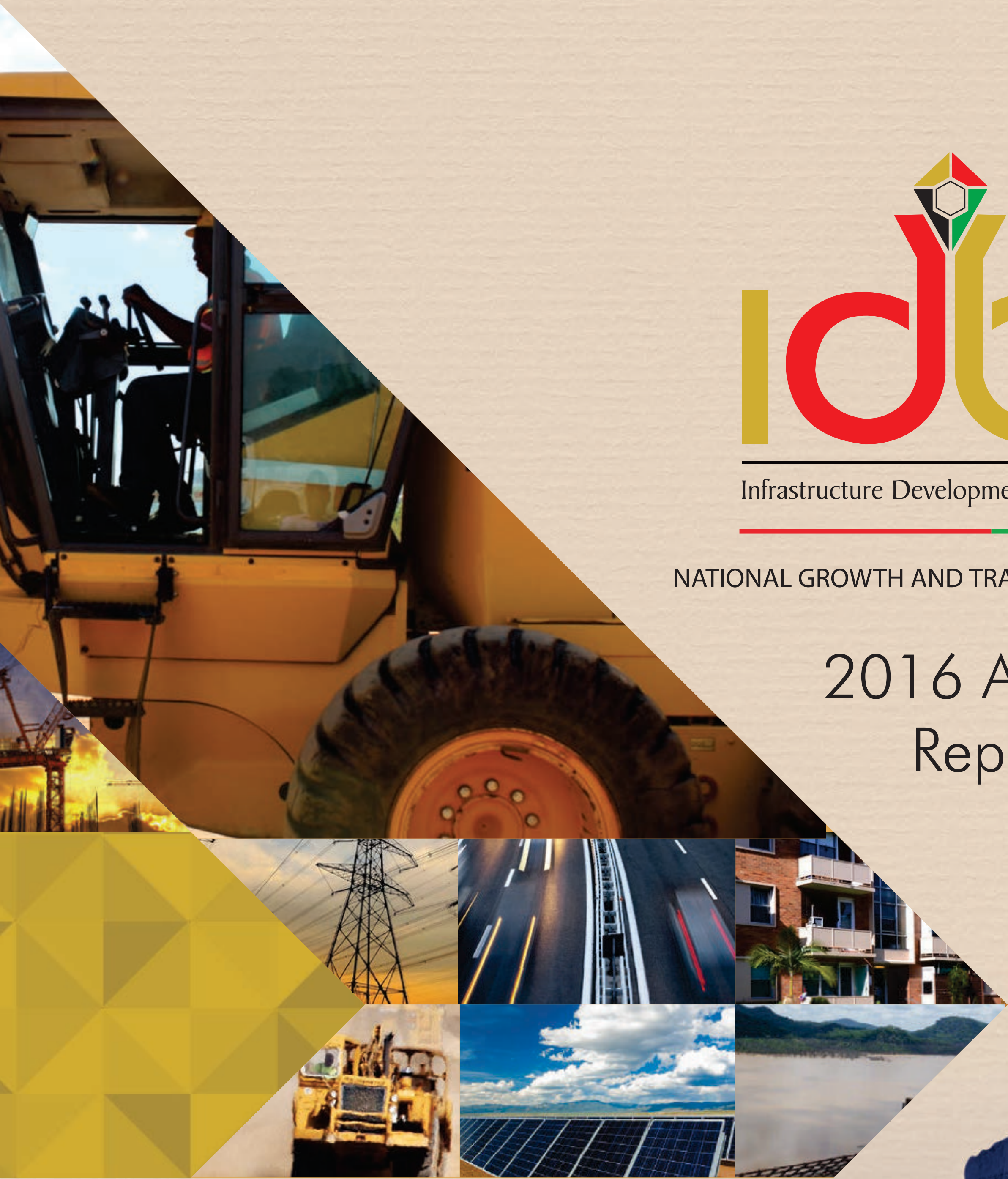

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Infrastructure Development Bank of Zimbabwe

NATIONAL GROWTH AND TRANSFORMATION ENABLERS

2016 Annual Report

Post Legacy Debt - Laying the Foundation for Mandate Consolidation

CONTENTS

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 and Sharing

ABBREVIATIONS AND DEFINITIONS

Bank: refers to the consolidated operations and financial positions of the Group including its Subsidiaries

Ceteris-paribus- latin phrase that means all other things being equal.

%	Percent/ Percentage
AICD	African Infrastructure Country Diagnostic
AfDB	African Development Bank
ATIA	African Trade Insurance Agency
BRICS	an acronym for Brazil, Russia, India, China and South Africa
BUSE	Bindura University of Science Education
CBD	Central Business District
CEO	Chief Executive Officer
COP22	Twenty-Second Conference of Parties to the United Nations Framework Convention on Climate Change
CPCS	Canadian Pacific Consulting Services
CPIA	Country Policy and Institutional Assessment
CZI	Confederation of Zimbabwe Industries
CUT	Chinhoyi University of Technology
DFI	Development Financial Institution
DPC	Deposit Protection Corporation
EPC	Engineering, Procurement and Construction
ERM	Enterprise Risk Management
EU	European Union
GCF	Green Climate Fund
GDP	Gross Domestic Product
GoZ	Government of Zimbabwe
HPS	Harare Power Station
IAs	Implementing Agencies/Agents
IBRD	International Bank of Reconstruction and Development
ICT	Information Communication Technology
IDA	International Development Association
IDBZ	Infrastructure Development Bank of Zimbabwe
IFIs	International Financial Institutions
IMF	International Monetary Fund (IMF)
IPRSP	Interim Poverty Reduction Strategy Paper 2016-2018
JV	Joint Ventures
KSPS	Kariba South Power Station
LSU	Lupane State University
m²	Square meters
MDBs	Multilateral Development Banks
MoFED	Ministry of Finance and Economic Development
ML	Mega Litres
MTID	Ministry of Transport and Infrastructural Development
MW	Mega Watts
MTS	Medium Term Strategy: 2016-2020
NHS	National Housing Strategy
NPL	Non- Performing Loans
NUST	National University of Science and Technology
OFAC	United States Office of Foreign Assets Control
OPC	Office of the President and Cabinet
PPDF	Project Preparation and Development Fund
PPPs	Public Private Partnerships
PSIP	Public Sector Investment Programme
PSGRS	Prudential Standards, Guidelines and Rating System
(Pvt) Ltd	Private Limited
RBZ	Reserve Bank of Zimbabwe
ROMU	Resource Mobilisation Unit
SDGs	Sustainable Development Goals
SEPs	State Enterprises and Parastatals
SI	Statutory Instrument
SSA	Sub Saharan Africa
TBs	Treasury Bills
USA	United States of America
US$	United States Dollars
UZ	University of Zimbabwe
WASH	Water, Sanitation and Hygiene
ZETDC	Zimbabwe Electricity Transmission and Distribution Company
ZIA	Zimbabwe Investment Authority
ZimAsset	Zimbabwe Agenda for Sustainable Socio-Economic Transformation
ZimStats	Zimbabwe National Statistics Agency
ZINARA	Zimbabwe National Roads Administration
ZPC	Zimbabwe Power Company

CORPORATE INFORMATION

HEAD OFFICE
IDBZ House
99 Rotten Row
Harare
Zimbabwe
Tel: +263 4 750171-8
Fax: +263 4 749012
Website: www.idbz.co.zw
Email: enquiries@idbz.co.zw

BULAWAYO REGIONAL OFFICE
5th Floor, First Mutual House
9th Avenue/Main Street
Bulawayo
Zimbabwe
Tel: +263 9 70035/70398
Fax: +263 9 67389

AUDITORS
Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

PO Box 267
Harare
Zimbabwe
Tel: +263 0 8677 000261
+263 0 8644 041005
Fax: +263 0 4 852130
www.deloitte.com

BANKERS
CBZ Bank Limited
FBC Bank Limited
BancABC Limited

BANK SECRETARY
Kenias Kanguru
IDBZ House, 99 Rotten Row
Harare, Zimbabwe
Tel: +263 4 750171-8
Fax: +263 4 749012

LEGAL ADVISORS
Sawyer & Mkushi
11th Floor
Social Security Centre,
Cnr S. Nujoma St/ J. Nyerere Way
P.O. Box 3312
Harare
Zimbabwe
Tel: +263 4 796068 /9 /0, 703 658 / 9, 250621-4
Fax: +263 4 792246

Gill, Godlonton & Gerrans
PO Box 8, Harare, Zimbabwe
7th Floor, Beverley Court,
100 Nelson Mandela Avenue,
Harare

Cheda & Partners - Bulawayo
6th Floor LAPF House 8th Avenue and Jason Moyo Street
Tel: +263 9 71185/ 36
Cell: +263 912260503
Fax: +263 9 68121
chedalaw1992@yahoo.co.uk

Kantor & Immerman
MacDonald House
10 Selous Avenue
Harare
Zimbabwe
Tel: +263 4 793626-9
Fax: +263 4 707 141

BOARD OF DIRECTORS

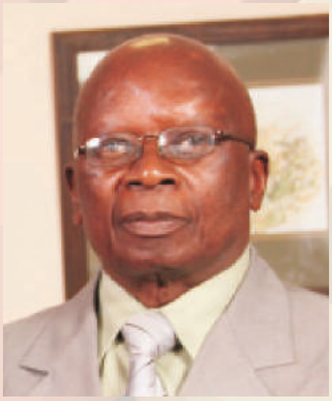
Willard L Manungo
Board Chairman

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

Cassius Gambinga
(Director - Finance)

Thomas Zondo Sakala
(Chief Executive Officer)

Desmond Matete
(Director - Infrastructure Projects)

Philip Tadiwa
(Director - Corporate Services & HR)

Kenias Kanguru
(Bank Secretary)

Nobert Munengwa
(Executive Assistant to the CEO)

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)

SHAREHOLDING STRUCTURE

Shareholder	No. of Ordinary Shares	No. of Preference Shares
Government of Zimbabwe	3,901,549	382,830
Reserve Bank of Zimbabwe	552,434	0
Zimre Holdings Limited	8,001	0
IDBZ Staff Share Trust	78	0
Fidelity Life Assurance Company of Zimbabwe Limited	12	0
Finnish Fund for Industrial Cooperation Limited (Finnfund)	6	0
African Development Bank (AfDB)	4	0
German Investments & Development Company (DEG)	3	0
Netherlands Development Finance Company (FMO)	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

CHAIRMAN'S STATEMENT

"...Government mandated the Bank to act as a vehicle for the promotion of economic development and growth, and the improvement of the living standards of Zimbabweans through the development of infrastructure..."

Willard L. Manungo

Chairman

Zimbabwe's economy experienced a challenging operating environment during 2016, characterised by; low international commodity prices, lack of competitiveness, high cost of doing business, reduced aggregate demand and declining agricultural productivity and output, against the background of the El-Nino effect, negative savings and tight liquidity.

Owing to these developments, the Government revised its growth estimate for 2016 from an initial 2.7% to 0.6%.

The above challenges continue to negatively impact the operations of the Bank, and the achievement of its development objectives and financial sustainability targets.

In order to ameliorate these challenges and revitalise the economy, the Government identified infrastructure development as a key driver and major pedestal for the expansion of the country's productive sectors to achieve inclusive and sustainable economic growth.

To this end, the Government mandated the Bank to act as a vehicle for the promotion of economic development and growth, and the improvement of the living standards of Zimbabweans through the development of infrastructure, which includes, but is not limited to energy, transport, water and sanitation, information communication technology (ICT) and housing.

The Bank is therefore working flat out to help the country achieve efficiency gains in project implementation. These projects are financed by the Government using resources mobilised from both domestic and international markets for the realisation of the country's infrastructure targets, as set out under the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimAsset).

Furthermore, and in sync with the above mandate, the Bank is appreciative of the work that the Government is undertaking in improving the ease and cost of doing business, through the implementation of various policy reform measures being spearheaded by the Office of the President and Cabinet (OPC).

It is therefore pleasing to note that in 2016 alone, the Bank made tremendous progress in the implementation of its Medium Term Strategy: 2016-2020 (MTS), which is going a long way in complementing and meeting the Government's infrastructure thrust as espoused under ZimAsset, the President's Ten-Point Economic Growth Plan and the Sustainable Development Goals (SDGs).

In line with ZimAsset, notable progress has been recorded by the Bank in the preparation and implementation of various projects such as:

- Tokwe-Mukorsi Dam;
- Victoria Falls Municipality Water, Sanitation and Hygiene (WASH);
- Matabeleland Mtshabezi Water Supply;
- Masvingo City Water Augmentation;
- Beitbridge-Harare-Chirundu Road Dualisation (the Bank is the lead advisor;) and
- Beitbridge Border Post Modernisation (the Bank is also providing advisory services).

In addition, the Bank has been raising resources in the domestic market through the issuance of financial instruments such as bonds, whose proceeds went towards financing development of two housing projects in Marimba Park, Harare, and Clipsham Views in Masvingo, where 1,061 residential stands were successfully serviced to deliver safe and affordable accommodation for about 4,244 people.

The above projects are a precursor to a long term programme of action by the Bank to help ease the country's housing backlog, which is now estimated at 1.5 million units. Going forward, the Bank has put in place a robust multi-sector pipeline of projects, pointing to a more active and leading role in the years ahead.

Let me, therefore, also take this opportunity to extend my appreciation to the Government for its decision to hive off the legacy debt and the subsequent injection of capital to the tune of US$20 million in 2016.

This intervention triggered a Rights Issue, which brought in an additional $3.5 million, mainly from the Reserve Bank of Zimbabwe (RBZ) and other shareholders.

CHAIRMAN'S STATEMENT (Cont)

These funds will help to ensure the Bank plays its part in meeting the US$250 million capitalisation levels by 2018, which will help strengthen the balance sheet in order to raise medium to long term funding which the economy so desperately requires.

In addition, the institutional reforms the Bank embarked upon in 2015 are progressing well and are projected to start bearing fruits by 2020. The Bank looks forward to continued close collaboration with all its internal and external stakeholders as it strives to harness more resources for infrastructure development and the achievement of the country's goals.

In particular, the Government and the Reserve Bank of Zimbabwe, as the major shareholders, have been instrumental in the resource mobilisation drive, helping push the Bank towards realisation of its ultimate goal of becoming the premier infrastructure Bank in the country. I therefore register my appreciation for this continued support.

I would also like to acknowledge the invaluable contributions of my colleagues on the Board, as well as management and staff, for their commitment towards making the Bank a more focused and results oriented infrastructure development finance institution.

Let me also extend my appreciation to the Minister of Finance and Economic Development, Hon. P. A. Chinamasa, MP, who administers the IDBZ Act (Chapter 24:14) and the Chief Secretary to the President and Cabinet, Dr Misheck Sibanda, for their invaluable guidance and wise counsel.

Willard L. Manungo
Chairman
Date: 3 April 2017

CHIEF EXECUTIVE OFFICER'S STATEMENT

Thomas Zondo Sakala
Chief Executive Officer

The Bank's 2016 Work Programme and Budget were crafted around the theme: **"Post Legacy Debt – Laying the Foundation for Mandate Consolidation"**. Notwithstanding the tough operating environment during the year, I am pleased to report that the Bank has been able to face up to the challenges and in the process, realised a number of important deliverables in pursuit of its development mandate.

Highlights of the year's achievements are:

- raised an additional US$19.3 million from the market towards Kariba South Power Station (KSPS) Extension Project;
- implementation of the Clipsham Views Housing Project (US$6.7 million) in Masvingo, which started in March 2016 and reached 94% completion by December 2016;
- New Marimba Housing Project (US$2.5 million) in Harare:
    - o Phase I - medium density – 99% complete; and
    - o Phase II - high density – 62% complete. The project is expected to be completed by May 2017.
- the Bank was appointed as the Lead Transaction Advisor on the Beitbridge-Harare-Chirundu Road (including Harare Ring-Road) Rehabilitation, Upgrading and Dualisation Project (estimated at US$2.7 billion); as well as transaction advisor for the Beitbridge Border Post Modernisation Project (estimated at US$271 million);
- raised an additional US$30.45 million through liquidation of treasury bills worth US$35 million for Tokwe-Mukorsi Dam completion. The project was implemented over a decade at a total cost of US$300 million. The Bank, working with other key stakeholders, is fully geared to contribute to the drafting of a masterplan which will map out the various investment opportunities presented by the available water resources from the dam. Potential developments in the area are expected to involve:
    - o Increased agricultural activities;
    - o Fisheries;
    - o Tourism and hospitality;
    - o Commercial enterprises;
    - o Power generation;
    - o Trophy hunting and game viewing; and
    - o Portable clean water supply to communities and urban areas.
- Successfully monitored the implementation of the following Public Sector Investment Programme (PSIP) projects:
    - o Mabvuku Bridge Over Rail;
    - o Beitbridge Water Supply Project;
    - o Municipal Water and Sanitation Rehabilitation in Chinhoyi, Chipinge, Gwanda, and Hwange; and
    - o Lupane State University Student Accommodation.

As its contribution in the critical realm of preparation and packaging of bankable infrastructure projects, the Bank established a Project Preparation and Development Fund (PPDF) with seed capital of US$2.5 million in 2016. This is expected to reach U$5 million this year. The Fund has been created using the Bank's own equity. It is planned, once the country's re-engagement process with international financiers is concluded, to rapidly increase the amount in order to address the acute challenge of projects' bankability.

To enhance its effectiveness in the delivery of its mandate, the Bank recruited critical staff and consultants in engineering, financial analysis, procurement, architecture and land valuation. This has been complemented by the revamping of Bank policies and procedures to ensure that they remain relevant to our operating environment and the needs of the Bank.

Financial Performance

The Bank's revenue grew 10% to US$7.42 million during 2016, spurred by a focused effort on underwriting stable and long term assets in line with the infrastructure development mandate. In addition, revenue growth also benefited market operations as the Bank prudently maintained adequate liquidity and invested cash reserves to support timely execution of infrastructure projects.

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

Total assets grew by 22% to US$159.98 million as a result of growth in the loan book and other financial assets. Cash balances closed at US$22.83 million after growing 30% from the prior year, a reflection of improving financial solidity whilst the Bank cautiously lent and invested in the core mandate areas.

