assets						
Bank balances	40 973 320	-	-	-	-	40 973 320
Investment securities	315 786	-	-	-	-	315 786
Financial assets at fair value through other comprehensive income	-	-	-	-	9 556 537	9 556 537
Treasury Bills and other financial assets	-	27 685	6 745 160	904 648	34 775 324	42 452 817
Loans and advances to customers	7 116 301	306 608	-	16 934 970	29 372 482	53 730 361
Other receivables and prepayments	-	4 461 502	-	-	-	4 461 502
Total	**48 405 407**	**4 795 795**	**6 745 160**	**17 839 618**	**73 704 343**	**151 490 323**
Liabilities						
Deposits from customers	18 082 950	27 348 308	89 358	397 943	-	45 918 559
Bonds	196 835	12 371 505	10 794 432	10 794 432	26 879 263	61 036 467
Local Lines of Credit	23 175 271					23 175 271
Other liabilities	-	4 072 505	-	-	-	4 072 505
Total	**41 455 056**	**43 792 318**	**10 883 790**	**11 192 375**	**26 879 263**	**134 202 803**
Gap	6 950 351	(38 996 523)	(4 138 630)	6 647 243	46 825 080	17 287 521
Contingent liabilities:						
Loan commitments	(38 591)	-	-	-	-	(38 591)
Guarantees	-	-	-	-	-	-
Total gap	**6 911 760**	**(38 996 523)**	**(4 138 630)**	**6 647 243**	**46 825 080**	**17 248 930**
Total cumulative gap	**6 911 760**	**(32 084 763)**	**(36 223 393)**	**(29 576 150)**	**17 248 930**	

As at 31 December 2016	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Total US$
Assets						
Bank balances	22 833 256	-	-	-	-	22 833 256
Investment securities	51 513	-	-	-	-	51 513
Financial assets at fair value through other comprehensive income	-	-	-	-	7 518 492	7 518 492

As at 31 December 2016	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Total US$
Treasury Bills and other financial assets	-	178 962	1 074 495	1 394 495	40 347 027	42 994 979
Loans and advances to customers	6 580 302	468 245	-	3 007 354	55 085 895	65 141 796
Other receivables and prepayments	-	3 002 693	-	-	-	3 002 693
Total	**29 465 071**	**3 649 900**	**1 074 495**	**4 401 849**	**102 951 414**	**141 542 729**
Liabilities						
Deposits from customers	42 791 134	161 532	1 222 400	2 829 076	-	47 004 142
Bonds	-	6 481 496	-	-	44 017 842	50 499 338
Local lines of credit	6 368 966					6 368 966
Other liabilities	7 393 688	-	-	-	-	7 393 688
Total	**56 553 788**	**6 643 028**	**1 222 400**	**2 829 076**	**44 017 842**	**111 266 134**
Gap	**(27 088 717)**	**(2 993 128)**	**(147 905)**	**1 572 773**	**58 933 572**	**30 276 595**
Contingent liabilities:						
Loan commitments	(13 298 133)	-	-	-	-	(13 298 133)
Total gap	**(40 386 850)**	**(2 993 128)**	**(147 905)**	**1 572 773**	**58 933 572**	**16 978 462**
Total cumulative gap	**(40 386 850)**	**(43 379 978)**	**(43 527 884)**	**(41 955 110)**	**16 978 462**	

3.4 Market risk

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

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

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

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

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

3.4.1 Interest rate risk

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

The Group manages interest rate risk through Management Asset and Liability Committee and the strategies used include:
(a) Loan pricing, promotion and product structure;

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

3.4.2. Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group's quoted equity securities are publicly traded on the Zimbabwe Stock Exchange.

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

Profit for the year would increase or decrease by US$15,789 (2016: US$2,576).

3.4.3 Interest rate risk

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

Interest rate repricing gap analysis

As at 31 December 2017	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Non interest bearing US$	Total US$
Assets							
Bank balances	40 973 320	-	-	-	-	-	40 973 320
Investment securities	-	-	-	-	-	315 786	315 786
Loans and advances to customers	7 116 301	306 608	-	16 934 970	29 372 482	-	53 730 361
Financial assets at fair value through other comprehensive income	-	-	-	-	-	9 556 537	9 556 537
Treasury bills and other financial assets	-	27 685	6 745 160	904 648	34 775 325	-	42 452 818
Other receivables and prepayments	-	-	-	-	-	4 461 502	4 461 502
Investment in associates	-	-	-	-	-	3 907 601	3 907 601
Total assets	**48 089 621**	**334 293**	**6 745 160**	**17 839 618**	**64 147 807**	**18 241 426**	**155 397 925**
Equity and liabilities							
Deposits from customers	18 082 950	27 348 308	89 358	397 943	-	-	45 918 559
Bonds	196 835	12 371 505	10 794 432	10 794 432	26 879 263	-	61 036 467
Local lines of credit	23 175 272	-	-	-	-	-	23 175 272
Other liabilities	-	-	-	-	-	4 072 504	4 072 504
Shareholders' equity	-	-	-	-	-	54 780 479	54 780 479
Total equity and liabilities	41 455 057	39 719 813	10 883 790	11 192 375	26 879 263	58 852 983	188 983 281
Total interest repricing gap	**6 634 564**	**(39 385 520)**	**(4 138 630)**	**6 647 243**	**37 268 544**	**(40 611 557)**	**(33 585 356)**
Total cumulative gap	**6 634 564**	**(32 750 956)**	**(36 889 586)**	**(30 242 343)**	**7 026 200**	**(33 585 356)**	

As at 31 December 2016	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Non interest bearing US$	Total US$
Assets							
Bank balances	22 833 256	-	-	-	-	-	22 833 256
Investment securities	-	-	-	-	-	51 513	51 513
Loans and advances to customers	6 580 302	468 245	-	3 007 354	55 085 895	-	65 141 796
Financial assets at fair value through other comprehensive income	-	-	-	-	-	7 518 492	7 518 492
Treasury bills and other financial assets	-	178 962	1 074 495	1 394 495	40 347 027	-	42 994 979
Other receivables and prepayments	-	-	-	-	-	3 002 693	3 002 693
Investment in associates	-	-	-	-	-	1 210 307	1 210 307
Total assets	**29 413 558**	**647 207**	**1 074 495**	**4 401 849**	**95 432 922**	**11 783 005**	**142 753 036**
Equity and liabilities							
Deposits from customers	42 791 134	161 532	1 222 400	2 829 076	-	-	47 004 142
Bonds	-	6 481 496	-	-	44 017 842	-	50 499 338
Local lines of credit	6 368 966	-	-	-	-	-	6 368 966
Other liabilities	-	-	-	-	-	7 393 688	7 393 688
Shareholders' equity	-	-	-	-	-	48 670 476	48 670 476
Total equity and liabilities	**49 160 100**	**6 643 028**	**1 222 400**	**2 829 076**	**44 017 842**	**56 064 164**	**159 936 610**
Total interest repricing gap	**(19 746 542)**	**(5 995 821)**	**(147 905)**	**1 572 773**	**51 415 080**	**(44 281 159)**	**(17 183 574)**
Total cumulative gap	**(19 746 542)**	**(25 742 363)**	**(25 890 268)**	**(24 317 495)**	**27 097 585**	**(17 183 574)**	

