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ACRONYMS AND ABBREVIATIONS

AECF	Africa Enterprise Challenge Fund
AIZ	Agro Initiative Zimbabwe
AWIDE	Africa Women's Initiatives in Developing Economies
CREATE	Credit for Agricultural Trade and Expansion
DANIDA	Danish International Development Agency
DfID	Department for International Development
FYFCZ	Federation of Young Farmers Clubs of Zimbabwe
Hivos	Humanistic Institute for Cooperation with Developing Countries
NPL	Non-Performing Loan
RARP-CSF	Rural Agriculture Revitalisation Programme- Commercialisation of Smallholder Farming
SHF	Smallholder Farmer
SME	Small to Medium Enterprises
SNV	Netherlands Development Organisation
TL	Total Loans
VCA	Value Chain Actor
ZADT	Zimbabwe Agricultural Development Trust
ZAMCO	Zimbabwe Asset Management Corporation
ZIWFAT	Zimbabwe Indigenous Women Farmers Association Trust
ZIMVAC	Zimbabwe Vulnerability Assessment Committee
ZMWF	Zimbabwe Micro Finance Wholesale Facility



CHAIRPERSON'S REVIEW

Mbekezeli Mthunzi
Chairperson (ZADT)

Zimbabwe Agricultural Development Trust ("the Trust" or "ZADT"), is a Trust that was formed by SNV Netherlands Development Organisation and Hivos Zimbabwe. It is currently funded by The Royal Danish Ministry of Foreign Affairs through the Danish International Development Organisation ("DANIDA"), the United Kingdom's Department for International Development (DfID) and the Ford Foundation.

The Trust's objective is to promote growth in primary agriculture and related value chains with the main aim of improving food security and incomes for rural communities through provision of funding for agricultural activities.

A fully-fledged Secretariat was established in 2013 under a Chief Executive Officer to manage the day to day activities of the Trust. These activities include among other things managing the Trust's fund-raising initiatives, promoting uptake of funds by beneficiaries, and ensuring that partner banks on-lend to agricultural value chain players that deal with/benefit smallholder farmers. The Secretariat is also tasked with monitoring the Fund to ensure that it benefits the targeted beneficiaries and addresses the gender and environmental objectives of the Trust.

As at 31 December 2014 the Trust had managed to disburse US\$31.8 million cumulatively since inception of which US\$20.4 were new loans disbursed in 2014. The ZADT performed very well in 2014 due to improved funds uptake, tight budgetary controls and prudent loans management, resulting in the Trust posting a surplus of \$829,238. This effectively absorbed the accumulated

deficits of the previous years. The number of participating financial institutions rose to six while the overall loan uptake rose to \$20.6 million in 2014 (compared to \$5.2 million in 2013).

I would like to extend my gratitude to the partners for the support that the ZADT has received since inception. In addition, I would like to extend my appreciation to my fellow Trustees, funding partners, SNV Netherlands Development Organisation and Hivos for the support and advice they provided during the year.

I wish to give particular tribute to management and staff for their spirited commitment and sterling contribution to the business under a very difficult operating environment. Special mention also goes to our clients and business partners - most importantly the participating banks - who supported us during this difficult period and we look forward to a more fruitful partnership in years to come.

Yours Faithfully

Mbekezeli Mthunzi
Chairperson (ZADT)



A WORD FROM THE CEO

Ruramai Godfrey Chinoera
Chief Executive Officer

The ZADT was formed after recognizing the pivotal role that access to credit plays in the development of Zimbabwean agriculture, and in particular, the smallholder farming sector. The ZADT provides liquidity and credit through the CREATE Fund to selected registered financial institutions that have expertise in managing the lending process for on-lending to agriculture value chain players. These financial institutions undertake credit risk assessment and underwrite the risks associated with lending.

The CREATE Fund was designed to ensure that the commercial lending process does not overshadow the developmental objectives of the fund. Businesses are also assisted with the requisite technical expertise in developing their business proposals as well as help them in areas of their business operations that require technical support.