The Bank scaled up collection efforts during 2016 in line with its shift towards infrastructure development. The Non-Performing Loans (NPL) ratio closed the year at 9.4% (on the back of a significant exposure to the tourism sector corporate already mentioned above), against the Reserve Bank of Zimbabwe target of 5% and industry average of 7.8%. Significant progress has been made towards collection of the outstanding amounts which should see the NPL ratio of not more than 5% achieved by the end of 2017.

Appreciation

I am thankful to the Government, Ministry of Finance and Economic Development, the Reserve Bank of Zimbabwe and all other stakeholders, investors and customers for their continued support. I am also grateful to the Board and staff for their outstanding commitment to the Bank's cause.

Thomas Zondo Sakala
Chief Executive Officer
Date: 3 April 2017

CHAPTER 1: CREATING A SUSTAINABLE GROWTH PATH

The Government of Zimbabwe (GoZ) in the 2017 Budget Statement announced its commitment to creating sustainable growth for the country by pushing production frontiers across all sectors of the economy. This was after the realisation that the country's current economic growth path is neither sustainable nor desirable as Gross Domestic Product (GDP) growth declined from a peak of 11.9% in 2011 to an estimated 0.6% in 2016. The below expectation economic growth in 2016 was largely due to the enduring challenges that have been bedevilling the economy that include tight liquidity conditions and lack of fiscal space. The situation was also exacerbated by the devastating effects of El Nino-related dry conditions that led to a 3.7% decline in agricultural productivity in 2016. This, coupled with low international commodity prices that affected mining output, worsened the situation leading to low levels of formal employment and lower aggregate demand. Despite missing the initial target for Debt Clearance Strategy that was agreed to in Lima, Peru in October 2015, GoZ remains committed to seeing the process through after achieving one key milestone; the clearing of the International Monetary Fund (IMF) arrears on the 20th of October 2016. The success of the re-engagement process is critical to the achievement of the Bank's resource mobilisation initiatives and participation on international capital markets.

The country's development path continues to be guided by ZimAsset and the SDGs. The Government, after successfully completing the IMF staff monitored programme in 2016, crafted the Interim Poverty Reduction Strategy Paper (IPRSP) 2016-2018 which domesticated the SDGs. The country's development agenda is focused on achieving sustainable economic growth with the IPRSP targeting GDP growth of between 5.6% in 2017 to 8.9% by 2018. Both the ZimAsset and the IPRSP have a sharp focus on infrastructure development as a fulcrum for the advancement of inclusive and sustainable economic growth as well as full and productive employment in line with SDG 8.

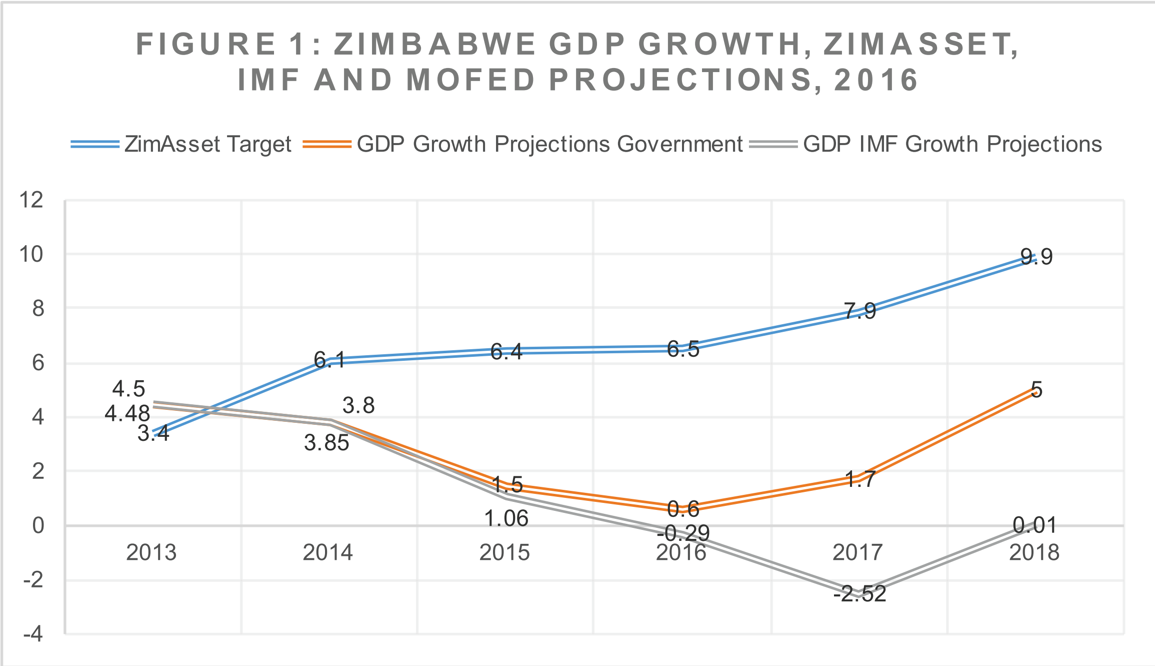
1.1 Economic Overview

In 2016, the country's growth was revised downwards from an initial target of 2.7% to 0.6% due to:

- low capacity utilisation across all sectors of the economy;
- reduced agricultural productivity worsened by El Nino induced dry spells;
- lack of competitiveness partly due to poor infrastructure across sectors;
- shrinking fiscal space;
- tight liquidity conditions; and
- a deteriorating balance of payments position.

Zimbabwe's estimated growth of 0.6% in 2016 is lower than the envisaged ZimAsset growth target and regional counterparts as shown in Figure 1. For instance, Zambia and Mozambique's growth rates were projected at 2.9% and 3.6%[1] respectively in 2016. Since 2013, the country's GDP growth rate has been declining showing that the economy is growing below its capacity, hence the need to push production frontiers.

[1] http://data.worldbank.org/data-catalogue/global-economic-prospects,Accessed 3 March 2017



Source: Ministry of Finance and Economic Development, ZimAsset and IMF

The expansion, upgrade and maintenance of the country's infrastructure is one of the key ingredients for unlocking the country's economic potential, laying the foundation for competitiveness and long term future growth[2]. It therefore puts the Bank's mandate central to the attainment of a robust, inclusive and sustainable economic growth and transformation.

The cumulative GoZ budget deficit was at US$1.18 billion by the end of 2016 and mainly financed through domestic loans and treasury bills, leading to crowding out of private investment [3]. The worsening budget deficit is clearly on an unsustainable path as employment costs accounted for 91% of the total revenue for the period January – October 2016 [4] . The budget deficit (US$1.18 billion) compares unfavourably with the initial target of US$ 150 million and the US$362 million achieved in 2015 [5]. The obtaining situation implies that GoZ is heavily constrained in its ability to adequately provide and disburse funds to priority infrastructure projects. The Government has therefore called for close collaboration between the public and private sectors in the provision of infrastructure in which the Bank is set to play a catalytic role.

Employment figures continue to decline in all sectors of the economy, with formal employment declining to 7% of total employment from 16% in 2015 [6]. Labour productivity is lowest in the agriculture sector, while 93% of the employed are in the informal sector. Government's development thrust is thus aimed at addressing these critical issues while the Bank's interventions contribute to employment creation among many other development outcomes.

The deflationary environment continues albeit with some improvement as year-on-year inflation closed 2016 at -0.93% compared to -2.47% in 2015. Month-on-month inflation closed the year at 0.06%. Annual inflation averaged -1.56% in 2016 compared -2.41% in 2015.

The country's inflation outlook is going to be influenced by declining disposable incomes, a strengthening US$ and weak domestic demand. The headwinds remain – increase in money supply and increase in oil prices. Ceteris-paribus, low inflation environment should be a boon to savings and by extension infrastructure financing. Figure 2 shows the inflation trend since 2012. Domestic nominal interest rates slightly increased from a range of 4 to 16.25% in December 2015 to 4 to 18% in November 2016 [7]. The RBZ has directed that interest rates to productive sectors of the economy should not exceed 12% per annum and others charges such as arrangement fees should not exceed an aggregate of 3% per annum.

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[2] http://sunnewsonline.com/infrastructure-development-will-drive-growth-create-jobs-finance-minister/ Accessed 21 March 2017.

[3] The 2017 National Budget Statement, December 8, 2016

[4] The 2017 National Budget Statement, December 8, 2016, pg 43, para 114.

[5] The 2017 National Budget Statement, December 8, 2016, pg 45, para 125.

[6] In May 2014, of the total 1.5 million paid employees, 1.4 million (93%) were in informal employment (IPRSP, 2016, pg34).

[7] http://www.rbz.co.zw/assets/monthly-economic-review-november-2016.pdf accessed on 25 February 2017

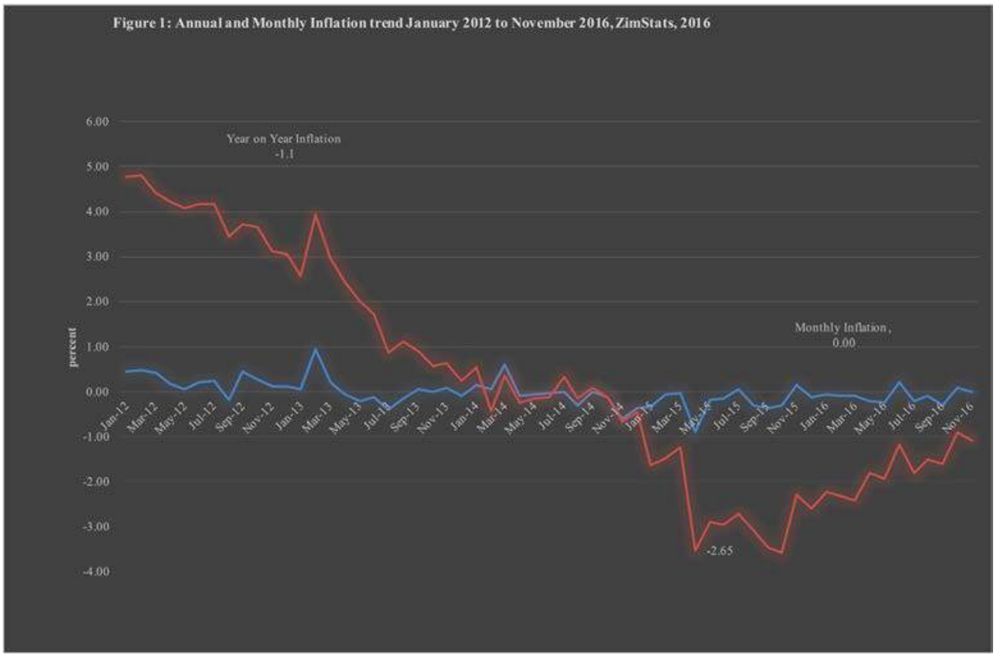


Figure 1: Annual and Monthly Inflation trend January 2012 to November 2016, ZimStats, 2016

Source: ZimStats, 2016

The trade balance deficit improved from US$3.03 billion in 2015 to US$1.3 billion in 2016. This is attributed to imports, which dropped by 11.7% to end the year at US$5.4 billion as exports also declined by 6.9% to end the year at US$3.4 billion. This trend is partly explained by the import restriction measures (SI 64 of 2016) introduced by Government and the strengthening of the United States Dollar. Other complementary measures include promotion of exports and foreign direct investment. There has been enduring commitment by Government to improve the conditions of doing business to enhance the country's competitiveness. The Bank's interventions in the infrastructure sectors seeks to lower transaction costs, promote regional integration and ensure the provision of sustainable and affordable energy among many other imperatives.

1.2 Economic Outlook

According to the World Bank (January, 2017), the global economy is set to grow by 2.7% in 2017. The major economies are expected to grow as follows:

- United States of America (USA): 2.2%
- China: 6.5%
- European Union (EU): 1.5%
- Other advanced economies: 1.8%
- BRICS: 5.1%
- Sub Saharan Africa (SSA): 2.9%

Growth in the world economy is expected to be driven by improvements in the emerging and developing markets. The key drivers include strengthening commodity prices and fiscal stimulus in major economies such as the USA. However, policy uncertainty, weak investments, protectionist policies and financial market disruption pose risks to global growth.

The World Bank has forecasted that Zimbabwe will grow by 3.8% in 2017, higher than the 1.7% projection by the Ministry of Finance. The World Bank estimate is based on an above normal rainy season, coupled with Government efforts through the Command Agriculture programme and a comprehensive livestock strategy which are expected to boost agriculture growth.

In 2016, Zimbabwe adopted an export led growth strategy that entails an export incentive scheme (5% bond notes to exporters), the removal of some items from the general import licencing (SI 64 of 2016) and the rationing of forex in accordance with the import priority list. The year has seen an increase in the use of plastic money by the general public due to a lack of cash. Some of these measures have been hailed for the improvement in the weighted capacity utilisation in the manufacturing sector from 34.3% in 2015 to 47.4% in 2016 (CZI, 2016). Notwithstanding the above, in 2017 Zimbabwe is set to suffer from the twin deficits of balance of payments and current account, worsening the depressed economic environment thereby leading to projected growth of 3.8%, which is lower than the ZimAsset growth target of 7.9% in 2017 as shown in Figure 1.

The capital budget is projected at US$520 million in 2017 compared to the US$315 million that was allocated in 2016. About US$257 million was expended on capital expenditure in 2016 against a required US$2.7 billion for the economy's infrastructure development. Thus, looking ahead, infrastructure development funding remains the major task to close the immediate and future gaps.

Zimbabwe has become a member of the African Insurance Trade Agency (AITA) after paying the required fees. It is projected that by the end of 2017, the country is likely to resolve the outstanding debt obligations with international financial institutions

(IMF, AfDB and World Bank). The debt clearance strategy offers a window of opportunity for the flow of development finance into the country. It is 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 [8].

1.3 Zimbabwe Development Agenda

The Zimbabwe development agenda is clearly set out under ZimAsset. The programme is aimed at improving the country's conditions of doing business and competitiveness, ensuring rapid economic growth, addressing poverty and achieving sustainable development. The 2017 National Budget Statement reinforced the over-arching national development agenda and its thrust on:

- Fiscal adjustment;
- Structural reforms;
- Stimulating productivity across all sectors;
- Poverty reduction;
- Macroeconomic stability; and
- Increased business confidence

The Bank and the country at large are set to benefit from the envisaged reforms since they are set to improve conditions of doing business, bringing macroeconomic stability, increasing business confidence and leading to an improved country risk profile. These reforms underpin the Bank's resource mobilisation endeavours in 2017.

The Government places high priority on infrastructure rehabilitation and upgrading as a means to unlocking the country's economic growth potential and social progress. Inspired by this, the Bank has set an ambitious infrastructure development work programme for 2017-2019, focusing on energy and power supply, transport, water and sanitation, ICT and housing including university students and staff accommodation as set out in the MTS.

1.3.1 Bank's Contribution to ZimAsset and the Ten Point Economic Growth Plan

The Bank has continued to support the country development agenda as encapsulated in both the ZimAsset and the Ten Point Economic Growth Plan. In fulfilment of its mandate, the Bank has targeted housing projects in most parts of the country to increase access to safe and affordable accommodation. These projects are set to improve the operational capacity of the local authorities and potentially improve their service delivery and financial positions. In order to improve the conditions of learning and curb social vices especially among students in institutions of higher learning, the Bank is set to embark on a universities' students and staff accommodation programme throughout the country. These projects will ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

The water and sanitation projects that the Bank targets in 2017 seek to make cities and towns inclusive, safe, resilient and sustainable (SDG 11). The Bank endeavours to improve availability of energy through the promotion of sustainable power generation projects. In 2017, the Bank is also set to contribute to increased agricultural productivity through the development of irrigation schemes and involvement in dam construction. In the implementation of these projects, the Bank supports Public Private Partnerships (PPPs) and joint ventures to crowd-in both national and international investors in infrastructure development. Furthermore, in the execution of these projects, there will be massive employment creation and stimulation of economic activity in the value chain.

The country's development imperatives remain the compass for all Bank investments as it is set to make its contribution in the Infrastructure and Utilities cluster of ZimAsset through encouraging private sector investment and promoting joint ventures as enunciated in the Ten Point Economic Growth Plan.

Ten Point Economic Growth Plan

1. Revitalising agriculture and agro-processing value chain;
2. Advancing beneficiation and/or value addition to our agricultural and mining resource endowment;
3. Focusing on infrastructural development, particularly in the key energy, water, transport and ICT subsectors;
4. Unlocking the potential of Small to Medium Enterprises;
5. Encouraging private sector investment;
6. Restoration and building of confidence and stability in the financial services sector;
7. Promoting joint ventures and public private partnerships to boost the role and performance of state-owned companies;
8. Modernising labour laws;
9. Pursuing an anti-corruption thrust; and
10. Implementation of Special Economic Zones to provide impetus for foreign direct investment

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

1.3.2 Contribution to Sustainable Development Goals (SDGs)

The GoZ is in the process of domesticating the implementation of the SDGs. As such, the country came up with the Interim Poverty Reduction Strategy Paper for Zimbabwe: 2016-2018 (IPRSP). The IPRSP has prioritised the SDGs as depicted in Box 2.

The Bank's focus is on the following SDGs:
- 9; 7; 6

The Bank interventions will impact on the following SDGs:
- 8; 2; 3 and 4.

The Bank operations will be guided by the following SDGs:
- 5 and13.

Box 2: The prioritised SDGs as per IPRSP in order of priority

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment.
SDG 7: Ensure access to affordable, reliable, sustainable, and modern energy for all.
SDG 2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.
SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
SDG 6: Ensure availability and sustainable management of water and sanitation for all.
SDG 13: Take urgent action to combat climate change and its impacts.
SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.
SDG 3: Ensure healthy lives and promote wellbeing for all and all ages.
SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
SDG 5: Achieve gender equality and empower all women and girls.