3.4.3 Interest risk sensitivity analysis

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

Interest rate change	Effect on profit for the year 2017 US$	Effect on profit for the year 2016 US$
5% increase / (decrease)	506 520	607 372
10% increase / (decrease)	1 013 040	1 214 744

3.4.4 Foreign exchange risk

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

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

As at 31 December 2017	US$	ZAR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	EURO US$ equivalent	Other US$ equivalent	Total US$
Assets							
Bank balances	40 936 638	23 942	84	1 379	11 276	-	40 973 320
Investment securities	315 786	-	-	-	-	-	315 786
Loans and advances to customers	53 730 361	-	-	-	-	-	53 730 361
Treasury bills and other financial assets	42 452 817	-	-	-	-	-	42 452 817
	9 556 537						9 556 537
Other receivables and prepayments	4 461 502	-	-	-	-	-	4 461 502
	151 453 641	**23 942**	**84**	**1 379**	**11 276**	**-**	**151 490 324**
Equity and liabilities							
Deposits from customers	45 917 442	836	92	24	448	(283)	45 918 559
Bonds	61 036 468						61 036 468
Local lines of credit	23 175 271	-	-	-	-	-	23 175 271
Other liabilities	4 072 504	-	-	-	-	-	4 072 504
	134 201 685	**836**	**92**	**24**	**448**	**(283)**	**134 202 802**
Net foreign exchange position	17 251 956	23 106	176	1 355	10 828	(283)	17 287 138

As at 31 December 2016 Assets	US$	ZAR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	EURO US$ equivalent	Other US$ equivalent	Total US$
Assets							
Bank balances	22 732 371	75 734	1 220	22 497	1 434	-	22 833 256
Investment securities	51 513	-	-	-	-	-	51 513
Loans and advances to customers	65 141 796	-	-	-	-	-	65 141 796

As at 31 December 2016 Assets	US$	ZAR US$ equivalent	BWP US$ equivalent	GBP US$ equivalent	EURO US$ equivalent	Other US$ equivalent	Total US$
Treasury bills and other financial assets	42 994 979	-	-	-	-	-	42 994 979
Financial assets at fair value through other comprehensive income	7 518 492						7 518 492
Other receivables and prepayments	3 002 693	-	-	-	-	-	3 002 693
	141 441 843	75 734	1 220	22 497	1 434	-	141 542 728
Equity and liabilities							
Deposits from customers	46 916 653	65 674	(132)	21 622	427	(102)	47 004 142
Bonds	6 368 967						6 368 967
Local lines of credit	50 499 338	-	-	-	-	-	50 499 338
Other liabilities	7 393 688	-	-	-	-	-	7 393 688
	111 178 646	**65 674**	**(132)**	**21 622**	**427**	**(102)**	**111 266 135**
Net foreign exchange position	30 263 197	10 060	1 353	875	1 007	102	30 276 593

The Group had no off balance sheet foreign currency exposure as at 31 December 2017 (31 December 2016 - US$nil).

Foreign exchange risk

The table below indicates the extent to which the Group is exposed to foreign exchange risk as at 31 December 2017.

Exchange rate change	Effect on profit for the year 2017 US$	Effect on profit for the year 2016 US$
5% appreciation/(depreciation)	1 759	670
10% appreciation/(depreciation)	3 518	1 340

4 CAPITAL MANAGEMENT

The Group's objective when managing capital are :

-To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders, and
-To maintain a strong capital base to support the development of its business

The allocation of capital between specific business operations is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations is undertaken independently of those responsible for the operations. The Management Assets and Liability Committee ("MALCO") sets the assets and liability management policies which determine the eventual asset allocation dependent on desired risk return profiles based on MALCO forecasts on the different markets the Group participates in and economic fundamentals.

The Group Risk and Compliance Unit monitors and ensures adherence to these policies as well as continuously measure the efficacy of these policies through MALCO and various other credit committees.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

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

5 FAIR VALUE FINANCIAL ASSETS AND LIABILITIES

5.1.1 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2017.

At 31 December 2017	Level 1 US$	Level 2 US$	Level 3 US$
Investment securities	315 786	-	-
Financial assets at fair value through other comprehensive income	-	-	9 556 537
Total assets	**315 786**	-	**9 556 537**
Total liabilities	-	-	-
At 31 December 2016			

At 31 December 2017	Level 1 US$	Level 2 US$	Level 3 US$
Investment securities	51 513	-	-
Financial assets at fair value through other comprehensive income	-	-	7 518 492
Total assets	**51 513**	-	7 518 492
Total liabilities	-	-	-

Capitalisation Treasury Bills
Following a rights issue in the year ended 31 December 2016 to existing shareholders, the Bank received capitalisation treasury bills to settle the transaction with a face value of $18 707 797 and $2 858 826 .

The capitalisation treasury bills matures on 27 May 2021 and 24 March 2022 with coupon rates of 3% and 5% respectively which are payable biannually.

These treasury bills have been classified as loans & receivables in terms of IAS 39 Financial Instruments: Recognition and Measurement.

Consequently, the asset is included in the statement of financial position at amortised cost, having been accounted for at fair value at initial recognition.
The computation of the fair value at initial recognition falls into Level 3 of the fair value hierarchy in terms of IFRS 13:"Fair Value" due to the absence of a recognizable market in which similar instruments are traded. The valuation was constructed as follows:-

<table>
<tr><th>Valuation technique</th><th>Significant unobservable inputs</th><th colspan="3">Inter-relationship between unobservable inputs and fair value measurement</th></tr>
<tr><td rowspan="6">The Discounted Cash-flow valuation technique was applied by identifying a risk adjusted discount rate for comparable risk profiles and applying this on the contractual cash-flows in order to determine the present value of the instrument.</td><td rowspan="6">A discount rate of 5% was applied. This was development principally from adding a supposed fair rate of return to the projected inflation profile over the term of the instrument which yielded a range of 3.93% to 5.5%. The supposed fair return was based on the US 10 year Bond. The rates above were corroborated by reference to:-

a) Rates applicable to similar loans to Government of Zimbabwe over the same term.

b) External loan rates to private sector players in Zimbabwe after adjustment for risk margins and charges.</td><td colspan="3">The estimated fair value would increase / (decrease) if a different risk adjusted discount rate was applied.

Below is an indication of the sensitivity analysis at different rates:-</td></tr>
<tr><td>Rate</td><td>Basis</td><td>Increase/ decrease in capital</td></tr>
<tr><td>3.93%</td><td>Minimum</td><td>483 583</td></tr>
<tr><td>4.63%</td><td>Average</td><td>926 093</td></tr>
<tr><td>5.00%</td><td>Rate applied</td><td>1 155 469</td></tr>
<tr><td>5.50%</td><td>Maximum</td><td>1 460 576</td></tr>
</table>

5.1.2 Financial instruments not measured at fair value
The table below summarises the carrying amounts of those financial assets and liabilities presented in the Group's statement of financial position. The fair value of the financial instruments approximates carrying amount.