The CREATE Fund supports all crops and livestock enterprises except tobacco and cotton, which are already supported through other funding and technical assistance arrangements. The Fund does not provide grants but loans, which the borrowers must repay on stipulated terms and conditions. However, the loans are serviced at concessionary interest rate currently a maximum of 12% per annum and with longer tenure than most other facilities found on the market; (up to 12 months for working capital and 36 months for capital expenditure, including an optional one year grace period on capital repayments).

The ZADT model targets agribusiness SMEs as primary loan beneficiaries of the CREATE Fund through the selected partner financial institutions. However, the ultimate beneficiaries should be the grassroots

smallholder farmers with whom the funded SMEs have some commercial relationships.

ZADT realizes the challenges faced by businesses without acceptable collateral. The Trust alongside its stakeholders continues to identify appropriate financial guarantee structures from which businesses can benefit. We have also noted that whilst most assets at the disposal of small to medium enterprises (SMEs) and smallholder farmers are not acceptable as collateral for loans, there are some banks and microfinance institutions (MFIs) that have started to package these assets in a way that is acceptable as collateral.

Since the Trust's inception in 2010 to 31st December 2014, 142 agribusinesses have received over \$31.8 million in loans. These were accessed as working capital or capital expenditure which both attracted an annual interest rate of 11.5%.

The Trust has devised strategies to improve business processes and enhance efficiency, improve turnaround for loan processing while ensuring that related operating costs are maintained at levels adequate to efficiently run the operations of the Trust.

Ruramai Godfrey Chinoera
Chief Executive Officer

EXECUTIVE SUMMARY

The size of the fund currently stands at US\$38 million which ZADT channels through six selected financial institutions. The Trust has also partnered a microfinance institution in Bulawayo, Inclusive Financial Services (IFS), with the objective of lending directly to smallholder farmers.

These financial institutions receive applications from qualifying value chain actors or agribusinesses, assess the applications for creditworthiness and submit requests for disbursement to the ZADT. The value chain actors eligible to borrow from the CREATE Fund include Agro dealers, Manufacturers, Processors, Traders/Transporters and Contracting companies. Value chains which are actively supported through the funded agribusinesses are maize, horticulture, poultry, stock feeds, beef, dairy, sugarcane, bananas and tea.

Cumulatively since inception, the CREATE fund has assisted companies that have a commercial relationship with over 38,728 smallholder farmers. In 2014 alone, between January and 31st December the numbers of smallholder farmers linked to intermediaries who accessed loans were 11,810 against an annual target of 10,000. Of these reported smallholder farmers, 2 563 (21.7%) were women. As at the 31st December 2014, 46 out of a total of 145 directors or owners of businesses (34%) whose loans were approved by the Trust were women. Businesses which were wholly owned by women represent 10% of the total.

According to findings from the Sentinel Survey carried out by the ZADT in 2014, the average household income for the linked smallholder farmers from all livelihood activities was \$1,887.39 against a baseline income of US\$294 per household. About 30.25% of households interviewed in 2014 had incomes below \$2 a day which is significantly lower than the baseline value of 46.1%.

According to an assessment by Sabi Consulting in 2013, funded businesses through the CREATE Fund registered a 39% growth in turnover. A similar assessment by the ZADT Secretariat for funded businesses in 2014 showed that turnover for supported businesses grew by 45%.

To ensure that staff from participating banks appreciate the development thrust of the Fund a total of 122 staff members from participating financial institutions were trained by the ZADT on the CREATE Fund. The training covered branches in Harare, Bulawayo, Chegutu, Gweru, Kwekwe, Masvingo and Zvishavane. As the training continues the Trust will monitor impact of the training through assessing the quality of the proposals being submitted. At this stage, there has not been a significant threshold of applications received from individual banks to conclude on the impact of the training.

A Fund Absorption study was commissioned in 2014 to assess reasons for the slow uptake of the Fund. Findings from the study are assisting the Trust in reviewing current loan approval processes, terms and conditions of the facilities as well as the development of new and responsive products.