CHAPTER 2: INFRASTRUCTURE; STATUS, FINANCING AND PRIORITIES

2.1 The Infrastructure Gap

Adequate and efficient infrastructure is a pre-requisite for sustainable and inclusive socio-economic growth and development. Infrastructure development facilitates increased economic activity and investment that improves the country's conditions of doing business. The infrastructure financing requirement for Africa was estimated at US$360 billion between 2011 and 2040 [9]. It is generally acknowledged that governments and/or donors do not have the adequate resources to cover the funding gap hence the need for involvement of the private sector. The country's infrastructure gap continues to widen from the estimated US$14 billion for the period 2010 to 2020 (AfDB, 2011) due to lack of upgrades and routine maintenance (see Table 1).The overall spending requirement for the transport sector alone was estimated by the Africa Infrastructure Country Diagnostic (AICD) in 2011 at US$208 million annually [10]. For the resuscitation of the railways sector:

- US$422.4 million is required in short term investments;
- US$1.17 billion dollars in long term investments (ibid).

A collaborative approach involving all role actors in infrastructure development is therefore now a compelling imperative for significant progress to be made in addressing the country's infrastructure deficiencies.

Table 1: Estimated Infrastructure Funding Requirements, 2010 - 2020

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

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

As of 2011, the World Bank estimated that Zimbabwe was facing an infrastructure funding gap of about US$0.6 billion per year, which cumulatively could now be standing at US$4.2 billion [11]. The Zimbabwe Investment Authority (ZIA) estimated in 2016 that about US$28 billion is required for total infrastructure rehabilitation in the country.

[9] https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/PIDA%20brief%20closing%20gap.pdf, Accessed 3 March 2017

[10] CPCS, 2017, Draft Transport Master Plan pg 123

[11] http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-5816, Accessed 3 March 2017

The 2016 National Budget Statement estimated the overall funding requirements for infrastructure investment for 2016 at US$2.7 billion of which US$257 million was spent by Government on capital expenditure leaving a huge funding gap. Furthermore, the Government budget remained consumptive with the salaries and wages bill taking more than 80% of the expected revenue.

In 2017, the Government allocated US$135.7 million towards infrastructure projects in the energy and power supply, transport, water and sanitation, ICT and housing sectors against a total funding requirement of US$3.56 billion towards identified priority projects in Table 2. For example, about US$5 billion is required in the road sector over the next ten years for road construction, rehabilitation, grading and routine maintenance but less than US$30 million was allocated through the budget in 2017 (Ministry of Transport and Infrastructural Development, 2016).

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	1158.3
Water and Sanitation	84.2	42.6	41.6
ICT	145.2	19.3	125.9
Housing	1800	39.4	1 760.6
TOTAL	3,563.3	135.7	3,427.6

Source: Ministry of Finance and Economic Development, 2017 Zimbabwe National Budget

It is therefore clear that private capital is required to cover the infrastructure financing gap, hence the need for properly prepared and packaged projects to crowd-in investment for infrastructure development. To facilitate this process, the Bank has established the Project Preparation and Development Fund (PPDF) and enhanced its procurement procedures in line with best practice.

2.2 Infrastructure Financing Context

The resource mobilisation for infrastructure development is not made easy by the obtaining macro-economic environment characterised by:

- declining domestic savings;
- a widening budget deficit;
- persistent liquidity challenges;
- declining export receipts; and
- inbound foreign capital.

The country risk profile has worsened as a result; leading to reduced investor confidence and presenting challenges to the Bank's efforts to mobilise long term capital. In spite of these challenges, the Bank continues to make significant progress with support from local institutional investors.

Government continues to make efforts to improve the investment climate and put measures to stimulate economic growth by allocating more resources towards capital expenditure and addressing the country's external debt. As a result, Zimbabwe's business environment improved according to the World Bank Ease of Doing Business report in 2016, with the country moving up 16 places to 155 out of 189 countries [12]. The country is in the process of re-engaging international financiers in order to access developmental finance. In pursuit of that, Zimbabwe cleared its arrears on the 20th of October 2016 with the IMF, which paves the way for it to engage in discussions for a financial programme. However, the country is still to settle US$1.7 billion it owes the African Development Bank (AfDB), the International Bank of Reconstruction and Development (IBRD) and the International Development Association (IDA). The clearance of these arrears which is expected by the end of 2017 coupled with becoming a member of the African Trade Insurance Agency (ATIA), are expected to open windows of opportunities for the country to access concessionary development funding. In the medium to long term, these efforts are expected to bear fruit paving way for the Bank to access appropriate capital for infrastructure development.

2.3 Infrastructure Project Development and Management

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 has 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.

[12] https://www.afdb.org/en/countries/southern-africa/zimbabwe/, Accessed 21 March 2017

2.3.2 Project Management
Project supervision and management is critical to achieving acceptable efficiency and effectiveness in the implementation of projects and attainment of targeted outcomes. The Bank's project monitoring and evaluation efforts have led to improvements in the overall project packaging, scoping of works, pricing, claiming and certification.

Since 2010, the Government has disbursed in excess of US$600 million towards priority infrastructure projects through the Bank, out of which US$56.5 million and US$38.8 million was disbursed in 2015 and 2016 respectively. Reflective of the worsening liquidity challenges economy wide, and the ensuing shrinking fiscal space, a total of US$42.1 million in approved claims certificates were outstanding.

These are the enduring challenges the country faces in project implementation:
- Lack of capacity by Implementing Agents (IAs);
- Inadequate capital;
- Unprofitability of state owned enterprises and parastatals; and
- Rent seeking behaviour.

To mitigate the above outlined challenges, the Bank will:
- assist by improving its capacity to undertake projects;
- finance players in the infrastructure value chain; and
- put in place mechanisms to ensure effective and efficient deployment of resources for infrastructure projects.

2.3.3 Prioritisation of Projects
In light of scarce resources (human, financial and technical), prioritisation of projects is essential to ensure proper synchronisation of programmes to maximise the development outcomes and impacts. There is, therefore, need to build capacity at various levels nationally to ensure that policies, programmes and projects are rationalised, well sequenced and prioritised.

2.3.4 Planning Capacity and Challenges
Most IAs still lack well-articulated short, medium and long term plans though there is a general appreciation on the need to have them. This has led to the gap between theory and practice with regards to planning and project implementation. IAs and project consultants continue to struggle albeit with some improvement and/or fail to plan procurement on time and to follow the recommended procedures. The Bank has therefore developed procurement procedures and guidelines in line with international best practice to improve the situation.

2.3.5 Capacity of Contractors and Suppliers
The Bank has observed that the engineering and construction industry lacks adequate capacity to successfully execute infrastructure development programmes due to insufficient working capital. This has led to international outsourcing and with it, exporting of employment/importing unemployment and exporting of liquidity.

2.3.6 Outstanding Payments to Contractors
The outstanding payments to contractors have led to an economy wide debt problem as cumulative arrears due to contractors since 2010 amount to US$42.1 million as of December 2016. These arrears are reflective of lack of fiscal space due to tight liquidity among many other challenges in the economy.

Some of the beneficiaries of the Public Sector Investment Programme (PSIP) funds failed to honour their obligations threatening the sustainability of the revolving fund. The Bank and the Government are actively engaging the IAs to resolve the issue. The resolution of this issue is critical to clearing of the outstanding arrears and the survival of the revolving fund which is necessary for financing of future infrastructure projects.

The delays in payments to contractors and other service providers have resulted in:
- loss of project implementation momentum;
- cost escalations;
- reduction in capacity among contractors; and
- missing project completion targets.

2.4 Knowledge Generation and Sharing
The Bank values sharing the knowledge generated through implementation and monitoring of projects with all institutions and individuals for the improvement of execution of projects. In this regard, the Bank is committed to sharing through its website, the project appraisal and project completion reports. The Bank stands ready to contribute in workshops and national policy dialogue initiatives towards effective and efficient implementation of infrastructure projects.

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

3.1 Building Bankability

3.1.1 Building Institutional Bankability

In response to the infrastructure gap in the country, the Bank has come up with a more elaborate Resource Mobilisation Strategy which seeks to build balance sheet capacity and increase infrastructure financing outcomes through the following:

- Capitalisation of the Bank;
- Strategic partnerships with other DFIs;
- Capital market operations; and
- Public-Private Partnerships (PPPs)

The strategy is anchored around institutional and project bankability as depicted below:

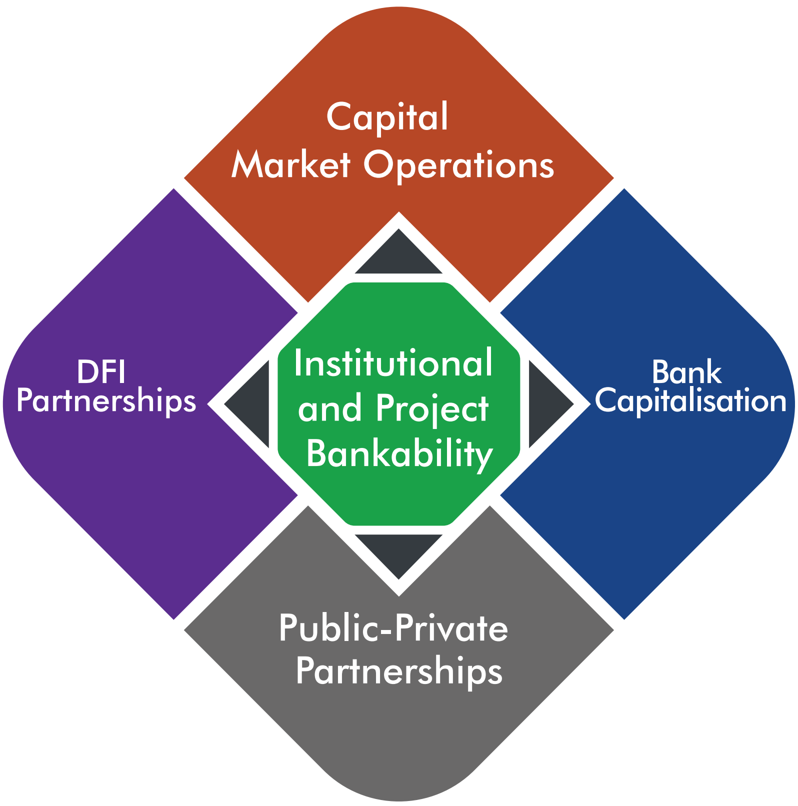


Figure 3: Institutional and Project Bankability Framework (IDBZ - ROMU Strategy, 2016).

The Bank has embarked on initiatives to strengthen its operational policies and procedures, corporate governance frameworks and risk management systems to enhance institutional bankability.

A flexible approach to Bank capitalisation is being pursued and is aimed at attracting various forms of capital including equity, mezzanine capital (debt and preferred stock) and lines of credit. The Bank is also accelerating engagements with continental and international DFIs and other development partners to create opportunities for collaboration in the identification, preparation, financing and implementation of projects. Apart from allowing the Bank to access a larger network of financiers, these collaborative relationships will also facilitate knowledge transfer and access to technical assistance.

PPPs are emerging as a major source of financing for infrastructure development on the African continent and internationally. Recent efforts by Government to develop a policy framework for PPPs are designed to increase the participation of the private sector in infrastructure development. Implementing projects through PPPs simultaneously improves access to private capital and execution capacity of partners.

Through the enactment of the Joint Ventures Act (Chapter 22:22) and the planned operationalization of the Joint Venture Unit, Government is strengthening public entities' project development capacity, promoting standardisation and improving institutional and regulatory frameworks for the efficient promotion and execution of infrastructure projects. This in turn will increase market confidence and facilitate increased private sector participation in public infrastructure projects. The Bank is also escalating efforts to utilise PPPs as a funding model for infrastructure projects.

3.1.2 Building Project Bankability

To build a reasonable stock of bankable projects, the Bank has scaled up its engagements with Government line ministries and public IAs involved in infrastructure projects in order to actively provide technical guidance throughout the project development cycle. The Bank will be increasing the size of its PPDF from US$2.5 million to US$5 million by December 2017. The Government has also intervened in the area of project preparation funding and has allocated US$7 million [13] in the 2017 National Budget to go towards the financing of feasibility studies and other project preparation activities, thus complementing the Bank's PPDF. This initiative by Government is a prerequisite for developing bankable infrastructure projects on the national priority list, hence the need for it to be consistently supported by all stakeholders.

3.13 Project Financing Outcomes

The Bank has now raised a cumulative amount of US$100 million through the issuance of infrastructure development bonds since it started the bond programme in 2012. The bonds were issued on the Bank's balance sheet and were targeted at supporting various projects in the energy and housing sectors. Going forward, management's strategy to achieving increased lending capacity and project financing outcomes is premised on:

- building a robust pipeline of bankable projects;
- strengthening the Bank's capital base;
- creating partnerships with other DFIs and the private sector and;
- scaling up capital market operations through debt issuances.

3.2 Procurement

The Bank's procurement system is geared towards delivering high quality and value for money, goods, works, and services through sustainable cost savings. The Bank seeks to influence, enable and stimulate the private and public sectors to deliver socially and economically sustainable outcomes through a robust procurement system. Going forward, the Bank is going to continuously review and benchmark its procurement systems to ensure effective and efficient implementation of infrastructure projects. The process of establishing a procurement secretariat department is underway. Among many other objectives, the Bank seeks to:

- Promote fairness and public confidence in the procurement process;
- Ensure that the best corporate governance practices are achieved; and
- Contribute to the advancement of indigenous entrepreneurs as well as other nationally determined imperatives.

Currently, the Bank is participating in the procurement process of the following projects, among others:

- Beitbridge-Harare-Chirundu Toll Road;
- Tokwe-Mukorsi Irrigation Scheme;
- Beitbridge Border Post Modernisation;
- Schools Infrastructure Development Programme; and
- Universities Students and Staff Accommodation Programme.

Interventions in these projects is aimed at minimising the cost of implementation, delivering projects according to specifications, increasing operational efficiency of the IAs and minimising project completion risks.

[13] The PPDF is targeted at Kunzvi Water, Tokwe-Mukorsi Irrigation Development, Osborne Dam Irrigation Development, Harare – Nyamapanda Road, Bulawayo – Victoria Falls Road and Victoria Falls Development projects

3.3 Environment and Climate Change

Climate change and environment sustainability are some of the biggest challenges in the design, construction and operation of infrastructure projects. The Bank identifies climate change and environmental sustainability issues at each stage of the project lifecycle. During project identification, preliminary project review and project preparation, the Bank streamlines the following climate change and environmental issues:

- Impacts on natural habitats; flora and fauna (movement of animals, species and population dynamics);
- Impacts on water resources; flood risk; water consumption; and water embedded in the materials used to build and maintain the infrastructure;
- Land use change affecting resilience to flood risk, deforestation, pollution, and remediation;
- Impacts on areas of historic or cultural significance;
- Energy, greenhouse gases & other emissions to air - impacts from energy use during construction and operation including use of machinery, transportation, lighting and other electricity use; and
- Impacts on the local community, local and non-local economy and the built/ historic environment.

The Bank also seeks to maximise the positive environmental impacts such as:

- Creating opportunities to minimise water consumption e.g. utilising rainwater;
- Re-using or recycling materials;
- Incorporation of energy saving features into infrastructure design;
- Using local suppliers which strengthens the local economy and reduces transportation emissions; and
- Restoration or enhancement of wildlife habitats affected by developments.

Therefore, climate change has been integrated in the design, appraisal and implementation of all Bank projects. In light of this, the Bank is promoting and assisting investments in the renewable energy sources and development and rehabilitation of irrigation schemes to enhance climate change adaptation and mitigation.

Climate financing is an important pillar in developing climate resilient infrastructure in line with the Twenty-Second Conference of Parties to the United Nations Framework Convention on Climate Change (COP22), SDGs and the country's National Climate Change Response Strategy.

The Bank is in the process of securing accreditation to the Green Climate Fund (GCF), a process which is expected to be completed by September 2018. The accreditation process requires the Bank to develop its environmental and social management systems to international standards and strengthening its fiduciary standards for project management, grant awards and loan/blended financing.

Overall, the Bank seeks to contribute to the objectives of the Green Climate Fund by:

- Successfully completing its accreditation to the GCF;
- Mainstreaming climate change issues into its project development and funding processes;
- Building its internal capacity to undertake fiduciary functions under the GCF; and
- Collaborating with development partners including Multilateral Development Banks (MDBs) and private sector players in developing and funding green projects.

3.4 Looking Ahead

The Bank made significant progress in 2016 with regards to improving internal efficiency through developing and updating its systems, policies and procedures. While the Government made some headway in resolving the country's debt situation through the clearance of the IMF arrears in October 2016, there is still need to clear outstanding debt with other International Financial Institutions (IFIs) for the country to be able to access required favourable external funding. Furthermore, the Government has embarked on ease of doing business reforms and curbing corruption to attract foreign direct investment. The Bank remains hopeful that these initiatives will start bearing fruit starting at the end of 2017, thus building a solid base for the Bank's resource mobilisation initiatives.

3.4.1 Mandate Focus

In 2016, the Bank managed to keep Non Performing Loans (NPLs) relatively low at 9.4% though higher than the 6% achieved in 2015. Looking ahead, the Bank continues to focus its lending activities towards trade finance in the infrastructure value chain and increase its collection efforts to meet the desired 5% NPL level by the end of 2017.

The Bank developed a robust active project processing schedule which has led to an impressive project pipeline that focuses on the period 2017-2019. With support from Government, the Bank is building its capacity to reassert itself as a champion of infrastructure development in energy, transport, water and sanitation, ICT and housing sectors.

3.4.2 Energy

The supply of sustainable and affordable energy is a necessary ingredient in enhancing productivity, competitiveness and ensuring socio-economic transformation in the country. Inadequate and unreliable energy supply has sucked the lifeblood of the economy leading to the country missing its growth targets. By end of 2016, electricity production stood at 1,085MW against a suppressed peak demand of 1,400 MW [14]. To close this gap, the power utility has resorted to importing power from the region as well as electricity rationing with dire consequences to the economy. It is in light of the energy gap that the Bank continues to focus on energy generation projects that include:

- Osborne Dam Mini Hydro Project.