	Carrying value 2017 US$	Fair value 2017 US$	Carrying value 2016 US$	Fair value 2016 US$
Financial assets :				
Treasury bills and other financial assets	42 452 817	42 452 817	38 063 390	38 063 390
Loans and advances to customers	53 730 361	53 730 361	48 506 762	48 506 762
Assets pledged as collateral	-	-	-	-
Financial liabilities:				
Deposits from customers	45 918 559	45 918 559	47 004 142	47 004 142
Bonds	61 036 468	61 036 468	50 499 338	50 499 338
Local Lines of credit:	23 175 271	23 175 271	6 368 967	6 368 967

(a) Loans and advances to customers

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

(b) Deposits from customers

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

5.1.3 Risk limit control and mitigation policies

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

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

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

a) Collateral

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

- Mortgages over residential properties; and
- Charges over business assets such as premises, inventory and trade receivables.
- Sinking funds with ring fenced cashflows

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

b) Credit-related commitments

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

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

5.2 Impairment allowance

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

5.2.1 Impairment allowance policy

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

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

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for:
(i) portfolios of homogenous assets that are individually below materiality thresholds; and
(ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgements and statistical techniques.

6 CASH AND BANK BALANCES

	2017 US$	2016 US$
Cash on hand	206 396	277 112
Balances with banks	40 766 924	22 556 144
	40 973 320	**22 833 256**

7 INVESTMENT SECURITIES

	2017 US$	2016 US$
At 1 January	51 513	13 563
Additions	-	35 694
Net gain through profit or loss	264 273	2 256
At 31 December	**315 786**	**51 513**

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

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2017 US$	2016 US$
At 1 January	7 518 492	6 969 069
Reclasification from non current assets held for sale	-	341 458
Additions	**1 684 462**	-
Net fair value gains on financial assets at fair value through other comprehensive income	353 583	207 965
At 31 December	**9 556 537**	**7 518 492**

Financial assets at fair value through other comprehensive income include the following;		
Unlisted securities:		
Equity securities - Zimbabwe	2 009 355	252 797
Equity securities - Botswana	7 547 182	7 265 695
At 31 December	**9 556 537**	**7 518 492**

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

9 TREASURY BILLS AND OTHER FINANCIAL ASSETS

	2017 US$	2016 US$
Treasury bills as substitution for debt instruments	15 940 516	16 858 243
Capitalisation Treasury Bills	20 411 154	19 932 461
Treasury bills acquired from the market	5 440 352	5 846 516
Accrued Interest	660 795	357 759
	42 452 817	**42 994 979**

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

9.1 Assets pledged as collateral

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

	Assets		Related liability	
	2017 US$	2016 US$	2017 US$	2016 US$
Treasury bills	27 902 450	15 000 872	22 494 305	11 654 518
Current	27 902 450	15 000 872	22 494 305	11 654 518

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

10 LOANS AND ADVANCES TO CUSTOMERS

	2017 US$	2016 US$
Individual		
- term loans	5 993 776	3 008 704
Corporate		
- corporate customers	49 913 025	64 262 604
Gross loans and advances to customers	55 906 801	67 271 309
Less: allowance for impairment (Note 10.1)	(2 176 440)	(2 129 513)
Net loans and advances to customers	**53 730 361**	**65 141 796**
Current	24 357 880	10 055 901
Non-current	29 372 481	55 085 895
	53 730 361	**65 141 796**

10.1 Allowances for impairment of loans and advances

	2017 US$	2016 US$
Specific allowances for impairment		

	2017 US$	2016 US$
Balance at 1 January	2 129 315	969 313
Allowance for loan impairment through statement of profit or loss	464 360	1 597 558
Loans written off	(417 235)	(437 556)
Balance at 31 December	**2 176 440**	**2 129 315**

10.1.1 Maturity analysis of loans and advances to customers

	2076 US$	2016 US$
Up to one month	7 116 301	6 580 302
Up to three months	306 608	468 245
Up to one year	16 934 970	3 007 354
Up to 3 years	24 456 666	44 536 684
Up to 5 years	2 083 198	1 373 352
Later than 5 years	2 832 618	9 175 859
	53 730 361	**65 141 796**

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

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

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

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

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

10.1.2 Sectorial analysis of loans and advances to customers

	Percentage (%)	2017 US$	Percentage (%)	2016 US$
Manufacturing	3%	1 545 202	3%	1 888 708
Retail	1%	744 745	2%	1 285 166
Agro processing	0%	116 343	0%	90 820
Mining	0%	104 359	0%	103 901
Financial Services	6%	3 316 984	5%	2 327 399
Transport	1%	451 851	0%	107 243
Tourism and hospitality	8%	4 458 309	9%	3 325 605
Telecommunications	1%	1 494 486	1%	49 006
Construction	1%	700 000	1%	12 928

	Percentage (%)	2017 US$	Percentage (%)	2016 US$
Energy	54%	30 211 036	63%	44 710 562
Mortgages	9%	4 952 778	5%	3 808 321
Individuals and other services	14%	7 810 708	13%	9 561 452
Gross value of loans and advances	**100%**	**55 906 801**	**100%**	**67 271 111**
Less allowance for impairment		(2 176 440)		(2 129 315)
		53 730 361		**65 141 796**

10.2 Assets pledged as collateral

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

	Asset		Related liability	
	2017 US$	2016 US$	2017 US$	2016 US$
Bonds	1 560 000	1 560 000	1 560 000	1 247 790
Current	-	-	1 560 000	1 247 790

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

All collateral agreements mature within 12 months.

11 OTHER RECEIVABLES AND PREPAYMENTS

	2017 US$	2016 US$
Receivables	3 258 859	1 611 339
Less: allowance for impairment	(197 956)	(197 955)
Net receivables	3 060 902	1 413 384
Pre-payments	1 400 599	1 589 309
	4 461 502	**3 002 693**
Current	4 461 502	3 002 693

12 INVESTMENTS IN SUBSIDIARIES, JOINT OPERATION AND ASSOCIATES

The Group enters into business arrangement with various entities/parties noteably in the area of housing development. Judgement is applied in the assessment of the underlying agreements so as to determine whether the arrangements result in subsidiaries, joint operations, joint ventures or associates. Notes 2.3 (a) – (e) (in the Annual Report) describe the Group's accounting policies on how these business arrangements are evaluated.

12.1 Investment in subsidiaries

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			as at 31 Dec 2017 %	as at 31 Dec 2016 %
Waneka Properties (Private) Limited	Property development	Zimbabwe	70	70
Manellie Investments (Private) Limited	Agriculture	Zimbabwe	100	100
Norton Medical Investments (Private) Limited	Medical services	Zimbabwe	60	60
Hwange Empumalanga West Housing Project	Property development	Zimbabwe	90	-

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			as at 31 Dec 2017 %	as at 31 Dec 2016 %
Kariba Housing Development Project	Property development	Zimbabwe	90	-
Mazvel Investments (Private) Limited	Property development	Zimbabwe	51	-
Joint Operation				
Clipsham Views Housing Project	Joint Operation	Zimbabwe	56	56

The Bank entered into a joint operation with Gorge Safaris (Private) Limited and Gorge Holdings (Private) Limited (the Developers) and formed an unincorporated vehicle Clipsham Views Housing Project to undertake a housing development project in Masvingo worth $4.4 million. IDBZ and the Developers agree that the Parties shall, as members of the joint operation, jointly execute the development and construction of the roads, storm water drainage, water and electricity reticulation on Lot 2 of Clipsham Masvingo comprising approximately 691 units/stands of 1,500 square metres and 12 units/stands of 4,000square metres in extent and size, being a low density residential project. The project also includes 26 industrial stands, 3 hospitality, 24 institutional and 16 commercial stands with a total road network of approximately 23.7 kilometres.