The Trust crafted a comprehensive Credit and Operational Policy and Procedure Manual which is now being used to guide, among other things, credit risk management for the Trust and tracking and reporting on beneficiaries.

Total revenue for the year to 31 December 2014 was US\$1,388,141 against total operating cost of US\$558,903. This resulted in a cost to income ratio of 40% and a surplus of US\$829,238 as compared to the deficit of US\$280,766 for the period ending 31 December 2013.

1. Introduction

This report presents performance results of the ZADT in 2014. The Trust through the CREATE Fund is impacting at three interfaces in the economy namely, the financial services sector, the agribusinesses and smallholder farmers. This report describes the various activities which the Trust managed to achieve during the year.

2. Vision & Mission of the ZADT

The vision of the ZADT is to be the most preferred and innovative financial partner for sustainable development of smallholder agriculture and rural economies.

The respective mission supporting the vision is to strengthen smallholder agriculture and rural economies by financing market driven activities.

3. Overview of the 2014 Agriculture Season

According to the 2014 ZIMVAC report Zimbabwe received normal to above normal rainfall in all provinces for the 2013/2014, resulting in a more productive season than the previous ones. The Ministry of Agriculture, Mechanization and Irrigation Development estimated that the country would have a cereal harvest surplus of 253,174 MT in the 2014/15 consumption year from a total cereal harvest of 1,680,293MT. Livestock (cattle, sheep and goats) was reported to be in fairly good condition in April 2014, with grazing and water for livestock generally adequate in most parts of the country except for the communal areas.

The ZIMVAC report estimated poverty in Zimbabwe to be at 63% with 16% estimated to be in extreme poverty. The majority of poverty stricken households are in rural areas with (76%) compared to the 38% in the urban areas. There were no differences in the prevalence of poverty among female headed and male headed households with the respective proportions being 62% and 62.9% respectively.

INTRODUCTION

Overview of the CREATE Fund

4. Overview of the CREATE Fund

4.1. Development Partners and Fund Size

From an initial capital of US\$3.5 million the Fund has grown to US\$30.7 million as at the end of 2014 following a significant injection from DANIDA with 20% reserved for capacity building activities, which is currently being handled by SNV Zimbabwe.

From 2010 the ZADT has received funding from three (3) main partners. These are the Danish International Development Agency (DANIDA), the United Kingdom Department for International Development (DfID) and the FORD Foundation.

4.2. Loan Terms and Conditions

Loan sizes

CREATE Fund loan sizes range from a lower limit of US\$5,000. The upper limit is negotiable with the banks subject to approval by the ZADT. This will take into account the magnitude of the benefits accruing to smallholder farmers. The Trust has set approval limits for the loan sizes as presented in Table 1.

Table 1: Loan approval limits

Loan size	Approval level
US\$5,000 - US\$200,000	Secretariat
US\$200,001 - US\$2,000,000	Credit & Loans Committee
>US\$2,000,000	Full ZADT Board

Loan products

The ZADT is currently offering the CREATE Fund as the main loan product. From January 2014 the ZADT reviewed the tenure of the Capital Expenditure (Capex) facility from 2 to 3 years after a realization that some businesses needed longer term funding for infrastructure expansion.

Loan tenures

Working capital is being offered for a period of three (3) to twelve (12) months whilst capex is up to thirty six (36) months and may incorporate a grace period of up to twelve (12) months depending on the project circumstances. Depending on the specific nature and magnitude of benefits, the loan tenure can be further negotiated up to five years with a possibility of one year grace period.

Interest rates

The ZADT charged financial institutions a base interest rate of 6.5% per annum and the financial institutions would in turn put a margin of 5% per annum on lending to value chain actors, giving an all-in interest rate to value chain actors (VCAs) of 11.5% per annum.

4.3. Participating financial institutions

As at end of December 2014 the ZADT had contracted six financial institutions to disburse funds to qualifying borrowers. Five of these are commercial banks whilst one is a Micro Finance Institution. These are presented in Table 2.