Table 4: Proposed Energy Generation Projects to be developed starting 2017, IDBZ

Project	Type of energy	Capacity (MW)	Project Value (US$ million)	Type of Funding	Location
Osborne Dam Mini Hydro Project	Hydro	2.5	6.63	PPP/ Bond	Mutare

The focused projects are going to contribute to the generation of sustainable energy in line with the COP22 agenda. The long term environmental benefits are enormous and the Bank targets to develop these projects to bankability in 2017.

3.4.3 Transport

Zimbabwe's transport sector has had many challenges that stem from lack of upgrades, maintenance and rehabilitation with a non-functional railway system and road network in a state of disrepair as most roads have exceeded their design life. Most rural roads are impassable and urban roads have become a menace worsened by excessive rains due to climate change. Usually, road accidents are also attributed to a poor state of the road network and over-reliance on the road for transportation of cargo. An efficient transport system is necessary for reduction of transaction costs and facilitating regional integration and trade. The Bank's interventions in the transport sector seek to achieve the following outcomes:

- Effective and efficient implementation of projects;
- Rehabilitation and/ or dualisation of trunk and feeder roads;
- Employment creation;
- Reduction in road accidents;
- Promotion of regional integration and trade; and
- Reduction in transport costs (cargo and people).

The targeted transport projects in 2017 are: Harare- Beitbridge – Chirundu Road (including the Harare Ring-Road) dualisation project; and Beitbridge Border Post Modernisation Project as depicted in Table 5.

[14] http://www.zpc.co.zw/, accessed 3 March 2017

Table 5: Proposed Transport Sector Projects to be developed starting 2017, IDBZ					
Project	Type	Outputs	Project Value (US$ million)	Type of Funding	Location
Beitbridge-Harare-Chirundu Road Upgrading and Dualisation	Road Construction	897 km Road	2 700	PPP and Loan	Beitbridge – Harare - Chirundu
Beitbridge Border Post Modernisation	Border Post Upgrading	One Stop Modern Border Post	271	PPP/ Fiscus	Beitbridge
Runde River Bridge and Link Road	Road and Bridge Construction	40km Road and Bridge	7.2	Grant/Concessional Loan	Chiredzi

The Bank is the lead transaction advisor on the Beitbridge-Harare-Chirundu (including the Harare Ring-Road) upgrading and dualisation road project. On the Beitbridge border post modernisation project, the GoZ has appointed the Bank as the lead financial advisor. The Bank is also working with the Zimbabwe National Roads Administration (ZINARA) to mobilise resources for the rehabilitation of roads in major urban centres across the country.

3.4.4 Water and Sanitation

In light of the changing weather patterns, cities have become vulnerable to water scarcity and poor water quality, becoming a national security issue around the world. Zimbabwe has not been spared from the health calamities associated with poor water supply as more than 4,300 people succumbed to cholera from 2008 to 2011 [15]. Inadequate water supplies in cities destabilises the social and economic fabric of the country. In 2017, as part of its intervention in the water and sanitation sector, the Bank will support the following projects as shown in table 5.

Table 5: Proposed Water and Sanitation Sector Projects to be developed starting 2017, IDBZ					
Project	Type	Outputs	Project Value (US$ million)	Type of Funding	Location
Victoria Falls Municipality WASH	Rehabilitation of the Water and Sewer system	• Pre-Paid Meters • Rehabilitated Sewer Plant • Water Supply Reservoir	12	Bond/PPP	Victoria Falls
Masvingo City Water Augmentation	Revamping of the Water Supply System	• Water Reservoirs • Rehabilitated Water Supply System	9.5	Bond/PPP	Masvingo

As a way to ensure optimal utilisation of water bodies, the Bank has identified irrigation related projects for completion, rehabilitation and development as indicated in Table 6.

Table 6: Proposed Irrigation Related Projects Starting 2017, IDBZ[1]		
PROJECT NAME	IRRIGATION COMPONENT EARMARKED	FUNDING REQUIREMENTS (US$ million)
Mutange Dam (Gokwe)	Dam Pump House	0.3
Tokwe-Mukorsi (Chivi)	Development	0.5
Ngezi-Mamina (Mhondoro)	Rehabilitation	1.2
Chipoli (Mash Central)	Rehabilitation	1.8
Silalabuwa (Esigodini)	Rehabilitation	2.5
Osborne –Irrigation (Mutare)	Development	TBA
TOTAL		6.3

[15] World Bank, Zimbabwe Country Report, 2011

[16] Participation in the Command Agriculture Scheme Letter to the Ministry of Finance and Economic Development

3.4.5 Information Communication Technology (ICT)

ICT is a catalyst for economic growth as it leads to improved efficiencies in the production process and service delivery. It is also an enabler in the achievement of the SDGs and an important tool in the fight against social exclusion and poverty. The development of ICT infrastructure creates business opportunities in various areas that include e-business, film and broadcasting, broadening the employment base, amongst others. Similarly, the drive to promote the country as a prime tourist destination will be greatly aided by improvements in connectivity and competitive pricing by the various industry players. The success of the national financial inclusion strategy hinges on an efficient and reliable ICT infrastructure. Efforts are underway to identify projects that seek to develop the national fibre backbone and distribution infrastructure in line with the Bank's MTS 2016-2020. The Bank also supports efforts to encourage infrastructure sharing in the sector especially among service providers in which GoZ is a shareholder.

3.4.6 Housing

Investment in the housing sector is in support of the National Housing Strategy of 2012 (NHS), which guides the Government, city councils and local authorities in developing solutions to the country's national housing backlog which currently stands at 1.5 million housing units (ZimAsset). Interventions in the housing sector are in line with the Interim Poverty Reduction Strategy Paper for Zimbabwe: IPRSP (2016-2018) that targets delivery of 300,000 housing units by 2018.

Delivering low cost housing will lead to the improvement in the standards of living and quality of life for people. The Bank's interventions in the housing sector will focus on offsite and onsite infrastructure that includes: (i) Water & Sewer reticulation; (ii) Roads; (iii) Electricity and (iv) ICT as shown in Table 7.

Table 7: Proposed Housing Sector Projects to be developed starting 2017, IDBZ

PROJECT	TYPE	OUTPUTS	PROJECT VALUE (US$ MILLION)	TYPE OF FUNDING	LOCATION	Status
University Students & Staff Accommodation Program (USSAP)	Construction of halls of residence, staff accommodation and teaching facilities at 5 state universities (LSU, NUST, BUSE, UZ, CUT).	• Accommodation for 6,564 students and 220 university staff members	75.00	Equity Debt PPP	• LSU-Lupane, • NUST-Bulawayo, • BUSE- Bindura, • CUT- Chinhoyi and • UZ-Harare	Phase I of the Project approved and now fund raising underway
Remainder of Sumben, Harare	Servicing of low density residential and commercial stands	• 370 low density residential stands	12.10	Bond	Harare	Project preparation underway
Umvovo Phase 4 & Chegutu Low Density Phase 1, Chegutu	Servicing of high and low residential stands	• 6.35km road • 5.66km water sewerage • 1,426 stands. • 308 core houses	10.65	Bond	Chegutu	Project preparation
Boabab, Batonga & Kasese Residential Townships, Kariba	Servicing of high and low residential stands	• 1,557 high, medium and low density residential stands. • Three water reinforced concrete reservoir (2ML)	14.90	Bond	Kariba	Project approved and now fund raising underway
Empumalanga West Township, Hwange	• Servicing of high and low residential stands • Rehabilitation of a Waste Water Treatment Plant	• 2,000 high density residential stands. • 1.08ML/day Waste Water Treatment Plant	5.80	Bond	Hwange	Implementation and fund raising in progress
Glen Forest Memorial Park, Goromonzi District	Demarcation and servicing of grave units	• 11,750 grave units	2.00	Equity	Goromonzi	Implementation
TOTAL			125.25			

3.4.7 Operational Efficiency

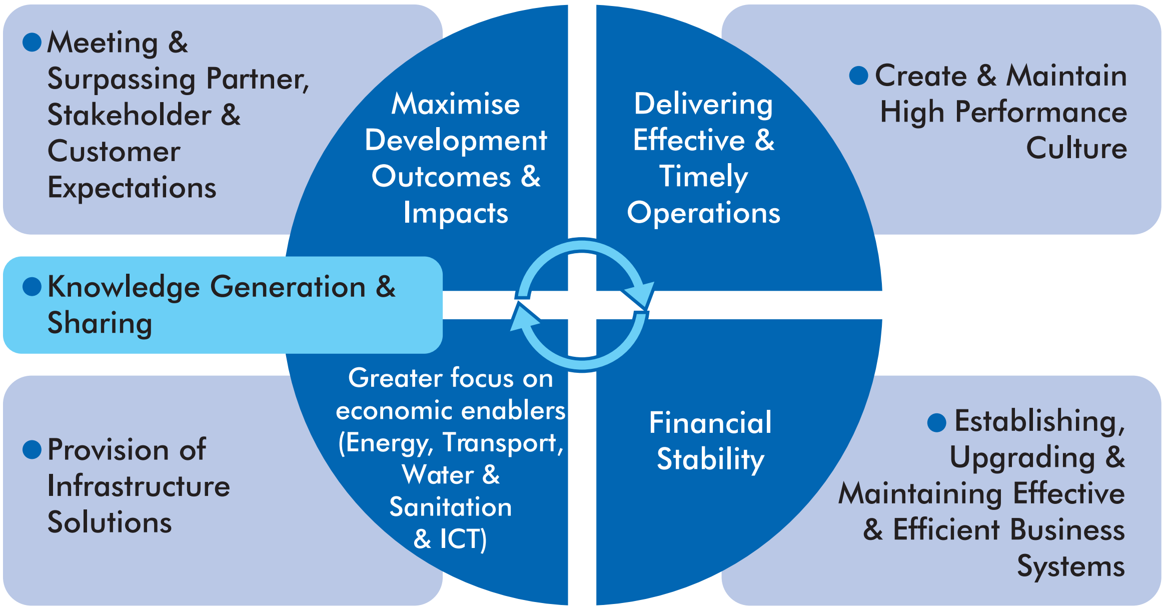
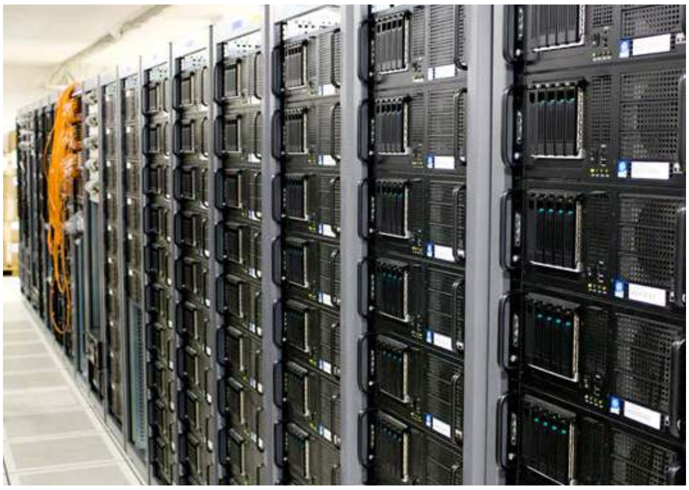


Figure 4: Medium Term Strategy and the Result Measurement Framework, IDBZ, 2016-2020

3.4.7.1 ICT Systems

In 2016 the Bank improved its ICT environment by undertaking the following actions:

- engaging an independent consultant to review its ICT policies;
- reviewing business processes and methods;
- implementing a cloud-based data and infrastructure monitor which is used to track performance and also to provide an information portal for national projects to internal and external stakeholders;
- conducting an ICT vulnerability assessment and hardening its systems to mitigate the threat cybercrime; and
- constantly reviewing and addressing any weaknesses or vulnerabilities in the ICT architecture and ensure that the availability ICT services and the integrity of business information are not compromised.



Looking ahead, the safeguarding of the Bank's information assets remains one of the key focus areas. The Bank has already started the implementation of key applications which will enhance workgroup collaboration, communication, and data security.

3.4.7.2 Non Performing Loans (NPLs)

The Bank scaled up its collection efforts during 2016 in line with its new strategic focus of shifting from short term to long term business. The NPL ratio closed the year at 9.4% against the RBZ target of 5% and industry average of 7.8%. This ratio is expected to be managed within the 5% benchmark during the year 2017 on the back of growth in the infrastructure book and aggressive collections from the short term book.

CHAPTER 4: BANK OPERATIONS

4.1 Overview

In recognition of the Bank's central role in resolving the country's infrastructure challenges, the shareholders recapitalized the Bank to the tune of US$23 million during the year, leaving the Bank's core capital at US$48.67 million. This marked the first step towards achieving the targeted US$250 million capitalisation by 2018.

The Bank was officially removed from the United States Office of Foreign Assets Control (OFAC) sanctions listing in February 2016. This development, combined with the GoZ efforts to clear the external debt arrears to IFIs and Zimbabwe's improvement in the Country Policy and Institutional Assessment (CPIA) score from 2.2 in 2012 to 2.9 in 2015 (World Bank, 2016), will improve the Bank's chances of accessing long term funding and its optimism about future prospects. To facilitate the preparation and packaging of bankable infrastructure projects, the Bank established the PPDF with seed capital of $2.5 million from the Bank's equity. It is expected that this fund will grow to over U$5 million by the end of 2017.

4.2 Infrastructure Focus Sectors

In pursuit of its mandate during the period under review, the Bank made significant strides in the energy, transport, water and sanitation, ICT and housing sectors.

4.2.1 Energy

During the year under review, the Bank managed to raise US$19.3 million of the US$50 million Zimbabwe Power Company (ZPC) Bond, floated in 2015, to reach full subscription on the instrument. Initially, US$38.8 million of the bond proceeds were meant to fund the refurbishment of the Kariba South Power Station (KSPS) and US$11.2 million to fund the repowering of the Harare Power Station (HPS). However, towards the end of the year, the Bond Trustee approved the change of use of bond proceeds in consultation and agreement with bondholders. This came about as a result of ZPC facing a funding gap of US$14 million on the KSPS Extension project which arose from a legitimate inflation adjustment from the source market on the EPC contract. Since the KSPS Extension project was at 66% completion as at December 2016 and the HPS repowering project experienced inordinate delays in reaching financial close, the US$11.2 million earmarked for the HPS was deployed towards the KSPS Expansion project.

Kariba South Power Station Expansion Project

The Bank is also pleased to report that the US$50 million ZPC Bond and US$15 million ZETDC Bond (for the Prepaid Metering Project), both of which mature in December 2019, continue to perform in line with the terms and conditions of issue.

4.2.2 Transport

In 2016, the Bank monitored the implementation of the Mabvuku Bridge Over Rail and Road project which had commenced in 2015. The cumulative expenditure as at end of December 2016 was US$3.08 million compared to a project budget of US$3.10 million. The project was officially commissioned in July 2016.

The bridge is an essential link to the North East suburbs of Harare with the Central Business District (CBD). It is also the gateway to the Beira corridor and thus important for the promotion of regional integration and trade. The daily average traffic shows that 1,643 vehicles pass through the bridge. The bridge has led to a reduction of congestion, thus going a long way in facilitating smooth movement of traffic and minimising fuel consumption leading to environmental benefits.

4.2.3 Water & Sanitation

Tokwe-Mukorsi Dam Completion Project

The Bank supported the GoZ through liquidation of US$65 million Treasury Bills (TBs) issued between November 2015 – March 2016 to fund completion of Tokwe-Mukorsi Dam. The Bank was also central in co-ordinating resource mobilisation efforts which culminated in the Government availing a further US$20.3 million to ensure that completion works were fully funded.

Tokwe Mukorsi Dam

The Dam was completed in December 2016 in time to start impounding water from the 2016/2017 rainy season. With a reservoir capacity of 1.8 billion cubic metres, the Dam is going to create the largest inland lake in the country and will support irrigated agriculture spanning 25,000 hectares in the southern Lowveld. It also offers an opportunity for a hydroelectric power generation plant with a capacity of up to 15MW. The Bank is now leading efforts towards the development of an irrigation scheme in order to realise the expected socio-economic benefits from the investment. Above all, there is potential for other benefits that include fisheries and recreation activities such as hotel & tourism.

Causeway Dam

The Bank monitored the construction of Causeway Dam, whose contract was awarded to China Nanchang Engineering (Pvt) Ltd for US$18 million. Mobilisation to site and preparatory work for the 24-month contract commenced in November 2016.

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. The projects are also in line with SDG 6. Table 8 shows water and sanitation projects managed by the Bank in 2016.

Table 8: PSIP Water and Sanitation Projects under Management in 2016

Project	Outputs	Location	Project Cost (US$ million)	% Completion as at 31 December 2016	Cumulative Disbursements (US$ million)
Gwanda Municipality Water project	10 Mega litre water reservoir	Gwanda	2.50	65%	1.88
Chipinge Town Council • Water and sewer upgrading project	Water sedimentation tanks	Chipinge	0.73	65 %	0.57
Chinhoyi Municipality • waste water treatment plants rehabilitation works	Rehabilitated waste water treatment plants	Chinhoyi	2.90	82%	1.88
Hwange Local Board • waste water treatment plants rehabilitation works – Phase 1	Rehabilitated waste water treatment plants	Hwange	0.30	100%	0.30
Total			6.43		4.63

4.2.4 ICT

The Bank closed the year actively in the process of identifying projects in the ICT (Optical fibre) backbone and distribution infrastructure.

4.2.5 Housing

Following the successful issuance of the US$5 million maiden Housing Bond in December 2015 to finance the development of two housing projects, namely New Marimba Park (Harare) and Clipsham Views (Masvingo), where site servicing is almost complete, the Bank issued another tranche of the Housing Bond in December 2016 to raise US$5.8 million to fund the development of the Empumalanga West Housing Project in Hwange.

During the year, the Bank was involved in the implementation of various housing projects as depicted in Table 9. The projects will improve the livelihoods of the population through the provision of affordable and fully serviced stands with access to surfaced roads, clean water, electricity and improved sanitation. These projects delivered the following outputs:

- 1,501 high density residential stands;
- 136 medium density stands;
- 814 low density stands;
- 26 industrial stands;
- 27 institutional stands;
- 16 commercial;
- 28.8 km of surfaced roads;
- 23.9km water reticulation; and
- Electricity reticulation and public lighting.