Municipality of Kariba and IDBZ formed an unincorporated Project Vehicle named Kariba Housing Project for the sole purposes of carrying out the development and construction of offsite and onsite infrastructure of low, medium and high density suburbs in Kariba. The Bank is expected to inject US$14,8 million cash into the project which translates to 100% of the total project cost. The Bank shall however cede a 10% ownership in the Project Vehicle in favor of Municipality of Kariba through a notional loan of $1,48 million to the Municipality of Kariba. IDBZ will therefore hold 90% interest in the Project Vehicle while Municipality of Kariba will hold a 10% interest.

Hwange Local Board and IDBZ formed an unincorporated Project Vehicle, Empumalanga West Housing & Waste Water Treatment Plant Rehabilitation Project for the sole purposes of carrying out the development of housing stands. The Bank is expected to inject US$5 800 000 cash into the project which translates to 100% of the total project cost. The Bank shall however cede a 10% ownership in the Project Vehicle in favor of Hwange Local Board through a notional loan of $842 083 and land worth $1 230 000. IDBZ will therefore hold 90% interest in the Project Vehicle while Hwange Local Board will hold a 10% interest.

Markaram Investments (Private) Limited (Mazvel) and IDBZ formed an incorporated Project Vehicle, Mazvel Investment (Private) Limited for the sole purposes of carrying out the development of 119,2593 hectares of land. Mazvel shall transfer 10 200 ordinary shares in Mazvel and the Bank is expected to inject US$4,1 million cash into the project which translates to 51% shareholding into Mazvel.

All subsidiaries have been consolidated in these financial statements.

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

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

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

Name of subsidiary	Interest and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2017	2016	2017 US$	2016 US$	2017 US$	2016 US$
Waneka Properties (Private) Limited	30%	30%	5 614	3 820	124 030	118 416
Norton Medical Investments (Private) Limited	40%	40%	(3 497)	(218 323)	141 080	144 577
Hwange Empumalanga West Housing Project	10%	-	-	-	1 230 000	-
Kariba Housing Development Project	10%	-	-	-	-	-

Name of subsidiary	Interest and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2017	2016	2017 US$	2016 US$	2017 US$	2016 US$
Mazvel Investments (Private) Limited	49%	-	(18 430)		3 881 570	-
Total			**(16 313)**	**(214 503)**	**5 376 680**	**262 993**

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

12.3.1

Waneka Properties (Private) Limited	2017 US$	2016 US$
Current assets	413 433	395 641
Current liabilities	-	920
Equity attributable to owners of the Company	289 403	276 304
Non-controlling interests	124 030	118 416
Revenue	14 765	16 457
Expenses	(54)	(3 724)
Profit for the year	**14 712**	**12 733**
Profit attributable to owners of the Company	**10 298**	**8 913**
Profit attributable to non-controlling interests	**4 414**	**3 820**
Profit for the year	**14 712**	**12 733**
Dividend income	-	0
Total comprehensive income attributable to owners of the Company	13 098	8 913
Total comprehensive income attributable to owners of the non-controlling interests	5 614	3 820
Total comprehensive income for the year	**18 712**	**12 733**
Dividends paid to non-controlling interests	-	-
Net cash inflow from operating activities	**70,276**	**17 918**
Net cash inflow from investing activities	-	-
Net cash inflow from financing activities	-	-
Net cash inflow	**70 276**	**17 918**

12.3.2 Investment in subsidiaries

Norton Medical Investments (Private) Limited	2017 US$	2016 US$
Current assets	-	-
Non-current assets	860 000	860 000
Current liabilities	507 300	498 558
Non-current liabilities	-	-
Equity attributable to owners of the Company	211 620	216 865
Non-controlling interests	141 080	144 577
Revenue	-	-
Expenses	(8 743)	(545 807)
Loss for the year	**(8 743)**	**(545 807)**

Norton Medical Investments (Private) Limited	2017 US$	2016 US$
Loss attributable to owners of the Company	(5 246)	(327 484)
Loss attributable to non-controlling interests	(3 497)	(218 323)
Other comprehensive loss for the year	(8 743)	(545 807)
Total comprehensive loss attributable to owners of the Company	**(5 246)**	**(327 484)**
Total comprehensive loss attributable to owners of the non-controlling interests	**(3 497)**	**(218 323)**
Total comprehensive income for the year	**(8 743)**	**(545 807)**

12.3.3

Kariba Housing Development Project	2017 US$	2016 US$
Current assets	3 096 728	-
Equity attributable to owners of the Company	3 096 728	-
Non-controlling interests	-	-
No income was earned and no operating expenses were incurred during the financial year.		

12.3.4

Mazvel Investments (Private) Limited	2017 US$	2016 US$
Current assets	7 921 572	-
Equity attributable to owners of the Company	4 021 572	-
Non-controlling interests	3 900 000	-
No income was earned and no operating expenses were incurred during the financial year.		

12.3.5

Hwange Empumalanga West Housing Project	2017 US$	2016 US$
Current assets	7 908 657	-
Non-current assets	12 915	-
Equity attributable to owners of the Company	1 355 685	-

Hwange Empumalanga West Housing Project	2017 US$	2016 US$
Non-controlling interests	1 230 000	-
No income was earned and no operating expenses were incurred during the financial year.		

12.4 Investment in Joint Operation

Clipsham Views Housing Project	2017 US$	2016 US$
Current assets	4 750 610	4 347 181
Non-current assets	-	-
Current liabilities	1 129 253	2 062 908
Non-current liabilities	-	-
Equity attributable to owners of the Company	1 526 931	(166 733)
Non-controlling interests	-	-
Revenue	1 563 732	23 994
Expenses	(36 801)	(177 579)
Profit/(loss) for the year	**1 526 931**	**(166 733)**
Profit/(loss) attributable to owners of the Company	1 526 931	(166 733)
Profit/(loss) attributable to non-controlling interests	-	
Other comprehensive profit/(loss) for the year	**-**	**-**
Total comprehensive profit/(loss) attributable to owners of the Company	1 526 931	(166 733)
Total comprehensive profit/(loss) attributable to owners of the non-controlling interests	-	-
Total comprehensive income/(loss) for the year	**1 526 931**	**(166 733)**

12.5 Investment in associates

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

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			as at 31 Dec 2017 %	as at 31 Dec 2016 %
Africom Continental (Private) Limited	Information Communication Technology	Zimbabwe	33.31%	33.31%
Mosi oa Tunya Development Company (Private) Limited	Tourism and Hospitality	Zimbabwe	20.60%	-

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

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

Africom Continental (Private) Limited	2017 US$	2016 US$
Current assets	594 541	1 015 948
Non-current assets	4 649 040	4 987 673
Current liabilities	(2 450 027)	(2 382 615)
Non-current liabilities	-	-
Revenue	168 397	422 105
Loss for the year	(744 804)	(162 453)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**(744 804)**	**(162 453)**
Dividends received from associate during the year	-	-

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

	2017 US$	2016 US$
Net assets of associate	2 793 554	3 621 007
Proportion of the Group's ownership interest	33.31%	33.31%
Carrying amount of the Group's interest	930 533	1 206 157