Table 2: CREATE Fund disbursing financial institutions

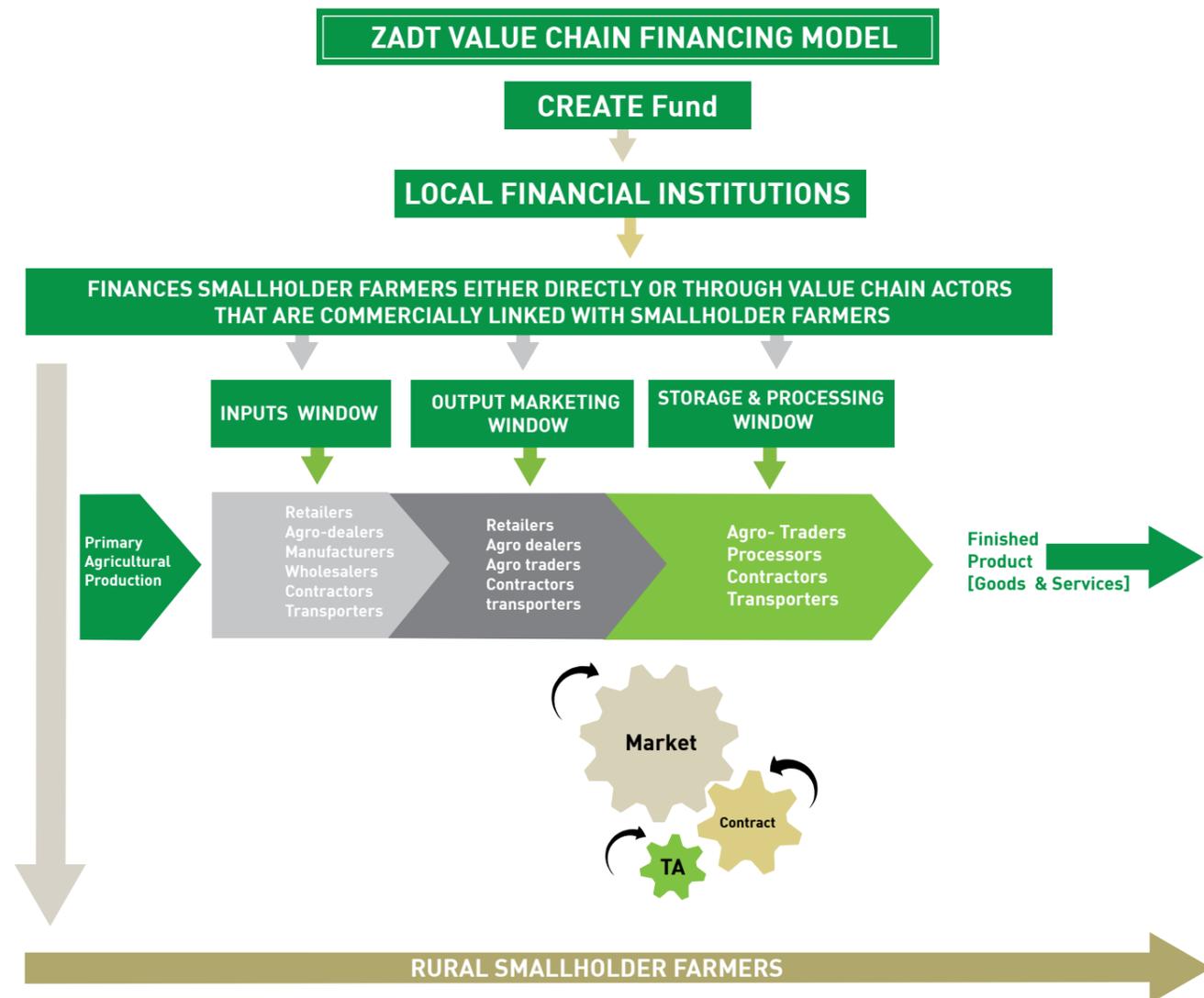
 <p>BancABC Fresh Thinking. Smart Banking.</p>	 <p>Ecobank The Pan African Bank</p>	 <p>FBC Bank Limited (Registered Commercial Bank)</p>
 <p>NMB BANK LIMITED</p>	 <p>STEWARD BANK Your Money Our Commitment</p>	 <p>Inclusive Financial services</p>