New Marimba Park (servicing in progress)

New Marimba Park (servicing completed)

Servicing in progress at Clipsham Views Housing Project

These projects, like many other housing projects lead to the stimulation of economic activities in the value chain and improvement of blighted neighbourhoods. In most locations, the projects enhanced the property values of neighbouring communities and led to utilisation of latent resources. Moreover, local authorities were the major beneficiaries through an increased number of rate payers. These projects will eventually lead to provision of decent accommodation to approximately 9,804 people by 2022.

Table 9: Housing Sector Projects Financed and Implemented in 2016, IDBZ

PROJECT	TYPE	OUTPUTS	PROJECT VALUE (US$ MILLION)	TYPE OF FUNDING	% Completion as at 31 December 2016	LOCATION
Clipsham Views Project	Site Servicing	• 704 low density residential stands (average size - 1500m2), • 26 industrial stands, • 3 hospitality stands, • 22 institutional stands • 16 commercial stands • 23.8 km surfaced road network, • storm-water drainage system, • 20 km water reticulation system, • Electricity reticulation and public lighting.	6.70	Bond	92.8%	• Masvingo
New Marimba Project	Site Servicing	• 202 high density residential stands, • 136 medium density residential stands, • one crèche stand • one church stand. • 5 km surfaced road network, • storm-water drainage system, • 3.9 km water reticulation system, • 3.3km of sewer reticulation system, • electricity reticulation and public lighting.	2.00	Bond	• Section 1 (Medium density)- 99.9% • Section 2 (High density)- 38%	• Harare
Waneka Phase II Project	Construction of two-bed roomed flats.	• construction of 9 blocks of two-bed roomed flats. • a total of 216 two bed roomed flat units	10.65	Housing Revolving Fund	100%	Harare
Mbizo 22	Servicing of high density residential stands	• remedial civil works on: roads and storm water drainage, • new electrical reticulation and public lighting to 347 high density residential stands	0.7	IPHC-Fund	98%	Kwekwe
Central registry project	• Multi-storey office blocks	• Offices to be utilised by the departments of the Registrar General and Immigration and control	12.05	PSIP	95%	Harare
Other housing projects	• Dzivarasekwa Phase II (Harare) • Parklands Mews project located (Bulawayo)	• comprising of 736 high density residential stands which was ongoing • 110 low density residential stands attained	6.76	PSIP	• Dzivarasekwa Phase II- 70%. • Parklands Mews- 100%	• Harare • Bulawayo
TOTAL			38.86			

4.3 Procurement and Fiduciary Services

In 2016, the Bank engaged a procurement consultant to revamp its procurement policies, bidding documents and procedures. There was skills transfer on handling procurement processes to support transparency, fairness and economic efficiency. The major milestones in procurement were:

- Recruitment of the procurement consultant;
- Development of policies, bidding documents, evaluation templates and procedures; and
- Training of Bank staff on application of best practice on procurement process.

Table 10: Procurement Activities by type and value, IDBZ, 2016.

Activity	Description	Type of Procurement	Value (US$)
Clipsham Consultants Service	Project Management	Quality Cost Based Selection	53,273.75
Bulawayo Office Architectural Service	Architectural services	Quality Cost Based Selection	35,825.95
Web-Based Data and Infrastructure Monitoring Platform	Data base services for the Bank	Single Source Selection	125,000.00
Land Valuation Consultant	Individual Retainer Consultant	Qualification Selection Method	-
Beitbridge-Harare (R1) - Chirundu (R3) and Harare Ring Road Advisory Services	Consultancy Services	Quality Cost Based Selection	1,112,982.00
Feasibility Studies- Ministry of Primary and Secondary Education Schools Infrastructure Development Programme	Consultancy Services	Quality Cost Based Selection	830,685.00 (still under negotiations)
IT Equipment and Air Conditions	Equipment Acquisition	National Competitive Bidding	87,549.10

4.4 Development Effectiveness

The IDBZ business is to champion sustainable infrastructure development through: mobilisation of resources, capacity building, and knowledge generation and sharing in support of national efforts for inclusive socio-economic development. The Bank seeks to achieve development outcomes and impacts without compromising financial sustainability.

The Bank's Business Model is premised on the following:

Outputs

Outcomes

Resource Mobilisation
- Robust pipeline of Bankable Projects
- Capitalisation of the Bank
- Strategic Partnerships with other DFIs
- Capital Markets Operations (Bond and Debt Instruments
- Public Private Partnerships

Infrastructure Financing:
- Housing - US$3.2 million
- Energy - US$19.3 million
- Liquidation of Tokwe Mukorsi Treasury Bills (US$30.45 million raised).

Infrastructure Project Development and Management
- Project Identificaton
- Project Preparation
- Project Appraisal
- Project Monitoring and Implementation
- Post Implementation Evaluation

Number of Projects in Pipeline:
- Energy - 2
- Transport - 2
- Housing - 7
- ICT- 1
- Water & Sanitation - 2
- Project Preparation Financing - US$4.9 million
- PSIP under Management - US$38.79 million.

Knowledge Generation & Sharing
- Capacity building
- Business intelligence
- Project Completion Reports
- IDBZ Data Platform and website updates
- Participation in national, regional and international fora

- Established Bank Data Platform
- Revamped Bank Website
  Participated in :
- 1 - international Infrastructure Confrences
- 3 - local Infrastructure Conferences
- 2015 Annual Report

Housing
- 1 061 residential stands
- 4 244 potential beneficiaries

Transport
- Mabvuku Bridge over Rail 1 643 Vehicles pass through the bridge.

Water
- Tokwe Mukorsi Dam Completion – 1.8 billion m^3

CHAPTER 5: INSTITUTIONAL REFORMS

5.1 Organisational Restructure and Related Changes

The Bank managed to implement a new organisational structure during the period under review. The implementation of the new structure marked the Bank's transition from a short term business to a medium and long term infrastructure business. The Bank also implemented a new job grading system and salary structures during the year under review.

In an effort to enhance institutional efficiency, promotion of functional independence and segregation of duties, the Bank fine-tuned the organisational structure. The Resource Mobilisation, Funding and Procurement functions were appropriately aligned to the structure.

Under the same purview, the key business entities of the Bank were strengthened through resourcing them with critical skills that would ensure efficiency in the Bank's mandate delivery effort. The Bank made significant progress in knowledge management and talent nurturing in a bid to develop a talent pipeline. The focus has been on building a Bank that values people, develops their talent and creates opportunities for career development.

The Bank's industrial relations climate improved during the year under review despite the harsh operating environment. This is ascribed to; senior management efforts to keep an open interaction process with all staff, improvement in the working environment and enhanced HR policies.

5.2 Stakeholder Engagement

In all its activities, the Bank actively engages stakeholders through effective communication and maintaining high brand visibility. The engagement is aimed at creating an awareness of the Bank's interventions and the developmental impacts thereof. In 2016, the Bank organised project tours for both the print and the electronic media to keep all stakeholders abreast of its operations. The Bank continues to make efforts to rebrand and position itself as a premier infrastructure financier.

The Bank revamped its website to make it more informative and easy to navigate, giving regional and global infrastructure news. During the fourth quarter of 2016, the Bank engaged big data specialists, Knoema, to create an executive dashboard. The data monitor provides development effectiveness and work programmes performance monitoring information while the infrastructure monitor provides factual infrastructure development information.

The Data Platform seeks to:

a. promote communication on all matters relating to the Bank's projects;
b. provide mobile users with portable access to the IDBZ Data Platform; and
c. improve transparency, visibility, efficiency and reputational competency of the Bank.

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 the Corporate Governance: Framework, Charter, Code of Conduct and Ethics as shown in Figure 7.

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 Hosuing Values - • Integrity, • Professionalism, • Innovation, • Service Orientation, • Sustainability, • Knowledge Generation and Sharing.	• Established in 2005 - IDBZ Act [Chapter 24:14] • Was regulated by the MoFED. • Now also under RBZ Supervison. • 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).	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 and the IDBZ Shareholder Regulations.	• 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.

Figure 7: Establishment of the IDBZ, Corporate Governance: Framework, Charter and Code of Conduct, IDBZ 2016

6.2 IDBZ Governance Structure

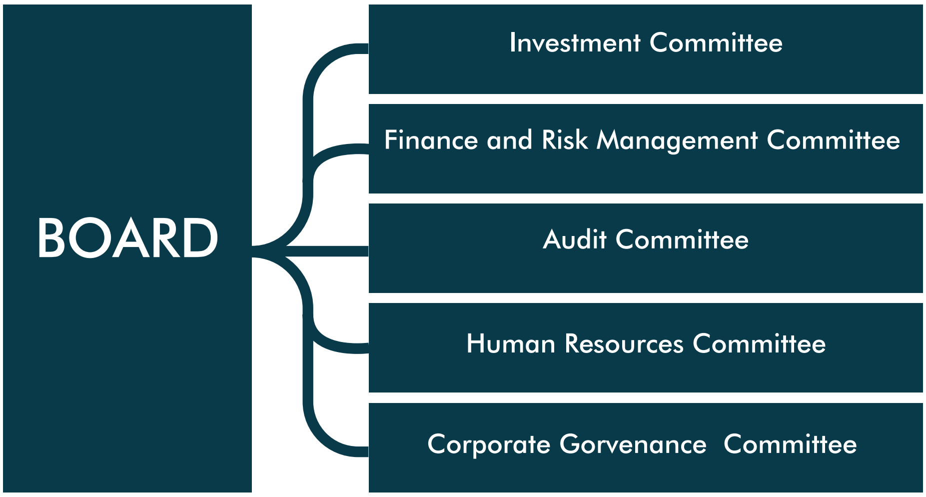


Figure 8: IDBZ Board Committees

6.3 Board of Directors

Board of Directors

Section 4 (2) of the IDBZ Act provides that the Board shall consist of no fewer than twelve (12) and not more than fifteen (15) directors. The Chairman of the Board is a Non-Executive Director.

However, the current Board of Directors consists of eight (8) directors, with only one executive director. The size of the Board, although falling short of the prescribed minimum, is considered adequate for the current size of the Bank's operations. The Minister of Finance and Economic Development is in the process of amending the Act to reduce the size of the Board to between 7and 9 Directors.

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 on the exercise of its functions, the Board constituted Committees to which it delegated some of its duties and responsibilities. These responsibilities, duties and authority can also be delegated to the Chief Executive Officer. The Board Committees operate under specific terms of reference that are regularly reviewed to ensure they remain relevant and in sync with the Bank's strategy and the changes in the 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 the management and the 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:

- industry norms and market benchmarks;
- State Owned Enterprises remuneration guidelines;
- 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 effective discharge of its functions, the Board constituted five (5) committees which operate with clearly defined areas of responsibility and terms of reference.

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

6.7.2 Audit Committee

The Audit Committee is chaired by a non-executive director and is made up of four (4) members inclusive of the Committee Chairman. The current Committee comprises non-executive directors only, one of whom is not a director of the Bank and was appointed for his special skills. The Committee's terms of reference are:

- to ensure financial statements are prepared in accordance with the enabling Act and the applicable International Accounting Standards;
- to consider and/or review the Bank's financial performance;
- to evaluate the effectiveness of all Bank systems;
- consider the Internal Audit annual programmes for approval;
- monitor the independence and effectiveness of the internal audit function;
- to recommend the appointment, terms of engagement and remuneration of the Bank's external auditors; and
- to ensure effective and smooth cooperation between internal audit, risk management and compliance functions of the Bank.

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 international best practice;
- to review the process of identifying candidates for appointment to the Board and to develop and recommend programmes for post-induction development/training for Board Members; and
- to oversee the self-appraisal and performance evaluation of the Board and individual directors.

The 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.

6.8 Board and Board Committee Attendance Record for 2016

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)	5	4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Sakala TZ	5	5	n/a	n/a	4	4	4	3	3	3
Choga VH	5	4	2	2	n/a	n/a	n/a	n/a	3	3
Kudenga N	5	5	n/a	n/a	4	3	n/a	n/a	3	3
Mhakayakora J	5	3	2	2	4	4	4	3	n/a	n/a
Mlambo SS	5	3	2	1	n/a	n/a	n/a	n/a	3	2
Mukahanana-Sangarwe M	5	4	n/a	n/a	4	2	4	4	3	1
Tawha CS	5	5	n/a	n/a	n/a	n/a	4	4	3	2
Chiromo NHC	n/a	n/a	2	2	n/a	n/a	n/a	n/a	n/a	n/a
Jinda E	n/a	n/a	n/a	n/a	4	4	n/a	n/a	n/a	n/a

NOTE:

1. Messrs NHC Chiromo and E Jinda are not Directors and sit on the Audit Committee and Human Resources Committee respectively as independent experts.

The expectation is that directors should attend at least 75% of all scheduled board meetings unless there are justifiable causes 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 that could vary expected outcomes.

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

7.1.2 Project Risk

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

7.1.3 Liquidity Risk

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

7.1.4 Market Risk

Market risk (interest rate and foreign exchange risk) is monitored in real time by the Treasury Division with the Risk Management Unit being 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 inherent risks pertaining to daily operational activities through self-assessments which then culminates into an operational risk register.

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 that regular reviews are done in line with changes in operating conditions.

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 integrity, professionalism, 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.

7.2 Development Finance Institutional Rating (PSGRS)

The Bank's 2016 external rating for the financial year ended 31 December 2015, which is based on the Prudential Standards, Guidelines and Rating System (PSGRS) for African Development Financial Institutions was certified by the Bank's external auditors Deloitte & Touche. The 2016 assessment was assigned an 'A' rating, the same as the 2015 rating. The rating scale evaluates the Bank in three critical areas, namely; governance, financial prudence and operational standards. The risk assessment ratings are summarized in the table below.

Standard	Weighted Score per Standard	Deloitte & Touché Rating (2015)	Deloitte & Touché Rating (2016)
Governance Standards	40%	36.4%	35.4%
Financial Prudential Standards	40%	26%	26%
Operational Standards	20%	18.1%	18.1%
Overall Score		80.5%	79.5%
PSGRS Rating		A	A

CHAPTER 8: DIRECTORS' REPORT

8.1 Business of the Bank
The Bank is involved in infrastructure development 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, 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 direction.

During the period under review the Minister issued a policy directive to bring the Bank under the supervisory purview of the Reserve Bank of Zimbabwe. The Bank was also made a contributor to the Deposit Protection Fund in terms of the Deposit Protection Corporation Act (Chapter 24:29).

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 increased from 2,449,045 shares to 4,462,090 ordinary shares with a nominal value of $0.01 each following a Rights Issue conducted during the 3rd quarter of 2016.

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 GoZ and carry a 5% dividend payable out of distributable profits.

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

Subsidiaries		
Zimbabwe Development Fund Trust	-	100%
Waneka Properties (Private) Limited	-	70%
Manellie Investments (Private) Limited	-	100%
Norton Medical Investments (Private) Limited	-	60%
Poundstone Investments (Private) Limited	-	100%
Associates and Investments		
Africom Continental (Private) Limited	-	33.21%
Chengetedzai Depository Company Limited	-	15%
Norsad Finance Limited	-	4.55%

Information regarding the Group's subsidiary and associate companies is given in 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 owing to the loss recorded for the year ended 31 December 2016.

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.

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

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

With a capital base of $48.67 million as at 31 December 2016, and taking into account the Bank's future business prospects presented by the scope, breadth and width 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.

8.10 Directorate
There were no changes on the Board of Directors during the year under review. The IDBZ Act is in the process of being amended to reduce the size of the IDBZ Board from a minimum of 12 prescribed in the current Act to a minimum of 7 Directors.

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

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

8.10.3 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.

8.11 Auditors
Shareholders will be requested to approve the remuneration of the Auditors for the year ended 31 December 2016.

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

Willard L.Manungo
Chairman
Date: 3 April 2017

Thomas Zondo Sakala
Chief Executive Officer
Date: 3 April 2017

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 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 44 to 47 of this report.

The financial statements were approved by the Board of Directors on 3 April 2017 and are signed on its behalf by the Chairman and Chief Executive Officer.

Preparer of financial statements

These 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

Willard L.Manungo
Chairman
Date: 3 April 2017

Thomas Zondo Sakala
Chief Executive Officer
Date: 3 April 2017

Deloitte.

PO Box 267
Harare
Zimbabwe

Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

Tel: +263 (0) 8677 000261
+263 (0) 8644 041005
Fax: +263 (0) 4 852130
www.deloitte.com

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 49 to 91, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, 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 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14).

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Public Accountants and Auditors Board (PAAB) Code of Professional Conduct, which is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code, Parts A and B), together with other ethical requirements that are relevant to our audit of the consolidated financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 5 and Note 33 respectively, which discuss the valuation of capitalisation treasury bills and contingencies within the Group respectively:

Classification and valuation of capitalisation treasury bills

- As disclosed in Note 5, the Bank received capitalisation treasury bills following a rights issue. The capitalisation treasury bills have face values of $18 707 797 and $2 858 826 and mature on 27 May 2021 and 24 March 2022 respectively. The two treasury bills have coupon rates of 3% and 5% respectively which are payable biannually.

  For financial reporting purposes, valuation intricacies ensued with respect to the initial recognition and the subsequent measurement of the capitalization treasury bills owing to the significant subjective judgement required in the valuation process due to the following:

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

Contingent liabilities

As at 31 December 2016, the Group was involved in a litigation case involving a company in the petroleum industry which contended that the Group should honour a purported guarantee of US$847,848 issued in favour of a third party. On conclusion of trial at the High Court of Zimbabwe, judgement was entered against Infrastructure Development Bank of Zimbabwe on 15 April 2016. The Group has filed an appeal to the Supreme Court, which has resulted in a staying of execution of the High Court Judgement. Refer to Note 33.

Key Audit Matters

We summarise below the matters that had the greatest effect on our audit, our key audit procedures and our findings from those procedures in order that the Group's shareholders as a body may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our audit opinion on the Group financial statements.