12.5.2

Mosi oa Tunya Development Company (Private) Limited	2017 US$	2016 US$
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Revenue	-	-
Loss for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Dividends received from associate during the year	-	-

Reconciliation of the above summarised financial information to the carrying amount of interest in Mosi oa Tunya Development Company (Private) Limited

	2017 US$	2016 US$
Net assets of associate	14 300 000	-
Proportion of the Group's ownership interest	20.6%	0.00%
Goodwill	-	-
Carrying amount of the Group's interest	2 946 291	-

12.5.3 Aggregate information of associates that are not individually material

	2017 US$	2016 US$
The Group's share of total comprehensive income	-	-
Aggregate carrying amount of Group's interests in these associates	31 681	31 681
Investment in associates	3 908 505	1 237 839

Share of losses of associates

	2017 US$	2016 US$
Balance as at 1 January	(1 621 184)	(1 392 654)
Loss for the year	(162 453)	(228 530)
Balance as at 31 December	**(1 783 637)**	**(1 621 184)**

Carrying amount of the Investment in Associates

	2017 US$	2016 US$
Balance as at 1 January	1 210 307	1 372 760
Acquisation of associates	2 946 291	-
Share of loss from associates	(248 997)	(162 453)
Balance as at 31 December	**3 907 601**	**1 210 307**

13 INVENTORIES

	2017 US$	2016 US$
Inventory - housing units	130 013	130 013
Inventory - serviced stands	3 978 495	360 000
Work in progress	11 942 811	3 762 667
Consumables and materials	43 552	28 317
	16 094 871	4 280 997
	16 094 871	**4 280 997**

The Group incurrred $10 413 532 on project implementation costs on Clipsham and New Marimba for the year ended 31 December 2017(2016:$3 497 970). Servicing of stands at New Marimba Park and Clipsham Views was completed, hence all work in progress was recognised as serviced stands under Inventory. Included in work in progress are land developmemt costs for stands situated in Kariba ,Mt Pleasant and Hwange.These are qualifying costs for capitalisation in accordance with IAS 2. The costs included in the work in progress are $3.1million Kariba Housing project, $2.6 million Hwange Emplumalanga West housing development and $5.2 miilion Mazvel.

14 INVESTMENT PROPERTY

	2017 US$	2016 US$
Balance as at 1 January	9 380 000	10 299 886
Additions during the year	2 244 649	1 042 106
Disposals during the year	(21 077)	(301 432)
Net gain/(loss) from fair value adjustment : (loss)/profit on disposal	-	(7 566)
Net gain/(loss) from fair value adjustment : unrealised fair value loss	1 790 001	(1 652 994)
Balance as at 31 December	**13 393 573**	**9 380 000**

Analysis by nature		
Residential stands	2 240 000	1 986 888
Commercial and industrial properties	11 153 573	7 393 112
	13 393 573	**9 380 000**

Included in Investment property is a property in Kadoma that the bank does not have title to as the title transfers are still underway.

No investment properties are pledged as collateral security for fixed term deposits.

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

	2017 US$	2016 US$
Rental income	372 182	355 263

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

The Group's investment properties were revalued as at 31 December 2017 by independent professionally qualified valuators who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

In computing values for the properties, reliance was placed on principally two methods; the Comparison approach and the Discounted Cash Flow (DCF) approach.

In the Comparison approach entails using evidence of past sales of comparable properties, held under similar interest which are analysed on the basis of yield, rental return, voids and arrears. The obtained comparative statistics are then applied to the subject property being valued with adjustments made to cater for property specific peculiarities.

The Discounted Cash Flow (DCF) involves projecting rental income streams from the property into the future for a designated period which equates to the holding period of the asset. The future cash flows are then discounted to present day (valuation date) at an appropriate discount rate such as the cost of money, mortgage rate or yields of alternative but similar long-term investments such as bonds to give a 'net present value'. This method has the merit of calculating all cash flows on a common time basis. The rent was projected forward for a period of 10 years and then discounted to present value using average of mortgage rates and corporate bonds in the market.

15 DEFERRED TAX ASSET

	2017 US$	2016 US$
The analysis of deferred tax asset is as follows:		
Unutilised tax Loss	- 12 915	-

The deferred tax asset has arisen from the taxable operations of the Group's subsidiary, Mazvel Investments (Private) Limited.

16 PROPERTY AND EQUIPMENT

	Land and buildings US$	Computer and office equipment US$	Motor vehicles US$	Fixtures and fittings US$	Capital work in progress US$	Total US$
Year ended 31 December 2017						
Opening net book amount	2 223 285	181 617	240 754	2 817	860 000	3 508 473
Additions	360 856	158 605	81 830	45 973	-	647 264
Impairment adjustment through profit/loss	-				-	-
Disposals	-	(3 709)	-	-	-	(3 709)
Depreciation charge	(56 628)	(88 341)	(59 972)	(18 914)	-	(223 856)
Net book amount	**2 527 513**	**248 172**	**262 612**			
				29 876	860 000	3 928 173
At 31 December 2017						
Cost	2 952 531	1 292 033	943 692	585 630	1 400 000	7 173 886
Accumulated depreciation and impairment	(425 018)	(1 043 861)	(681 080)	(555 754)	(540 000)	(3 245 713)
Net book amount	**2 527 513**	**248 172**	**262 612**	**29 876**	**860 000**	**3 928 173**
Year ended 31 December 2016						
Opening net book amount	1 674 550	78 922	66 116	5 117	1 400 000	3 224 705
Additions	591 676	161 972	243 488	4 992	-	1 002 128
Impairment Adjustment through profit/ loss	-	-	-	-	(540 000)	(540 000)
Disposals	-	(4 940)	(13 627)	-	-	(18 567)
Depreciation charge	(42 941)	(54 337)	(55 223)	(7 292)	-	(159 793)
Net book amount	**2 223 285**	**181 617**	**240 754**	**2 817**	**860 000**	**3 508 473**
At 31 December 2016						
Cost	2 591 675	1 138 832	861 863	539 657	1 400 000	6 532 027
Accumulated depreciation	(368 390)	(957 215)	(621 109)	(536 840)	(540 000)	(3 023 554)
Net book amount	**2 223 285**	**181 617**	**240 754**	**2 817**	**860 000**	**3 508 473**

Property and equipment are subjected to impairment testing by comparing the carrying amounts at the reporting date, with the market prices quoted for similar assets and adjusted for different ages.
Depreciation expense of US$223 856 (2016: US$159 793) has been charged to operating expenses (Note 31).

17 SHARE CAPITAL AND SHARE PREMIUM

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

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

Issued share capital	Number of shares	Share capital US$	Share premium US$	Total US$
At 1 January 2017	**4 462 090**	**44 620**	**8 934 396**	**8 979 016**
Issue of shares	-	-	-	-
Transfer from Share premium to Non-distributable reserves	-	-	-	-
At 31 December 2017	**4 462 090**	**44 620**	**8 934 396**	**8 979 016**

Issued share capital	Number of shares	Share capital US$	Share premium US$	Total US$
At 1 January 2016	**2 449 046**	**24 490**	**9 171 550**	**9 196 040**
Issue of shares	2 013 044	20 130	21 879 841	21 899 971
Transfer from Share premium to Non-distributable reserves	-	-	(22 116 995)	(22 116 995)
At 31 December 2016	**4 462 090**	**44 620**	**8 934 396**	**8 979 016**

18 NON-DISTRIBUTABLE RESERVE

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

During the year 2016 a resolution was passed by the shareholders to transfer $22 116 996 from Share Premium account to Non Distributable Reserve for the purposes of eliminating a negative reserve which occurred upon translation of balances from the Zimbabwean dollar to the United States dollar when the multi-currency regime was introduced in 2009.