4.4. CREATE Fund Distribution Model

These financial institutions were selected through a competitive and rigorous due diligence check/assessment and intensive negotiation process. They are responsible for marketing the Fund and receiving and processing applications from prospective borrowers. The Trust is not involved in the initial credit assessment process but comes in from time to time to verify the existence of linkages of borrowing companies with smallholder farmers. It also ensures that all credit granting tenets have been respected and the loan is in line with the overall objectives of the Trust.

The CREATE Fund disbursement model, illustrated in Figure XX, involves financial institutions who access the CREATE Fund line of credit to on-lend directly to smallholder farmers or to value chain actors or agribusinesses with demonstrable commercial linkages with smallholder farmers.

Agribusinesses or value chain actors which qualify to borrow from the CREATE Fund include agro dealers, manufacturers, processors, traders/transporters and companies which contract smallholder farmers to grow commodities for them. These eligible agribusinesses access the funds through one of three lending windows, namely Input, Output/Marketing and Storage/Processing windows.



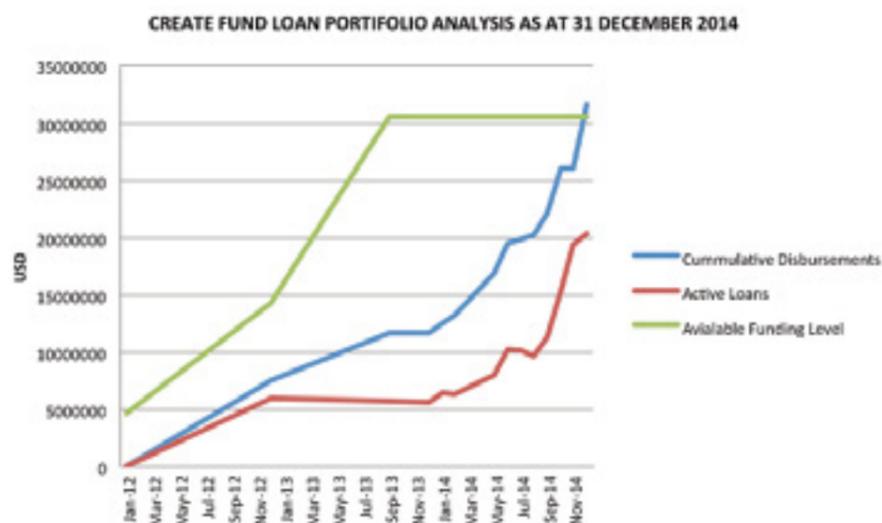
Performance Review of the Trust in 2014

5. Performance Review of the Trust in 2014

5.1. Access to finance by Value Chain Actors

The Fund's cumulative portfolio size progression versus the target fund utilization from inception to 31st December 2014 is illustrated in Figure 1 below. The total amount received from Funders as at 31 December 2014 was US\$30.7 million. New loans issued during the year 2014 stood at US\$20.4 million representing 66% of available funds.

Figure 1: CREATE Fund portfolio analysis as at 31 December 2014 (US\$)