We have determined the matters described below to be key audit matters to be communicated in our report. 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 that it be presumed that there are risks of material misstatement due to fraud related to revenue recognition. The standard further requires that these risks be treated as significant. The Bank suspends interest on non-performing loans. Given that judgement is required in determining whether or not it is probable that interest on impaired financial instruments will be received by the Bank, the treatment of interest on impaired financial instruments was determined to be key audit matter. In addition, there is inherent risk associated with automation of interest calculations. The accuracy of the automated revenue streams has been identified as a key audit matter. The revenue recognition policy is disclosed in Note 2.19 of the annual report and the revenue balance (made up of interest and non-interest income) is disclosed in Notes 25, 26 and 27.	Our audit procedures incorporated a combination of tests of the Group's internal control around revenue recognition and the use of information technology specialists in the re-calculation of interest and non-interest income. Our procedures included the following: • Making enquiries of those charged with governance regarding the policies in place in recognising revenues and comparing such policies to the requirements of IFRS. • 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 around revenue to ensure these were appropriately authorised, complete and accurate. • Our Information Technology specialists evaluated access controls, controls around system software acquisition, system change and maintenance, application system acquisition, development and maintenance and program change controls. • Our Data Analytic specialists re-computed interest and non-interest income and compared to recorded amounts. We obtained reasonable assurance that revenue was appropriately accounted for and disclosed in the financial statements.
Impairment and valuation of loans and advances	
Credit risk remains a significant challenge affecting the financial services sector as evidenced by the increasing level of non-performing loans. The impairment provision against loans and advances at 31 December 2016 amounted to US$3 763 675 (2015: US$2 966 108). In deriving this balance, significant judgment was required by the Directors in establishing adequate impairment provisions against loans and advances, which are determined with reference to the repayment capacity of the obligor, quality and condition of security offered as part of the loan arrangement, customer payment history and financial position of the customer. Because of the significance of the impairment balance, and the fact that it is subject to significant estimation and subjective judgment, we have considered impairment of loans and advances to be a key audit matter. The impairment of loans and advances has been disclosed in Note 11.	a) IAS 39 provisions In evaluating the adequacy of impairment provisions against loans and advances, we reviewed the calculations of present value of future cash flows prepared by management for specific impairment in accordance with guidance from IAS 39 provisioning, with a particular focus on the timing of cash flows, discount rates used and support for projected cash flows. We employed various audit procedures, including the following: • Obtained evidence in respect of key controls over the models and manual processes for impairment events identification and collateral valuation. • Tested the reasonableness of future cash flows expected from customers. • Tested the reasonableness of discount rates used in the calculation of present values of future cash flows relating to customers' forecasts or asset disposals in potential liquidation cases. • Recalculated the present value of future cash flows from customers and compared with management's calculation. • Tested 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. • Assessed the adequacy of the provisions for potential loss in the good loan book by determining the probability of default through trend analysis with respect to the downgrading of loans and advances. • Recalculated the impairment provision raised and compared it with amounts recorded by management.

- Obtained audit evidence of management judgements with particular focus on the consistency of the methodology including challenging these assumptions and processes based on our industry knowledge and experience.
- In evaluating the adequacy of impairment provisions against loans and advances, we reviewed the calculations of present value of future cash flows prepared by management for specific impairment in line with guidance from IAS 39 provisioning, with a particular focus on the timing of cash flows, discount rates used and support for projected cash flows.

We obtained reasonable assurance on the valuation and impairment of loans and advances.

Classification and valuation of the capitalisation treasury bills

The Bank received capitalisation treasury bills following a rights issue. These treasury bills have face values of $18 707 797 and $2 858 826 and mature on 27 May 2021 and 24 March 2022 respectively. The two treasury bills have coupon rates of 3% and 5%, respectively, which are payable biannually.
For financial reporting purposes, valuation intricacies ensued with regards to these capitalization treasury bills due to the following:

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

Because of the complexities involved in the valuation of these instruments on initial recognition and the subsequent measurement thereof, and the significant subjective client judgement required in the process, the classification and valuation of these capitalization treasury bills has been identified as a key audit matter.

All disclosures relating to the capitalization treasury bills have been included in Note 5.

In assessing the valuation of treasury bills, we performed the following procedures:

- Obtained broad guidance issued during the year by the Institute of Chartered Accountants of Zimbabwe on the classification and valuation of treasury bills, including capitalisation treasury bills, and ensured implementation of this guidance by the Bank.
- Interrogated the process employed by the banks affected by the issue by the Government of Zimbabwe of capitalisation treasury bills in determining an appropriate discount rate by which to discount the capitalisation treasury bills on initial recognition, and tested the assumptions made in the process.
- Recalculated the discounting calculations and compared with management's calculations.
- Reviewed financial statements for adequate disclosure based on the accounting treatment agreed to.

We obtained reasonable assurance that treasury bills were appropriately accounted for and disclosed in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's statement, the Chief Executive Officer's statement, the Directors report and the information presented in chapter 1 to 9 of this report 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

International Financial Reporting Standards and the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) 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 Brian Mabiza.

Report on Legal and Regulatory Requirements

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

Deloitte + Touche

Deloitte & Touche
Per: Brian Mabiza
Partner
Registered Auditor
PAAB Registration Number 0419
5 April 2017

2016 FINANCIAL STATEMENTS

CHAPTER 10: AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR PERIOD TO 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 US$	2015 US$
ASSETS			
Cash and bank balances	6	22 833 256	17 525 187
Inventories	14	4 280 997	2 183 684
Other receivables and prepayments	12	3 002 693	2 061 786
Loans and advances to customers	11	68 513 385	69 585 374
Investment securities	7	51 513	13 563
Financial assets at fair value through other comprehensive income	8	7 518 492	6 969 069
Treasury bills and other financial assets	9	23 062 518	8 217 175
Assets pledged as collateral	11.2	16 560 872	8 873 706
Non-current assets held for sale	10	-	341 458
Investment in associates	13.5	1 210 307	1 372 760
Investment property	15	9 380 000	10 299 886
Intangible assets	16	14 105	18 701
Property and equipment	17	3 508 473	3 224 705
Total assets		**159 936 611**	**130 687 054**
LIABILITIES			
Deposits from customers	21	47 004 142	48 607 917
Local lines of credit and bonds	22	56 868 305	46 629 735
Other liabilities	23	7 393 688	7 381 101
Total liabilities		111 266 135	102 618 753
EQUITY			
Share capital	18	44 620	24 490
Share premium	18	8 934 396	9 171 552
Non distributable reserve	19	(256 617)	(22 373 613)
Preference share capital	20	38 283 003	38 283 003
Fair value reserve	8.1	3 224 878	3 016 913
Accumulated losses		(1 822 797)	(531 474)
Equity attributable to equity owners of the Group		48 407 483	27 590 871
Non-controlling interest in equity		262 993	477 430
Total shareholders' equity		48 670 476	28 068 301
Total equity and liabilities		**159 936 611**	**130 687 054**

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

Willard L. Manungo
(Chairman of the Board)
Date: 3 April 2017

Thomas Zondo Sakala
(Chief Executive Officer)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$	2015 US$
Interest and related income	24.1	12 147 443	11 360 979
Interest and related expense	24.2	(6 301 291)	(6 388 358)
Net interest and related income		5 846 152	4 972 621
Property sales	25	1 600 324	1 155 000
Cost of sales	25.1	(1 070 821)	(1 092 108)
Gross profit		529 503	62 892
Fee and commission income	26	1 004 969	1 682 833
Dividend income		44 983	16 669
Revenue		7 425 607	6 735 015
Other income	28	1 771 021	670 338
Loan impairment charge	11.1	(1 597 558)	(720 613)
Fair value loss on investment property	29	(1 660 560)	(1 842 268)
Net gains/(losses) on investment securities	27	2 256	(797)
Net foreign exchange gains	30	322 175	473 760
Operating expenses	31	(7 606 248)	(10 140 127)
Share of loss of associate	13.5.3	(162 453)	(228 530)
Loss for the year		(1 505 760)	(5 053 222)
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	207 965	1 056 872
Total comprehensive loss for the year		(1 297 795)	(3 996 350)
Loss for the year attributable to:			
Equity holders of the parent entity		(1 291 323)	(5 059 853)
Non-controlling interest		(214 437)	6 631
		(1 505 760)	(5 053 222)
Total comprehensive loss attributable to:			
Equity holders of the parent entity		(1 083 358)	(4 002 981)
Non-controlling interest		(214 437)	6 631
		(1 297 795)	(3 996 350)
Loss per share attributable to the equity holders of the			
Bank during the year (expressed in US cents per share)			
Basic and diluted loss per share			
From loss or profit for the year attributable to equity holders (US cents)	32	(29)	(207)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$	2015 US$
Cash flow from operating activities			
Loss for the year		(1 505 760)	(5 053 222)
Adjustments for:			
Depreciation	17	159 793	256 988
Amortisation	16	4 596	190 417
Loan impairment charge	11.1	1 597 558	720 613
Sundry debtors impairment/(recovery)	12	197 956	(290 771)
Net unrealised losses from translation of foreign currency balances	30	13 568	3 914
(Profit)/loss on disposal of property and equipment		(29 460)	46 588
Loss/(profit) on disposal of investment property	15, 29	7 566	(1 000)
Unrealised fair value loss on investment property	15	1 652 994	1 843 268
Provisions and accruals		871 348	52 108
(Gain)/loss on financial assets measured at fair value through profit and loss		(2 256)	797
Share of loss of associates	13	162 453	228 530
Bad debts recovered	28	(1 268 624)	-
Impairment of property and equipment		540 000	-
Other non-cash items		(52 308)	-
		2 349 424	(2 001 770)
Changes in:			
Loans and advances to customers		274 422	(18 451 751)
Trading assets pledged as collateral		(4 341 091)	8 965 475
Other receivables and prepayments		309 869	(455 876)
Inventories		(1 936 002)	(432 130)
Deposits from customers		(1 603 775)	(3 170 802)
Other liabilities		(449 418)	(564 174)
Net cash used in operating activities		(5 396 571)	(16 111 028)
Cash flow from investing activities			
Acquisition of property and equipment	17	(1 002 128)	(37 229)
Proceeds from sale of property and equipment		193 158	48 245
Proceeds from sale of investment property		68 955	116 000
Acquisition of investment property		(750 246)	-
Net cash (used in)/generated from investing activities		(1 490 261)	127 016
Cash flow from financing activities			
Payment of dividends		-	(499 979)
Repayment of foreign lines of credit		-	(8 618 656)
Proceeds from issue of bonds	22	22 549 700	38 140 299
Repayment of bonds	22	(13 222 682)	(20 968 561)
Rights issue proceeds		1 956 332	-
Net increase in local lines of credit	22	911 551	3 463 851
Net cash generated from financing activities		12 194 901	11 516 954
Net increase/(decrease) in cash and bank balances		5 308 069	(4 467 058)
Cash and bank balances at 1 January		17 525 187	21 992 245
Cash and bank balances at 31 December	6	22 833 256	17 525 187

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	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 31 December 2015	24 490	9 171 552	(22 373 613)	38 283 003	3 016 913	(531 474)	27 590 871	477 430	28 068 301
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
Balance as at 1 January 2015	24 490	9 171 552	(22 373 613)	38 283 003	1 960 041	4 766 651	31 832 124	470 799	32 302 923
Profit for the year	-	-	-	-	-	(5 053 222)	(5 053 222)	6 631	(5 046 591)
Other comprehensive income:									
Net fair value gain on financial assets at fair value through other comprehensive income	-	-	-	-	1 056 872	-	1 056 872	-	1 056 872
Transactions with owners of the Group:									
Dividend declared	-	-	-	-	-	(244 903)	(244 903)	-	(244 903)
Balance as at 31 December 2015	24 490	9 171 552	(22 373 613)	38 283 003	3 016 913	(531 474)	27 590 871	477 430	28 068 301

1 GROUP PROFILE AND PRINCIPAL ACTIVITIES

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

The consolidated financial statements were approved by the directors on 3 April 2017.

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 Group's consolidated financial statements for the year ended 31 December 2016 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 Infrastructure Development Bank of Zimbabwe (Chapter 24:14).

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 - Share-based Payments, leasing transactions that are within the scope of IAS 17 - Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 - Inventories or value in use in IAS 36 - Impairment of Assets.

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

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

Accounting standards and interpretations adopted impacting the annual financial statements
In the current year, the Bank did not adopt any new or revised accounting standards or interpretations as these had no impact on the amounts or disclosures reported.

New and revised IFRSs mandatorily effective at the end of the reporting period with no material effect on the reported amounts and disclosures in the current period or prior period.

IFRS 10, IFRS 12, and IAS 28 Investment Entities: Applying the Consolidation Exception (Effective for annual periods beginning on or after 1 January 2016)	Amendments clarifying the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (Effective for annual periods beginning on or after 1 January 2016)	The amendment provides guidance on how to account for the acquisition of a Joint operation as defined in IFRS 3 Business Combinations. It states that the relevant principles of accounting for business combinations in IFRS 3 and other standards should be applied. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations
IAS 1 Disclosure Initiative (Effective for annual periods beginning on or after 1 January 2016)	Clarifies that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes.
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (Effective for annual periods beginning on or after 1 January 2016)	The amendments to IAS16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue or when it can demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated
IAS 27 Equity Method in Separate Financial Statements (Effective for annual periods beginning on or after 1 January 2016)	The amendments focus on separate financial statements and allow the use of equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements.
Annual Improvements to IFRSs 2012 to 2014 Cycle) (Effective for annual periods beginning on or after 1 January 2016)	Deals with amendments to IFRS 5, IFRS 7, IAS 19
Regulatory Deferral Accounts (Effective for the first annual IFRS financial statements with annual periods beginning on or after 1 January 2016)	Specifies the accounting for regulatory deferral account balances.

2.1.3 Impact of standards and interpretations in issue but not yet effective

IFRS 9 – Financial Instruments: Classification and Measurement (Effective for annual periods beginning on or after 1 January 2018)	The standard is set to replace the current IAS 39. Subsequently amended in October 2010 and in November 2013 to include requirements or classification and measurement.
IFRS 15 - Revenue from Contracts with Customers (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.
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.

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.

The implementation of the above changes, except for IFRS9, are not expected to have a significant impact on the Bank's financial statements. IFRS9 will impact the accounting of the Bank's financial instruments. Management are working to determine the extent of the impact.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Joint Operation
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 bank balances

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

2.5 Financial assets and liabilities

2.5.1 Financial assets

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

a) Investment securities

Investment securities are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term.
Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Loans and advances are stated net of impairment.

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

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

The loan loss allowance also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the statement of financial position date. 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.

c) 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.

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 profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and financial assets available for sale are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss 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><td colspan="3">Category (as defined by IAS 39) Financial Instruments: Recognition and Measurement</td><td>Class (as determined by the Group)</td><td>Subclasses (as determined by the Group)</td></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 commitments</td></tr>
<tr><td colspan="4">Guarantees and letters of credit</td></tr>
</table>

2.5.5 Offsetting financial instruments

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

2.5.6 Impairment of financial assets

a) Assets carried at amortised cost

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

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

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

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

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

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

2.6 Income taxes

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

2.7 Other receivables

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

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

2.8 Inventories

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

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 valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

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

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

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

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

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

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

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

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. The Group has no finance leases during the reporting period ended 31 December 2016 (2015:US$ nil).

Group as lessee

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

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

2.17 **Financial guarantees**

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

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

2.18 **Related parties**

Related party transactions are a normal feature of business and are disclosed in terms of IAS 24: Related Party Disclosures. They involve the sale and purchase of goods and services, loans and advances, deposits and shareholdings. These transactions may affect the assessment of operations, risk and opportunity facing the Group. The Group has related party relationships with its major shareholders, associates and key management personnel.

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 and related income**

Interest and related 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.

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 based on historical loss experience for assets with credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. For specific impairment the expected cash flows are discounted using the original effective interest rate when the loan was granted.

2.24.2 Key sources of estimation uncertainty

Impairment of financial assets at fair value through other comprehensive income

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

2.24.3 Useful lives and residual values of property and equipment

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

2.24.4 Fair value measurements and valuation processes

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

The group recognized Treasury Bill 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 -lows. 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, 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 37.

3 RISK MANAGEMENT

3.1 Risk Management Policies

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

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

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

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

A 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 potential exposed to loss in an amount equal to the total unused commitments. The Group monitors the credit performance of customers on the utilised balances to minimise potential losses on the unutilised balances.

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

Credit risk exposure relating to on-balance sheet assets are as follows:	Maximum Exposure 31 Dec 2016 US$	Maximum Exposure 31 Dec 2015 US$
Cash and bank balances	22 833 256	17 525 187
Treasury bills and other financial assets	23 062 518	8 217 175
Gross loans and advances to customers	72 277 060	72 551 482
Assets pledged as collateral	16 560 872	8 873 706
Other receivables and prepayments (Gross)	3 200 648	2 890 779
	137 934 354	110 058 329
Credit risk exposure relating to off-balance sheet assets are as follows:		
Loan commitments	13 298 133	12 321 329
Financial guarantees	-	-
Maximum exposure to credit risk	151 232 487	122 379 658

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 bank balances as the Group holds bank accounts with large financial institutions with sound financial and capital cover. The fair value of cash and bank balances at the reporting date approximates the carrying amount.