19 PREFERENCE SHARE CAPITAL

The preference shares are 5% non-cumulative, non-redeemable and paid up preference shares with a par value of US$100.00 per share. A dividend is payable at the discretion of Directors and is paid out of distributable profits.

No dividend has been declared during the financial year.

Issued preference share capital	Number of shares	Preference Share capital US$	Total US$
At 1 January 2017	**382 830**	**38 283 003**	**38 283 003**
Issue of shares	-	-	-
At 31 December 2017	**382 830**	**38 283 003**	**38 283 003**
At 1 January 2016	**382 830**	**38 283 003**	**38 283 003**
Issue of shares	-	-	-
At 31 December 2016	**382 830**	**38 283 003**	**38 283 003**

20 DEPOSITS FROM CUSTOMERS

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

	2017 US$	2016 US$
Large corporate customers	42 289 050	43 374 633
Retail customers	3 629 509	3 629 509
	45 918 559	**47 004 142**

20.1 Maturity analysis of deposits from customers

Up to one month	18 480 893	41 122 893
Up to three months	27 348 308	4 658 849
Up to six months	89 358	1 222 400
	45 918 559	**47 004 142**

Deposits due to customers only include financial instruments classified as liabilities at amortised cost.

The fair value of the deposits approximate the fair value due to their short tenure.

20.2 Sectorial analysis of deposits from customers

	2017 Percentage (%)	US$	2016 Percentage (%)	US$
Financial markets	26%	11 843 014	19%	9 162 315
Fund managers and pension funds	21%	9 530 244	13%	6 238 134
Individuals	1%	429 388	1%	510 847
Government and public sector institutions	40%	18 440 641	64%	30 222 711
Other services	12%	5 675 272	2%	870 135
	100%	**45 918 559**	**100%**	**47 004 142**

21 INTANGIBLE ASSETS

	2017 US$	2016 US$
Carrying amounts of:		
Capitalised development	141 719	-
Licenses	14 105	14 105
	155 824	**14 105**

Cost	Capitalised development US$	Licenses US$	Total US$
Balance as at 1 January 2016	932 484	123 394	1 055 878
Additions	-	-	-
Balance as at 31 December 2016	**932 484**	**123 394**	**1 055 878**
Additions	165 211	-	165 211
Balance as at 31 December 2017	**1 097 695**	**123 394**	**1 221 089**
Accumulated amortisation and impairment			
Balance as at 1 January 2016	**(932 484)**	**(104 693)**	**(1 037 177)**
Amortisation expense	-	(4 596)	(4 596)
Balance as at 31 December 2016	(932 484)	(109 289)	(1 041 773)
Amortisation expense	(23 492)	-	(23 492)
Balance as at 31 December 2017	**(955 976)**	**(109 289)**	**(1 065 265)**
Net book amount as at 31 December 2017	**141 719**	**14 105**	**155 824**

Cost	Capitalised development US$	Licenses US$	Total US$
Balance as at 1 January 2015	932 484	123 394	1 055 878
Additions	-	-	-
Balance as at 31 December 2015	**932 484**	**123 394**	**1 055 878**
Additions	-	-	-
Balance as at 31 December 2016	**932 484**	**123 394**	**1 055 878**
Accumulated amortisation and impairment			
Balance as at 1 January 2015	**(777 587)**	**(69 174)**	**(846 761)**
Amortisation expense	(154 897)	(35 519)	(190 417)
Balance as at 31 December 2015	(932 484)	(104 693)	(1 037 178)
Amortisation expense	-	(4 596)	(4 596)
Balance as at 31 December 2016	**(932 484)**	**(109 289)**	**(1 041 774)**
Net book amount as at 31 December 2016	**-**	**14 105**	**14 105**

The following useful lives are used in the calculation of amortisation

Capitalised development	4 years
Licenses	4 years

22 LOCAL LINES OF CREDIT AND BONDS

	2017 US$	2016 US$
Bonds	61 036 467	50 499 338
Lines of credit	23 175 271	6 368 967
Total	**84 211 738**	**56 868 305**
Current	21 785 700	6 368 967
Non current	62 426 038	50 499 338
	84 211 738	**56 868 305**

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

	Bonds 2017 US$	Lines of credit 2017 US$	Bonds 2016 US$	Lines of credit 2016 US$
At 1 January	50 499 337	6 368 967	41 172 319	5 457 416
New issues/funding	26 897 648	102 429 815	22 549 700	58 208 002
Repayments/Disbursements	(16 360 518)	(85 623 511)	(13 222 682)	(57 296 451)
At 31 December	**61 036 467**	**23 175 271**	**50 499 337**	**6 368 967**

Lines of credit and bonds are recognised initially at fair value, net of transaction costs incurred. Lines of credit and bonds are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

23 OTHER LIABILITIES

23.1

	2017 US$	2016 US$
Accruals	2 956 255	1 108 208
Provision for outstanding employee leave (Note 23.2)	201 408	170 904
Dividend payable	245 040	245 040
Deferred income	129 959	4 953 296
Other	539 842	916 240
	4 072 504	7 393 688
Current	**4 072 504**	**7 393 688**

23.2 Provision for outstanding employee leave

Employee entitlements to annual leave are recognised when they accrue to employees. The provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the reporting period and the charge is recognised in the statement of comprehensive income within "employee benefit costs" (Note 31.1).

	2017 US$	2016 US$
Balance at 1 January	170 904	339 231
Net Reversals during the year	(13 381)	(11 115)
Utilised during the year	43 885	(157 212)
Balance as at 31 December	201 408	170 904

24 NET INTEREST INCOME

24.1 Interest and related income:

	2017 US$	2016 US$
Loans and advances to large corporates	5 972 821	7 090 703
Treasury bills and other financial assets	2 732 548	2 521 830
Placements with local banks	543 923	1 347 613
Mortgages	358 057	355 942
Cash and bank balances	523 054	831 355
	10 130 403	**12 147 443**

24.2 Interest and related expense:

	2017 US$	2016 US$
Deposits from large corporates	(1 971 902)	(1 779 435)
Deposits from individuals	(21 469)	(6 571)
Bonds	(4 620 017)	(4 515 285)
	(6 613 388)	**(6 301 291)**

25 SALES

	2017 US$	2016 US$
Property sales	6 104 829	1 600 324
Cost of construction of property	(3 795 529)	(1 070 821)
Gross profit	**2 309 300**	**529 503**

Sales of housing stands were recorded on New Marimba medium density project and Clipsham Views Housing Project.