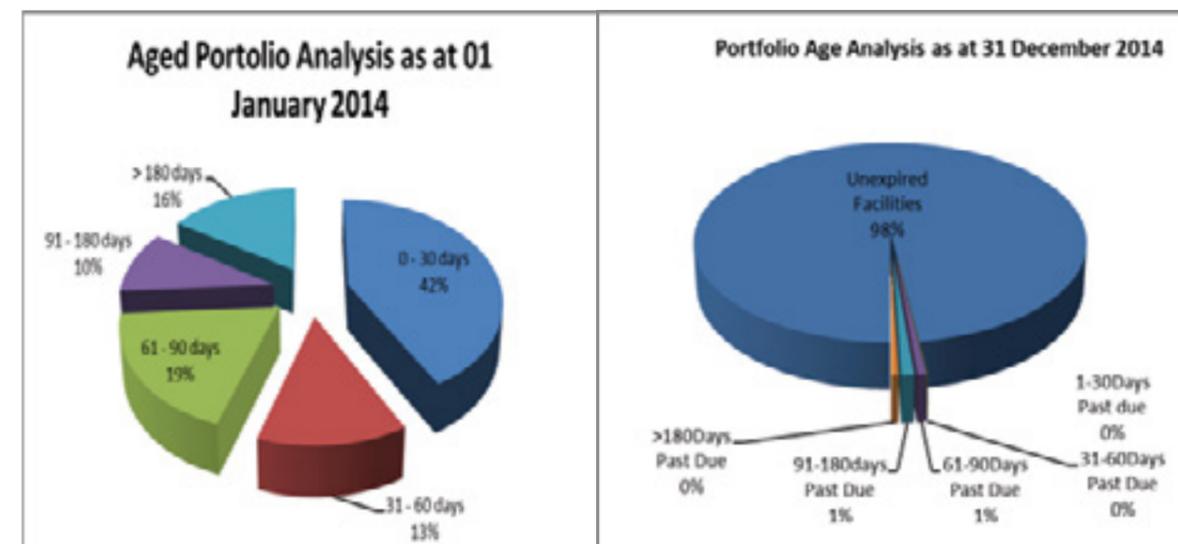
The cumulative loans disbursed under the Fund from inception in 2012 to 31st December 2014 stood at US\$31.8 million.

5.2. Analysis of loan performances

Credit risk remains a challenge in the country. By 30 September 2014, banking sector average non-performing loans (NPLs) to Total Loans (TL) ratio (NPL/TL) had risen to 20.45 percent from 18.49 percent in June 2014.

Chart 1 below shows that only 1.2% (US\$237,500) of the outstanding ZADT loan book as at 31 December 2014 was non-performing. The NPLs are loans for which the ZADT had guaranteed on the back of a credit insurance guarantee provided by a local insurance company. The insurance guarantee facility expired in September 2013 and was not renewed leaving the ZADT exposed. The ZADT has fully provided for the 1.2% non-performing loans in its financial statements to date. Restructuring and recovery actions are under way for the remaining expired facilities.

Chart 1: Portfolio Age Analysis at Beginning and End of 2014



Whilst the ZADT is currently not assuming risk on the borrowing intermediaries it monitors CREATE Fund loan performances for its contracted banks. As at 31st December 2014 the average contracted Banks' NPLs Ratio for CREATE Fund portfolios was 12%. The financial sector average for non-performing loans to total loans (NPL/TL) ratio as at 31 December 2014 was 16%; a reduction from 20% at 30 September 2014. Therefore CREATE Fund loans performed better than market average in the period under review. However, different recovery options have been instituted against the NPLs. These options include legal action and negotiation with the participating banks to restructure the facilities to give the borrowers more time to repay the facility or bring urgent closure to cases.

5.3. Smallholder farmers linked to funded businesses

For the year to 31st December 2014 the number of smallholder farmers linked to CREATE Fund borrowers was 11,810 against an annual target of 10,000. 81% of these farmers were verified through a routine internal verification process undertaken by the Trust. Cumulatively from inception 38,728 smallholder farmers have been linked with companies which accessed funds from the CREATE Fund. The programme target number of smallholder farmers by the 31st December 2015 is 50,000. This means by the 31st December 2014 the Trust had achieved 77% of its target.

5.4. CREATE Fund and Women Participation

The Trust was monitoring the inclusiveness of the Fund in terms of women participation although there were no designed activities or products targeting them specifically. Two indicators which were monitored in 2014 were the proportion of women among the smallholder farmers linked to the borrowing intermediaries and the proportion of women owners in funded businesses.