Loans and advances (including trading assets pledged as collateral) are summarised as follows:	2016 US$	2015 US$
Neither past due nor impaired	77 941 405	76 998 393
Past due but not impaired	573 551	105 575
Individually impaired	10 322 976	4 321 220
Gross	88 837 932	81 425 188
Less: allowance for impairment	(3 763 675)	(2 966 108)
Net	85 074 257	78 459 080

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 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						
Cash and 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
Non-current assets held for sale	-	-	-	-	-	-
Treasury Bills and other financial assets		39 481	100 000	1 184 495	21 738 542	23 062 518
Loans and advances to customers	6 580 302	468 245	-	3 007 354	58 457 484	68 513 385
Assets pledged as collateral	-	139 481	974 495	210 000	15 236 896	16 560 872
Other receivables and prepayments	-	3 002 693	-	-	-	3 002 693
Total	29 413 558	3 649 900	1 074 495	4 401 849	103 002 927	141 542 729

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$
Liabilities						
Deposits from customers	42 791 134	161 532	1 222 400	2 829 076	-	47 004 142
Local lines of credit	6 368 966	6 481 497	-	-	44 017 842	56 868 305
Other liabilities	7 393 688	-	-	-	-	7 393 688
Total	56 553 788	6 643 029	1 222 400	2 829 076	44 017 842	111 266 135
Gap	(27 140 230)	(2 993 129)	(147 905)	1 572 773	58 985 085	30 276 594
Contingent liabilities:						
Loan commitments	13 298 133	-	-	-	-	13 298 133
Total gap	(40 438 363)	(2 993 129)	(147 905)	1 572 773	58 985 085	16 978 461
Total cumulative gap	(40 438 363)	(43 431 492)	(43 579 397)	(42 006 624)	16 978 461	-

As at 31 December 2015	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Total US$
Assets						
Cash and bank balances	17 525 187	-	-	-	-	17 525 187
Investment securities	-	-	-	-	13 563	13 563
Financial assets at fair value through other comprehensive income	-	-	-	-	6 969 069	6 969 069
Non current assets held for sale	-	-	-	341 458	-	341 458
Treasury Bills and other financial assets					8 217 175	8 217 175
Loans and advances to customers	8 225 586	1 109 657	-	275 480	59 974 651	69 585 374
Trading assets pledged as collateral	-	8 873 706	-	-	-	8 873 706
Other receivables and prepayments	-	2 061 786	-	-	-	2 061 786
Total	25 750 773	12 045 149	-	616 938	75 174 458	113 587 318
Liabilities						
Deposits from customers	33 884 119	5 375 976	9 347 822	-	-	48 607 917
Local lines of credit	5 457 416	-	5 401 387	5 401 387	30 369 545	46 629 735
Other liabilities	7 381 101	-	-	-	-	7 381 101
Total	46 722 636	5 375 976	14 749 209	5 401 387	30 369 545	102 618 753
Gap	(20 971 863)	6 669 173	(14 749 209)	(4 784 449)	44 804 913	10 968 565
Contingent liabilities:						
Loan commitments	12 321 329	-	-	-	-	12 321 329
Total gap	(33 293 192)	6 669 173	(14 749 209)	(4 784 449)	44 804 913	(1 352 764)
Total cumulative gap	(33 293 192)	(26 624 019)	(41 373 228)	(46 157 677)	(1 352 764)	-

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.

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.

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							
Cash & bank balances	22 833 256	-	-	-	-	-	22 833 256
Investment securities	-	-	-	-	-	51 513	51 513
Loans & advances to customers	6 580 302	468 245	-	3 007 354	58 457 484	-	68 513 385
Financial assets at fair value through other comprehensive income	-	-	-	-	-	7 518 492	7 518 492
Treasury bills & other financial assets	-	39 481	100 000	1 184 495	21 738 542	-	23 062 518
Trading assets pledged as collateral	-	139 481	974 495	210 000	15 236 896	-	16 560 872
Other receivables & prepayments	-	-	-	-	-	3 002 693	3 002 693
Investment in associate	-	-	-	-	-	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
Local lines of credit & bonds	6 368 966	6 481 497			44 017 842	-	56 868 305
Other liabilities	-	-	-	-	-	7 393 688	7 393 688
Shareholders' equity	-	-	-	-	-	48 670 476	48 670 476
Total equity & liabilities	49 160 100	6 643 029	1 222 400	2 829 076	44 017 842	56 064 164	159 936 611
Total interest repricing gap	(19 746 542)	(5 995 822)	(147 905)	1 572 773	51 415 080	(44 281 159)	(17 183 575)
Total cumulative gap	(19 746 542)	(25 742 364)	(25 890 269)	(24 317 496)	27 097 584	(17 183 575)	-

As at 31 December 2015	Up to 1 month US$	1 to 3 months US$	3 to 9 months US$	9 to 12 months US$	over 12 months US$	Non interest bearing US$	Total US$
Assets							
Cash and bank balances	17 525 187	-	-	-	-	-	17 525 187
Investment securities	-	-	-	-	-	13 563	13 563
Loans and advances to customers	8 225 586	1 109 657	-	275 480	59 974 651	-	69 585 374
Financial assets at fair value through							
other comprehensive income	-	-	-	-	-	6 969 069	6 969 069
Treasury bills and other financial assets	-	-	-	-	8 217 175	-	8 217 175
Non current assets held for sale	-	-	-	-	-	341 458	341 458
Trading assets pledged as collateral	-	8 873 706	-	-	-	-	8 873 706
Other receivables and prepayments	-	-	-	-	-	2 061 786	2 061 786
Investment in associate	-	-	-	-	-	1 372 760	1 372 760
Total assets	25 750 773	9 983 363	-	275 480	68 191 826	10 758 636	114 960 078
Equity and liabilities							
Deposits from customers	33 884 119	5 375 976	9 347 823	-	-	-	48 608 917
Local lines of credit and bonds	5 457 416	-	5 401 387	5 401 387	30 369 545	-	46 629 735
Other liabilities	-	-	-	-	-	7 381 101	7 381 101
Shareholders' equity	-	-	-	-	-	28 068 301	28 068 301
Total equity and liabilities	39 341 535	5 375 976	14 749 210	5 401 387	30 369 545	35 449 402	130 687 055
Total interest repricing gap	(13 590 762)	4 607 387	(14 749 210)	(5 125 907)	37 822 281	(24 690 766)	(15 726 977)
Total cumulative gap	(13 590 762)	(8 983 375)	(23 732 585)	(28 858 492)	8 963 789	(15 726 977)	-

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$2 576 (2015: US$676).

Interest risk sensitivity analysis

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

Interest rate change	Effect on profit for the year 2016 US$	Effect on profit for the year 2015 US$
5% increase / (decrease)	607 372	568 049
10% increase / (decrease)	1 214 744	1 136 098

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 2016	US$	ZAR US$ equiva-lent	BWP US$ equiva-lent	GBP US$ equiva-lent	EURO US$ equiva-lent	Other US$ equiva-lent	Total US$
Assets							
Cash and 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	68 513 385	-	-	-	-	-	68 513 385
Treasury bills and other financial assets	23 062 518	-	-	-	-	-	23 062 518
Financial assets at fair value through other comprehensive income	7 518 492						7 518 492
Trading assets pledged as collateral	16 560 872	-	-	-	-	-	16 560 872
Other receivables and prepayments	3 002 693	-	-	-	-	-	3 002 693
	141 441 844	75 734	1 220	22 497	1 434	-	141 542 729
Liabilities							
Deposits from customers	46 916 653	65 674	(132)	21 622	427	(102)	47 004 142
Local lines of credit and bonds	56 868 305	-	-	-	-	-	56 868 305
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	30 263 198	10 060	1 352	875	1 007	102	30 276 594

As at 31 December 2015	US$	ZAR US$ equiva-lent	BWP US$ equiva-lent	GBP US$ equiva-lent	EURO US$ equiva-lent	Other US$ equiva-lent	Total US$
Assets							
Cash and bank balances	17 456 418	39 814	199	27 659	1 097	-	17 525 187
Investment securities	13 563	-	-	-	-	-	13 563
Loans and advances to customers	69 585 374	-	-	-	-	-	69 585 374
Treasury bills and other financial assets	8 217 175						8 217 175
Financial assets at fair value through							-
other comprehensive income	6 969 069						6 969 069
Trading assets pledged as collateral	8 873 706	-	-	-	-	-	8 873 706
Other receivables and prepayments	2 061 786	-	-	-	-	-	2 061 786
	113 177 091	39 814	199	27 659	1 097	-	113 245 860

As at 31 December 2015	US$	ZAR US$ equiva-lent	BWP US$ equiva-lent	GBP US$ equiva-lent	EURO US$ equiva-lent	Other US$ equiva-lent	Total US$
Liabilities							
Deposits from customers	48 521 888	59 323	-	26 125	582	-	48 607 917
Local lines of credit and bonds	46 629 735	-	-	-	-	-	46 629 735
Other liabilities	7 381 101	-	-	-	-	-	7 381 101
	102 532 724	59 323	-	26 125	582	-	102 618 753
Net foreign exchange position	10 644 367	(19 509)	199	1 534	515	-	10 627 107

The Group had no off balance sheet foreign currency exposure as at 31 December 2016 (31 December 2015 - 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 2016.

Exchange rate change	Effect on profit for the year 2016 US$	Effect on profit for the year 2015 US$
5% appreciation/(depreciation)	96 940	975
10% appreciation/(depreciation)	193 881	1 951

4 CAPITAL MANAGEMENT

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

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

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

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

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

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 2016.

At 31 December 2016	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
Treasury bills classified as loans and receivables per IAS 39	-	-	21 566 623
Total assets	51 513	-	29 085 115
Total liabilities	-	-	-
At 31 December 2015			
Investment securities	13 563	-	-
Financial assets at fair value through other comprehensive income	-	-	5 014 152
Total assets	13 563	-	5 014 152
Total liabilities	-	-	-

Capitalisation Treasury Bills

Following a rights issue 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 mature 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="5">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="5">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>Minima</td><td>683 324</td></tr>
<tr><td>4.63%</td><td>Average</td><td>1 311 211</td></tr>
<tr><td>5.50%</td><td>Maxima</td><td>2 061 054</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 2016 US$	Fair value 2016 US$	Carrying value 2015 US$	Fair value 2015 US$
Financial assets :				
Held-to-maturity investments	23 062 518	23 062 518	8 217 175	8 217 175
Loans and advances to customers	46 946 762	46 946 762	69 585 374	69 585 374
Trading assets pledged as collateral	16 560 872	16 560 872	8 873 706	8 873 706
Financial liabilities:				
Deposits from customers	47 004 142	47 004 142	48 607 918	48 607 918
Lines of credit:				
Local	56 868 305	56 868 305	46 629 735	46 629 735

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

(a) Loans and advances to customers

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

(b) Deposits from customers

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

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 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 policy

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

5.2.1 Impairment allowance policy

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39 Financial Instruments: Recognition and Measurement, based on the following criteria set out by the Group:
- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

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

6 CASH AND BANK BALANCES

	2016 US$	2015 US$
Cash on hand	277 112	406 319
Balances with banks	22 556 144	17 118 868
	22 833 256	17 525 187

7 INVESTMENT SECURITIES

	2016 US$	2015 US$
At 1 January	13 563	8 164
Additions	35 694	6 196
Net profit/(loss) through profit or loss	2 256	(797)
At 31 December	51 513	13 563

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

	2016 US$	2015 US$
At 1 January	6 969 069	6 253 655
Reclasification from non current assets held for sale (Note 10)	341 458	-
Net fair value gains on financial assets at fair value through other comprehensive income	207 965	1 056 872
Reclasification to non current assets held for sale	-	(341 458)
At 31 December	7 518 492	6 969 069

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

	2016 US$	2015 US$
Unlisted securities:		
Equity securities - Zimbabwe	252 797	-
Equity securities - Botswana	7 265 695	6 969 069
	7 518 492	6 969 069

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

The Group reclassified the investment in Chengetedzai Depository Company Limited at a fair value of $ 252 797 from non current assets held for sale to fair value through other comprehensive income (Ref Note 10 'Non-Current Assets Held For Sale') due to failure to find a suitable buyer in the prevailing environment and a decision was made to continue holding the investments.

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

8.1 Fair value reserve movements

	2016 US$	2015 US$
Balance as at 1 January	3 016 913	1 960 041
Net fair value gains on financial assets at fair value through other comprehensive income	207 965	1 056 872
Balance as at 31 December	3 224 878	3 016 913

9 TREASURY BILLS AND OTHER FINANCIAL ASSETS

	2016 US$	2015 US$
Treasury bills	22 704 759	8 148 586
Accrued interest	357 759	68 589
	23 062 518	8 217 175

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

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

10 NON-CURRENT ASSETS HELD FOR SALE

	2016 US$	2015 US$
Equity securities - Zimbabwe	-	341 458

During the year the Group reclassified the investment in Chengetedzai Depository Company Limited at a fair value of $ 252 797 from non-current assets held for sale due to failure to find a suitable buyer in the prevailing environment and a decision was made to continue holding the investments.

11 LOANS AND ADVANCES TO CUSTOMERS

	2016 US$	2015 US$
Individual		
- term loans	3 008 704	1 784 200
Corporate		
- corporate customers	69 268 356	70 767 282
Gross loans and advances to customers	72 277 060	72 551 482
Less: allowance for impairment (Note 11.1)	(3 763 675)	(2 966 108)
Net loans and advances to customers	68 513 385	69 585 374
Current	10 055 901	9 610 723
Non-current	58 457 484	59 974 651
	68 513 385	69 585 374

11.1 Allowances for impairment of loans and advances

	2016 US$	2015 US$
Specific allowances for impairment		
Balance at 1 January	2 966 108	8 420 536
Allowance for loan impairment through statement of profit or loss	1 597 558	720 613
Loans written off	(799 991)	(6 175 041)
Balance at 31 December	3 763 675	2 966 108

11.1.1 Maturity analysis of loans and advances to customers

	2016 US$	2015 US$
Up to one month	6 580 302	8 225 586
Up to three months	468 245	1 109 657
Up to one year	3 007 354	275 480
Up to 3 years	47 908 471	12 613 912
Up to 5 years	1 373 352	40 592 266
Later than 5 years	9 175 661	6 768 473
	68 513 385	69 585 374

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.

Allowance 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.

11.1.2 Sectorial analysis of loans and advances to customers

	Percentage (%)	2016 US$	Percentage (%)	2015 US$
Manufacturing	3%	1 888 708	24%	17 605 744
Retail	2%	1 285 166	0%	206 620
Agro processing	0%	90 820	0%	-
Mining	0%	103 901	0%	127 584
Financial Services	5%	3 327 399	0%	-
Transport	0%	107 243	0%	-
Tourism and hospitality	9%	6 710 562	5%	3 450 767
Telecommunications	1%	49 006	1%	800 000
Construction	1%	12 928	1%	-
Energy	63%	45 331 554	61%	44 411 231
Mortgages	5%	3 808 321	4%	3 858 752
Individuals and other services	13%	9 561 452	3%	2 090 784
Gross value of loans and advances	100%	72 277 060	100%	72 551 482
Less allowance for impairment		(3 763 675)		(2 966 108)
		68 513 385		69 585 374

11.2 Assets pledged as collateral

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

	Asset		Related liability	
	2016 US$	2015 US$	2016 US$	2015 US$
Held to maturity Investments	15 000 872	8 146 594	11 654 518	7 625 796
Bankers acceptances	-	207 112	-	134 082
Government guarantees	-	-	-	-
Bonds	1 560 000	520 000	1 247 790	336 643
Current	16 560 872	8 873 706	12 902 308	8 096 521

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

All collateral agreements mature within 12 months.

12 OTHER RECEIVABLES AND PREPAYMENTS

	2016 US$	2015 US$
Receivables	1 611 339	2 682 604
Less: provision for impairment	(197 955)	(828 993)
Net receivables	1 413 384	1 853 611
Pre-payments	1 589 309	208 175
	3 002 693	2 061 786
Current	3 002 693	2 061 786

13 INVESTMENTS IN SUBSIDIARIES, JOINT OPERATIONS AND ASSOCIATES

13.1 Investment in subsidiaries

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			as at 31 Dec 2016 %	as at 31 Dec 2015 %
Waneka Properties (Private) Limited	Property development	Zimbabwe	70	70
Manellie Investments (Private) Limited	Agriculture	Zimbabwe	100	100
Norton Medical Investments (Private) Limited	Medical services	Zimbabwe	60	60
Special purpose entities				
Clipsham Views	Joint Operation	Zimbabwe	56	-

The Group entered into a joint operation with Gorge Safaris (Private) Limited and George 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 4,000 square 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.

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

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

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

Name of subsidiary	Interest and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2016	2015	2016 US$	2015 US$	2016 US$	2015 US$
Waneka Properties (Private) Limited	30%	30%	3 886	4 394	118 416	114 530
Norton Medical Investments (Private) Limited	40%	40%	(218 323)	2 237	144 577	362 900
Total					262 993	477 430

13.3 Summarised financial information in respect of each of the Group's subsidiaries that has a material non-controlling interest is set out below.