26 FEE AND COMMISSION INCOME

	2017 US$	2016 US$
Advisory and management fees	2 357 336	515 781
Capital raising fees	-	338 316
Banking service fees	148 211	135 730
Credit related fees	227 920	15 142
	2 733 467	**1 004 969**

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

	2017 US$	2016 US$
Listed equity securities (Note 7)	264 273	2 256

28 OTHER INCOME

	2017 US$	2016 US$
Rental income	372 182	355 263
Other operating income	368 737	1 415 758
Profit/(loss) on fixed assets disposal	(2 976)	29 460
Bad debts recovered	343 407	1 331 167
Sundry income	28 306	53 629
Structured deals income	-	1 502
	740 919	1 771 021

29 FAIR VALUE LOSS ON INVESTMENT PROPERTY

	2017 US$	2016 US$
Loss on disposal of investment property	-	(7 566)
Unrealised gain/(loss) from fair value adjustment of investment property	1 790 001	(1 652 994)
	1 790 001	**(1 660 560)**

30 NET FOREIGN EXCHANGE GAINS/(LOSSES)

	2017 US$	2016 US$
Net realised gains from foreign currency trade	53 170	335 743
Net unrealised gains/(losses) from translation of foreign currency balances	335	(13 568)
	53 505	**322 175**

31 OPERATING EXPENSES

	2017 US$	2016 US$
Repairs and maintenance	247 548	114 712
Employee benefit costs (Note 31.1)	6 283 222	4 563 429
Telecommunication and postage	34 806	34 906
IT and software costs	266 882	201 701
Directors remuneration:		
- for services as directors	250 076	244 976
Operating lease payments	53 104	47 927
Water, electricity and rates	90 463	118 869
Professional fees	288 307	316 433
Audit fees	114 540	91 195
Depreciation	223 856	159 793
Amortisation	23 492	4 596
Fuel and lubricants	37 235	33 171
Business Travel	219 479	135 589
Marketing and public relations	345 194	36 520
Insurance and security	422 604	235 002
Subscriptions	89 650	74 353
Printing and stationery	77 928	42 534
Bank charges	66 979	28 707
Impairment of fixed assets	-	540 000
Staff training	71 867	92 228
Refreshments	27 169	20 170
Other administrative costs	873 747	469 437
	10 108 148	**7 606 248**

31.1 Employee benefit costs

	2017 US$	2016 US$
Salaries and bonuses	4 925 563	3 645 947
Pension costs	628 736	459 389
Post employment medical benefits	213 627	182 829
Leave pay expense	264 304	41 797
Retrenchment expenses	2 955	(11 630)
Other staff expenses	248 037	245 097
	6 283 222	**4 563 429**

Post employment benefits
Pension Fund
The Group operates a defined contribution plan for all permanent employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are paid to a separately administered fund on a mandatory basis. Contributions to this fund are charged against income when incurred. The Group has no further obligations once the contributions have been paid.

Contributions for the year	542 658	392 494

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

Contributions for the year	86 079	66 895

32 TAXATION

Income tax expense	2017 US$	2016 US$
Current tax credit	(12 915)	-
Deferred tax	-	-
Tax Credit	(12 915)	-
Reconciliation of income tax credit		
Based on results for the period at a normal rate of 25.75%		
Arising due to:		
Accounting loss	(50 341)	-
Tax Credit at 25.75%	(12 963)	-
Non-deductible expenses	47.90	-
Non-taxable income	-	-
Tax rate differential on capital gains	-	-
Tax Credit	(12 915)	-

33 EARNINGS PER SHARE

Basic and diluted loss per share
Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Bank by the number of ordinary shares in issue during the year.

No dilutive instruments were held during the year. (2016 - US$nil)

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

	2017 US$	2016 US$
Profit/(Loss) attributable to equity holders	642 733	(1 291 323)
Weighted average number of issued ordinary shares	4 462 090	4 462 090
Basic profit / (loss) per share (US cents)	14	(29)

34 CONTINGENCIES

a) Contingent liability on a litigation case
The Group is involved in a case where Engen Petroleum Zimbabwe (Private) Limited made a claim against Wedzera Petroleum (Private) Limited as first defendant and Infrastructure Development Bank of Zimbabwe ("IDBZ" / "the Bank") as second defendant for payment of the sum of US$847,848 in respect of fuel supplied to Wedzera on the back of guarantee purportedly issued by IDBZ.

The bank guarantee was attained fraudulently hence it has no binding effect on the Bank. At the conclusion of the trial at the High Court of Zimbabwe, a judgment dated 15 April 2016 was entered against Wedzera Petroleum and IDBZ imputing joint and several liability on the Bank to pay US$847,848 per the purported guarantee. IDBZ appealed against the judgment of the High Court to the Supreme Court thus effectively staying execution of the High Court judgment. The Bank's appeal is on the basis that the guarantees relied upon by Engen were invalid by virtue of them having been fraudulently procured. The appeal hearing was held on 23 May 2017 and judgment was reserved.

b) Contingent assets
The Group, through its loan recovery efforts, foreclosed on agricultural farms in Matebeland with an approximate fair value of US$1,050 million. However, there has severe challenges in obtaining vacant possession of the agricultural farms due to circumstances beyond the Group's control, whether legal or otherwise.

As such, no economic benefits are yet to be derived from the agricultural farms and hence, the Group has not recognised these assets in the financial statements.
A contingent asset has been recognised in anticipation of receipt of compensation with respect to the loss of control of the land.

35 COMMITMENTS
Loan commitments, guarantees and other financial facilities
At 31 December 2017, the Group had contractual amounts for off-statement of financial position financial instruments that commit it to extend guarantees and loans as follows:

	2017 US$	2016 US$
Loan commitments	38 519	13 298 133

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

No later than 1 year	33 512	21 117

The lease rentals are renegotiated annually in January.

36 FUNDS UNDER MANAGEMENT

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

	2017 US$	2016 US$
Held on behalf of:		
Government of Zimbabwe	288 464 825	244 271 837

Represented by:		
Sinking fund	-	-
Amounts awaiting disbursement	35 706 757	6 392 019
Loans and advances to parastatals and government implementing agencies	252 758 068	237 879 818
	288 464 825	244 271 837

37 RELATED PARTIES

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

Identity of related parties
The Bank has a related party relationship with its major shareholders, associates and key management personnel. The following transactions were carried out with related parties:

A number of banking transactions are entered into with related parties in the normal course of business. For the year ended 31 December 2017, these included:

a) **Sales and purchases of goods and services**
There were no sales and purchases of goods and services with any related parties.

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

	2017 US$	2016 US$
Salaries and other short-term employee benefits	942 423	854 161
Post-employment benefits	45 311	34 608
Termination benefits	-	69 871
Total	**987 734**	**958 640**

c) **Loans and advances to related parties**

	Directors and other key management personnel 2017 US$	Associated companies 2017 US$	Directors and other key management personnel 2016 US$	Associated companies 2016 US$
Loans outstanding at 31 December	1 023 941	-	387 240	-
Interest income earned	44 267	-	12 244	-

No allowance for impairment was required in 2017 (2016: US$ nil) for the loans made to key management personnel. The loans issued to directors and other key management personnel are unsecured, carry fixed interest rates and are payable on reducing balance.

d) Deposits from related parties

	Directors and other key management personnel 2017 US$	Associated companies 2017 US$	Directors and other key management personnel 2016 US$	Associated companies 2016 US$
Deposits at 31 December	869	-	4 899	17 725
Interest expense on deposits	-	-	-	-

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

e) Director's shareholdings

As at 31 December 2017, the Directors did not hold directly and indirectly any shareholding in the Group.