The summarised financial information below represents amounts before intragroup eliminations

Waneka Properties (Private) Limited	2016 US$	2015 US$
Current assets	395 641	382 688
Current liabilities	920	920
Equity attributable to owners of the Company	276 304	267 238
Non-controlling interests	118 416	114 530
Revenue	16 457	16 129
Expenses	(3 724)	(1 481)
Profit for the year	12 733	14 648
Profit attributable to owners of the Company	8 913	10 254
Profit attributable to non-controlling interests	3 820	4 394

Waneka Properties (Private) Limited	2016 US$	2015 US$
Profit for the year	12 733	14 648
Total comprehensive income attributable to owners of the Company	8 913	10 254
Total comprehensive income attributable to owners of the non-controlling interests	3 820	4 394
Total comprehensive income for the year	12 733	14 648
Dividends paid to non-controlling interests	-	-
Net cash inflow from operating activities	17 918	2 493
Net cash inflow from investing activities	-	-
Net cash inflow from financing activities	-	-
Net cash inflow	17 918	2 493

Investment in subsidiaries

Norton Medical Investments (Private) Limited	2016 US$	2015 US$
Current assets	-	-
Non-current assets	860 000	1 400 000
Current liabilities	498 558	492 750
Non-current liabilities	-	-
Equity attributable to owners of the Company	216 865	544 350
Non-controlling interests	144 577	362 900
Revenue	-	-
Expenses	(545 807)	(5 907)
Loss for the year	(545 807)	(5 907)
Loss attributable to owners of the Company	(327 484)	(3 544)
Loss attributable to non-controlling interests	(218 323)	(2 363)
Other comprehensive loss for the year	(545 807)	(5 907)
Total comprehensive loss attributable to owners of the Company	(327 484)	(3 544)
Total comprehensive loss attributable to owners of the non-controlling interests	(218 323)	(2 363)
Total comprehensive income for the year	(545 807)	(5 907)

13.4 Investment in Joint Operation

Clipsham Views Housing Project	2016 US$	2015 US$
Current assets	4 347 181	-
Non-current assets	-	-
Current liabilities	2 062 908	-
Non-current liabilities	-	-
Equity attributable to owners of the Company	(166 733)	-
Non-controlling interests	-	-
Revenue	23 994	-
Expenses	(177 579)	-
Loss for the year	(166 733)	-
Loss attributable to owners of the Company	(166 733)	-
Loss attributable to non-controlling interests		-
Other comprehensive loss for the year	-	-
Total comprehensive loss attributable to owners of the Company	(166 733)	-
Total comprehensive loss attributable to owners of the non-controlling interests		-
Total comprehensive loss for the year	(166 733)	-

13.5 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 2016 %	as at 31 Dec 2015 %
Africom Continental (Private) Limited	Information Communication Technology	Zimbabwe	33.31%	33.31%

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

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

	2016 US$	2015 US$
Current assets	1 015 948	874 933
Non-current assets	4 987 673	5 386 729
Current liabilities	(2 382 615)	(2 235 607)
Non-current liabilities	-	-
Revenue	422 105	(249 721)
Loss for the year	(162 453)	(686 071)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(162 453)	(686 071)
Dividends received from associate during the year	-	-

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

	2016 US$	2015 US$
Net assets of associate	3 621 007	4 026 055
Proportion of the Group's ownership interest	33.31%	33.31%
Carrying amount of the Group's interest	1 206 157	1 341 079
Aggregate information of associates that are not individually material		
The Group's share of total comprehensive income	-	-
Aggregate carrying amount of Group's interests in these associates	31 681	31 681
Investment in assosiates	1 237 839	1 372 760

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

13.5.3 Share of losses of associates

	2016 US$	2015 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)

13.5.3 Carrying amount of the Investment in Associates

	2016 US$	2015 US$
Balance as at 1 January	1 372 760	1 601 290
Share of loss from associates	(162 453)	(228 530)
Balance as at 31 December	1 210 307	1 372 760

14 INVENTORIES

	2016 US$	2015 US$
Inventory - housing units	130 013	286 028
Inventory - land	360 000	1 367 400
Work in progress	3 762 667	486 375
Consumables and materials	28 317	43 881
	4 280 997	2 183 684
Current	4 280 997	2 183 684

During the year the Group sold 3 two bedroomed Waneka flats with a carrying value of $156 015 from Inventory-housing units. The Group also incurred $3 497 970 in project implementation costs on Clipsham Views and New Marimba Housing Projects for the period ended 31 December 2016.

15 INVESTMENT PROPERTY

	2016 US$	2015 US$
Balance as at 1 January	10 299 886	11 942 500
Additions during the year	1 042 106	315 654
Disposals during the year	(301 432)	(116 000)
Net fair value adjustment : (loss)/profit on disposal	(7 566)	1 000
Net fair value adjustment : unrealised fair value loss	(1 652 994)	(1 843 268)
Balance as at 31 December	9 380 000	10 299 886
Analysis by nature		
Residential stands	1 986 888	2 149 100
Commercial and industrial properties	7 393 112	8 150 786
	9 380 000	10 299 886

No investment properties are pledged as collateral security for fixed term deposits (2015:US$3 794 000) from customers (refer to Note 21).

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

	2016 US$	2015 US$
Rental income	355 263	356 434

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

The Group's investment properties were revalued at 31 December 2016 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

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.

16 INTANGIBLE ASSETS

	2016 US$	2015 US$
Carrying amounts of:		
Capitalised development	-	-
Licenses	14 105	18 701
	14 105	18 701

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)

The following useful lives are used in the calculation of amortisation

Capitalised development	4 years
Licenses	4 years

17 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 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 and impairment	(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
Year ended 31 December 2015						
Opening net book amount	1 710 697	116 762	300 789	11 067	1 400 000	3 539 315
Additions	-	24 010	-	13 219	-	37 229
Disposals	-	-	(94 851)	-	-	(94 851)
Depreciation charge	(36 147)	(61 850)	(139 822)	(19 169)	-	(256 988)
Net book amount	1 674 550	78 922	66 116	5 117	1 400 000	3 224 705

	Land and buildings US$	Computer and office equipment US$	Motor vehicles US$	Fixtures and fit-tings US$	Capital work in progress US$	Total US$
At 31 December 2015						
Cost	2 000 000	993 258	766 137	534 665	1 400 000	5 694 060
Accumulated depreciation	(325 450)	(914 336)	(700 021)	(529 548)	-	(2 469 355)
Net book amount	1 674 550	78 922	66 116	5 117	1 400 000	3 224 705

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. A property held under Norton Medical Investments (Private) Limited was impaired by $540 000 as at 31 December 2016.

Depreciation expense of US$159 793 (2015: US$256 988) has been charged to operating expenses (Note 31).

18 SHARE CAPITAL AND SHARE PREMIUM

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

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

Issued share capital	Number of shares	Share capital US$	Share premium US$	Total US$
At 1 January 2016	2 449 046	24 490	9 171 552	9 196 042
Issue of shares	2 013 044	20 130	21 879 840	21 899 969
Transfer from Share premium to Non-distributable reserves	-	-	(22 116 996)	(22 116 996)
At 31 December 2016	4 462 090	44 620	8 934 396	8 979 017
At 1 January 2015	2 449 046	24 490	9 171 552	9 196 042
Issue of shares	-	-	-	-
At 31 December 2015	2 449 046	24 490	9 171 552	9 196 042

Rights Issue
2 013 044 shares were issued pursuant to rights issue by the Group to ordinary shareholders during the year at a par value of $0.01 per share. The rights issue was with $1 956 332 cash and $20 488 292 worth treasury bills.

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

19 NON-DISTRIBUTABLE RESERVE

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

20 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 2016	382 830	38 283 003	38 283 003
Issue of shares	-	-	-
At 31 December 2016	382 830	38 283 003	38 283 003
At 1 January 2015	382 830	38 283 003	38 283 003
Issue of shares	-	-	-
At 31 December 2015	382 830	38 283 003	38 283 003

21 DEPOSITS FROM CUSTOMERS

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

	2016 US$	2015 US$
Large corporate customers	43 374 633	44 661 855
Retail customers	3 629 509	3 946 062
	47 004 142	48 607 917

21.1 Maturity analysis of deposits from customers

Up to one month	41 122 893	33 884 119
Up to three months	4 658 849	5 375 976
Up to six months	1 222 400	9 347 822
	47 004 142	48 607 917

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

21.2 Sectorial analysis of deposits from customers

	2016 Percentage (%)	US$	2015 Percentage (%)	US$
Financial markets	19%	9 162 315	15%	7 316 400
Fund managers and pension funds	13%	6 238 134	24%	11 521 994
Individuals	1%	510 847	8%	3 946 063
Government and public sector institutions	64%	30 222 712	47%	22 744 680
Other services	2%	870 134	6%	3 078 780
	100%	47 004 142	100%	48 607 917

22 LOCAL LINES OF CREDIT AND BONDS

	2016 US$	2015 US$
Bonds	50 499 338	41 172 319
Lines of credit	6 368 967	5 457 416
Total	56 868 305	46 629 735
Current	6 368 967	16 260 190
Non current	50 499 338	30 369 545
	56 868 305	46 629 735

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

	Bonds 2016 US$	Lines of credit 2016 US$	Bonds 2015 US$	Lines of credit 2015 US$
At 1 January	41 172 319	5 457 416	24 000 581	1 993 565
New issues/funding	22 549 700	58 208 002	38 140 299	3 463 851
Repayments/Disbursements	(13 222 682)	(57 296 451)	(20 968 561)	-
At 31 December	50 499 337	6 368 967	41 172 319	5 457 416

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

	2016 US$	2015 US$
Accruals	1 108 208	40 432
Provision for outstanding employee leave (Note 23.1)	170 904	339 231
Dividend payable	245 040	245 040
Deferred income	4 953 296	5 470 779
Other	916 240	1 285 619
	7 393 688	7 381 101
Current	7 393 688	7 381 101

23.1 Provision for outstanding employee leave

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

	2016 US$	2015 US$
Balance at 1 January	339 231	435 304
(Reversals)/Provisions	(11 115)	11 677
Utilised during the year	(157 212)	(107 750)
Balance as at 31 December	170 904	339 231

24 NET INTEREST AND RELATED INCOME

24.1 Interest and related income:

	2016 US$	2015 US$
Loans and advances to large corporates	6 904 959	8 796 199
Loans and advances to individuals	185 744	101 164
Treasury bills and other financial assets	2 521 830	459 245
Placements with local banks	1 347 613	1 509 937
Mortgages	355 942	223 040
Cash and bank balances	831 355	271 394
	12 147 443	11 360 979

24.2 Interest and related expense:

	2016 US$	2015 US$
Deposits from large corporates	(1 779 435)	(5 740 578)
Deposits from individuals	(6 571)	(122 575)
Bonds	(4 515 285)	(525 205)
	(6 301 291)	(6 388 358)

25 SALES

	2016 US$	2015 US$
Property sales	1 600 324	1 155 000

Sales of housing flats were recorded on Waneka Properties (Private) Limited's Graniteside project and housing stands on New Marimba medium density project.

25.1 COST OF SALES

	2016 US$	2015 US$
Cost of construction of property	(1 070 821)	(1 092 108)

26 FEE AND COMMISSION INCOME

	2016 US$	2015 US$
Advisory and management fees	515 781	597 342
Capital raising fees	338 316	683 282
Retail service fees	135 730	179 117
Credit related fees	15 142	223 092
	1 004 969	1 682 833

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

	2016 US$	2015 US$
Listed equity securities (Note 7)	2 256	(797)

28 OTHER INCOME

	2016 US$	2015 US$
Rental income	355 263	356 434
Other operating income	1 415 758	313 904
Profit /(Loss) on disposal of property and equipment	29 460	(46 588)
Bad debts recovered	1 331 167	338 361
Sundry income	53 629	22 131
Structured Deals Income	1 502	-
	1 771 021	670 338

The Group recovered US$1 268 624 from a written off non-performing loan in the manufacturing sector after Zimbabwe Asset Management Corporation took over the outstanding debt.

29 FAIR VALUE LOSS ON INVESTMENT PROPERTY

	2016 US$	2015 US$
(Loss)/Profit on disposal of investment property	(7 566)	1 000
Unrealised loss from fair value adjustment of investment property	(1 652 994)	(1 843 268)
	(1 660 560)	(1 842 268)

30 NET FOREIGN EXCHANGE GAINS

	2016 US$	2015 US$
Net realised gains from dealing in foreign currency	335 743	477 674
Net unrealised losses from translation of foreign currency balances	(13 568)	(3 914)
	322 175	473 760

31 OPERATING EXPENSES

	2016 US$	2015 US$
Repairs and maintenance	114 712	84 567
Employee benefit costs (Note 31.1)	4 563 429	7 157 042
Telecommunication and postage	34 906	32 809
IT and software costs	201 701	187 868
Directors remuneration:		
- for services as directors	244 976	245 876
Operating lease payments	47 927	106 918
Water, electricity and rates	118 869	71 719
Professional fees	316 433	103 598
Audit fees	91 195	149 500
Depreciation	159 793	256 988
Amortisation	4 596	190 417
Fuel and lubricants	33 171	30 999
Travel and entertainment	135 589	44 508
Marketing and public relations	36 520	115 049
Insurance and security	235 002	213 018
Subscriptions	74 353	54 819
Printing and stationery	42 534	42 361
Bank charges	28 707	38 782
Strategic planning expenses	-	2 539
Canteen expenses	-	6 002
Impairment of property and equipment	540 000	-
Staff training	92 228	18 609
Refreshments	20 170	16 810
Other administrative costs	469 437	969 329
	7 606 248	10 140 127

31.1 Employee benefit costs

	2016 US$	2015 US$
Salaries and bonuses	3 645 947	3 815 337
Pension costs	459 389	472 720
Post employment medical benefits	182 829	203 516
Leave pay expense/(recovery)	41 797	105 672
Retrenchment (provision reversal)/expense	(11 630)	2 258 039
Other staff expenses	245 097	301 758
	4 563 429	7 157 042

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	392 494	407 661

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	66 895	65 059

32 LOSS PER SHARE

Basic and diluted loss per share

Basic loss 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. (2015 - US$nil)

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

	2016 US$	2015 US$
Loss attributable to equity holders	(1 291 323)	(5 059 853)
Weighted average number of issued ordinary shares	4 462 090	2 449 046
Basic loss per share (US cents)	(29)	(207)

33 CONTINGENCIES

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 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 Infrastructure Development Bank of Zimbabwe. The bank guarantee was attained fraudulently hence it has no binding effect on the Bank. At the conclusion of the trial at the High Court of Zimbabwe, a judgement dated 15 April 2016 was entered against Wedzera Petroleum and Infrastructure Development Bank of Zimbabwe imputing joint and several liability on Infrastructure Development Bank of Zimbabwe to pay US$847,848 per the guarantee. Infrastructure Development Bank of Zimbabwe has since appealed against the judgement 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.

34 COMMITMENTS

Loan commitments, guarantees and other financial facilities
At 31 December 2016, the Group had contractual amounts for off-statement of financial position financial instruments that commit it to extend guarantees and loans as follows:

	2016 US$	2015 US$
Financial guarantees	-	-
Loan commitments	13 298 133	12 321 329

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

No later than 1 year	21 117	58 306

The lease rentals are renegotiated annually in January.

35 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.

	2016 US$	2015 US$
Held on behalf of:		
Government of Zimbabwe	244 271 837	229 336 379
Represented by:		
Sinking fund	-	-
Amounts awaiting disbursement	6 392 019	5 457 416
Loans and advances to parastatals and government implementing agencies	237 879 818	223 878 963
	244 271 837	229 336 379

36 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 2016, 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:

	2016 US$	2015 US$
Salaries and other short-term employee benefits	854 161	1 549 919
Post-employment benefits	34 608	103 738
Termination benefits	69 871	100 101
Total	958 640	1 753 758

c) Loans and advances to related parties

	Directors and other key management personnel 2016 US$	Associated companies 2016 US$	Directors and other key management person-nel 2015 US$	Associated companies 2015 US$
Loans outstanding at 31 December	387 240	-	324 984	-
Interest income earned	12 244	-	16 532	-

No allowance for impairment was required in 2016 (2015: 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 man-agement personnel 2016 US$	Associated companies 2016 US$	Directors and other key management personnel 2015 US$	Associated companies 2015 US$
Deposits at 31 December	4 899	17 725	55 322	93 421
Interest expense on deposits	-	-	3 326	11 050

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

e) Director's shareholdings

As at 31 December 2016, the Directors did not hold directly and indirectly any shareholding in the Group.

37 GOING CONCERN

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

In the current year, the Group has made a loss of $1.5 million (2015: Loss of US$5.0 million), which has resulted in an accumulated loss of US$1.9 million (2015: Accumulated loss of US$0.5 million).

During the year the shareholders injected US$23 million into the Group which has further strengthened the Group's financial solidity to execute effectively its core mandate. The Group remains focussed on raising its capital base to at least US$250 million by 2018, thus strengthening its underwriting capacity for financing infrastructure projects in the country.

The strategic refocussing of the Group to its core mandate of infrastructure development (which is predominantly medium to long term in nature) has reduced the Group exposure to inherent risks of the short term business which resulted in increasing non-performing exposures. This thrust will ensure that the Group has a stable asset portfolio going into the future.

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.

38 EVENTS AFTER THE REPORTING DATE

Regulation under the Banking Act

On 10 February 2017, the General Notice 115 of 2017 in the Government Gazette was issued in terms of section 3(3) of the Banking Act (Chapter 24:20) by the Minister of Finance and Economic Planning declaring that certain material sections of the Banking Act shall apply to the Bank with effect from the date of publication of the notice. The Bank shall retain its mandate as enunciated in the Infrastructure Development Bank of Zimbabwe Act (Chapter 24:14) (IDBZ Act), and in the event of any inconsistency between the Banking Act (Chapter 24:20), or any regulations and directives issued under that Act and the IDBZ Act, provisions of the IDBZ Act shall prevail.

Contributory institution to the Deposit Protection Fund

On 13 January 2017, the Statutory Instrument 11 of 2017 in the Government Gazette was published declaring that the Bank becomes a contributory institution to the Deposit Protection Fund in terms of the Deposit Protection Corporation Act (Chapter 24:29) with effect from 1 August 2016.

Infrastructure Development Bank of Zimbabwe

NOTICE TO SHAREHOLDERS 32ND ANNUAL GENERAL MEETING

Notice is hereby given that the 32nd 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, 29 June 2017 at 11:00 hours to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Audited Financial Statements and Reports of the Directors and Auditors for the year ended 31 December 2016;

2. To note the non-payment of a dividend for the financial year ended 31 December 2016;

3. To approve the remuneration of the auditors for the year ended 31 December 2016;

4. To appoint, with the concurrence of the Office of the Auditor General in line with the provisions of the Public Finance Management Act (Chapter 22:19); external auditors for the year ending 31 December 2017 who will hold office until the conclusion of the next Annual General Meeting;

5. To approve the remuneration of the Directors for the year ended 31 December 2016;

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

SPECIAL BUSINESS

7. ORDINARY RESOLUTION

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

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

By Order of the Board

K Kanguru
Bank Secretary **7 June 2017**

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, 29 June 2017 commencing at 11:00 hours and at any adjournment thereof.

Signed this ……………….Day of …………………………….. 2017

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

NOTES

Infrastructure Development Bank of Zimbabwe

HEADQUARTERS:
IDBZ House, 99 Rotten Row, Harare,
Zimbabwe Tel: +263 4 750171-8
Fax: +263 4 749012/774225

BULAWAYO:
5th Floor, First Mutual Building, 9th
Avenue / JMN Nkomo Street,
Bulawayo, Zimbabwe.

Telephone: +263 9 70035, 70398,
70241, 70672
Fax: +263 9 67389

www.idbz.co.zw