38 GOING CONCERN

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

In the current year, the Group has made a profit of US$0.6 million (2016: Loss of US$1.5 million), which has resulted in an accumulated loss of US$1.2 million (2016: US$1.9 million).

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

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Group to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

ABBREVIATIONS AND DEFINITIONS

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AfDB	African Development Bank
AML	Anti-Money Laundering
APPS	Active Projects Processing Schedule
CBS	Core Banking System
CFT	Countering the Financing of Terrorism
CGF	Corporate Governance Framework
COBIT5	Control Objective for Information and Related Technology 5
CRS	Corporate Social Responsibility
CUZ	Catholic University of Zimbabwe
DFIs	Development Finance Institution
DPC	Depositor Protection Corporation
Dr	Doctor of Philosophy
ERF	Enterprise Risk Management
EU	European Union
EWHP	Empumalanga West Housing Project
FDI	Foreign Direct Investment
FINSEC	Financial Securities Exchange.
GCF	Green Climate Fund
GDP	Gross Domestic Product
GoZ	Government of Zimbabwe
Hon	Honourable
HRMS	Human Resources Management System
IAs	Implementing Agencies
ICT	Information Communication Technology
IDBZ	Infrastructure Development Bank of Zimbabwe – ("the Bank")
IFRS	International Financial Reporting Standards
IT	Information Technology
IMF	International Monetary Fund
JVs	Joint Ventures
km	Kilometre
KSPS	Kariba South Power Station
KYC	Know Your Customer
m	Metres
m3	Cubic metres
mm	millimetres
MDBs	Multilateral Development Banks
MoEWC	Ministry of Environment, Water and Climate
MoFED	Ministry of Finance and Economic Development
MP	Member of Parliament
MTS	Medium Term Strategy (2016-2020)
MW	Mega Watts
NIE	National Implementing Entity
NRZ	National Railways of Zimbabwe
ODA	Official Development Assistance
PIDA	Programme for Infrastructure Development (PIDA)
PIMGs	Public Investment Management Guidelines
PMS	Project Management System
PPDF	Project Preparation and Development Fund
PPPs	Public Private Partnerships
PSGRS	Prudential Standards, Guidelines and Rating Systems
PSIP	Public Sector Investment Projects
RMF	Results Measurement Framework
RMS	Resource Mobilisation Strategy
RTGs	Real-time gross settlement systems
SADC	Southern Africa Development Community
SADC- DFRC	Southern Africa Development Community Finance Resource Centre
SDGs	Sustainable Development Goals
SEPs	State Enterprises and Parastatals
SERA	State Enterprises Reform Agency
SSA	Sub-Saharan Africa
UK	United Kingdom
USA	United States of America
US	United States of America
USSAP	University Students and Staff Accommodation Programme
US$	United States Dollars
WASH	Water, Sanitation and Hygiene
ZIA	Zimbabwe Investment Authority
Zim Asset	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
Zim Stats	Zimbabwe National Statistics Agency
ZINARA	Zimbabwe National Road Authority
%	Percent

Green finance*- is a broad term that can refer to financial investments flowing into sustainable development projects and initiatives, environmental products, and policies that encourage the development of a more sustainable economy. Green finance includes climate finance but is not limited to it. It also refers to a wider range of „other environmental objectives, for example industrial pollution control, water sanitation, or biodiversity protection. Mitigation and adaptation finance is specifically related to climate change related activities: mitigation financial flows refer to investments in projects and programs that contribute to reducing or avoiding greenhouse gas emissions (GHGs) whereas adaptation financial flows refer to investments that contribute to reducing the vulnerability of goods and persons to the effects of climate change (Höhne / Khosla / Fekete / Gilbert , 2012).*

Sine qua non*- an essential condition; that without which something won't happen.*

ibid *– in the same source previously mentioned*

ex-officio*- a member as a result of position or skill held.*

SHAREHOLDING STRUCTURE

Shareholder	No. of Ordinary Shares	No. of Preference Shares
Government of Zimbabwe	3,901,549	382,830
Reserve Bank of Zimbabwe	560,435	0
IDBZ Staff Share Trust	81	0
Fidelity Life Assurance Company of Zimbabwe Limited	12	0
Finnish Fund for Industrial Cooperation Limited (Finnfund)	5	0
African Development Bank (AfDB)	4	0
German Investments & Development Company (DEG)	3	0
European Investment Bank (EIB)	1	0
TOTAL	**4,462,090**	**382,830**

Notes
The par value of each ordinary share is US$0.01
The par value of each preference share is US$100.00

NOTICE TO SHAREHOLDERS
33RD ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd Annual General Meeting of Members of the Infrastructure Development Bank of Zimbabwe (IDBZ) will be held in the Boardroom, IDBZ House, 99 Rotten Row, Harare, Zimbabwe on Thursday, 28 June 2018 at 11:00 hours to transact the following business:

1. ORDINARY BUSINESS

1.1. To receive, consider and adopt the Annual Audited Financial Statements and Reports of the Directors and Auditors for the year ended 31 December 2017;

1.2. To approve the remuneration of the auditors for the year ended 31 December 2017;

1.3. To note that the term of office of the current independent auditor, Deloitte Chartered Accountants, expired on the conclusion of the 2017 audit. In accordance with Section 81(1) of the Public Finance Management Act [Chapter 22:19], the Office of the Auditor General is in the process of facilitating the appointment of the independent auditor of the Bank;

1.4. To approve the remuneration of the Directors for the year ended 31 December 2017;

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

2. SPECIAL BUSINESS

2.1. Rights Offer

"That. the Directors of the Infrastructure Development Bank of Zimbabwe (IDBZ) be and are hereby authorized to raise approximately US$22,873,465 (Twenty two million eight hundred and seventy three thousand four hundred and sixty five United States dollars only) by offering **2,066,257 (Two million sixty-six thousand two hundred and fifty-seven)** ordinary shares of US$0.01 (zero comma zero one United States dollars) nominal value each in IDBZ's authorized and unissued ordinary share capital to existing holders of IDBZ's ordinary shares at a subscription price of US$11.07 (Eleven United States dollars and seven cents) per ordinary share, and to issue and allot such shares as may be subscribed to pursuant to the Rights Offer to shareholders who would have followed their rights."

2.2. Directors' authority to give effect to the Special Business resolutions

"That, the Directors' of IDBZ be and are hereby authorised to do all such things as may generally be necessary to give effect to the above."

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

By Order of the Board

K Kanguru
Bank Secretary **7 June 2018**

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

Infrastructure Development Bank of Zimbabwe

PROXY FORM

I/WE ....

of ....

being the registered holder of ....

.

Ordinary Shares in the Infrastructure Development Bank of Zimbabwe

hereby appoint ....

of ....

or, failing him, the Chairman of the meeting as my/our proxies, to vote for me/us and on my/our behalf at the ANNUAL GENERAL MEETING of the Bank to be held in the Boardroom, IDBZ House, 99 Rotten Row, Harare, Zimbabwe on Thursday, 28 June 2018 commencing at 11:00 hours and at any adjournment thereof.

Signed this .... day of 2018

Signature of Member ....

NOTE:

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

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

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Infrastructure Development Bank of Zimbabwe

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