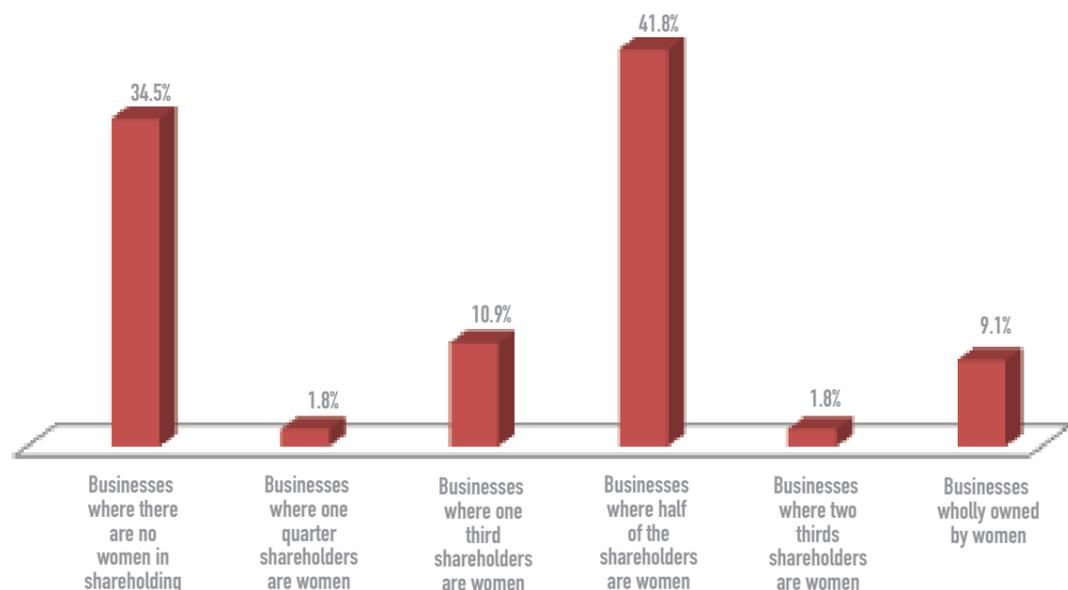
Number of smallholder women farmers linked to intermediaries

Out of all the 11,810 smallholder farmers reported to be linked to the intermediaries in 2014, 2,563 representing 21.7% were females. Whilst the projected proportion of women beneficiaries was 45% there were no scheduled activities to influence this indicator. However specific products aimed at addressing the gender imbalances will be developed in 2015. The low percentage of women beneficiaries reported was partly a result of data that was submitted without being disaggregated by gender. The Trust has since developed a reporting template which was shared with the borrowers through their respective banks. This template requires the data to be disaggregated by gender as well as districts to enable the Trust to monitor the spatial distribution of the beneficiaries. Returns being submitted using this template are now showing gender breakdown.

Participation of women in funded intermediary businesses

The proportion of women owners in funded businesses (Figure 2) has been oscillating up and down with each new application approved. Some businesses had no women shareholders altogether. As at the 31st December 2014 about 46 out of a total of 145 directors or owners (34%) of businesses whose loans were approved by the Trust during the year were women. Businesses which were wholly owned by women represent 10% of the total whilst those owned exclusively by men are 61%.

Figure 2: Women participation in funded businesses as at 31 December 2014



As mentioned above specific products targeted at promoting women participation will be developed in 2015.

5.5. Impact of the Fund on the livelihoods of smallholder farmers

Production

Compared to baseline levels, smallholder farmers benefiting from the Fund in the maize, beans, garlic, groundnuts and cowpeas sectors had a higher productivity per hectare than non-contracted farmers. This was attributed to enhanced access to inputs. For instance, farmers growing maize under contract had higher yield levels (2.2 tonnes per hectare) compared to 1.9 tonnes per hectare realised by non-contracted maize farmers. According to results from the impact survey (Sentinel Survey Round 2) which was conducted by the Trust in September 2014 there was an increase in area under crop production for peas, groundnuts,

potatoes and bananas. However there was a decreasing trend for area under crop production for the following crops since the baseline; maize, garlic, beans, tomatoes and cucumbers. The changes were largely attributed to farmers' response to market price fluctuations.

Incomes

The average incomes for SHF that accessed services/products from funded intermediaries were higher than for farmers not actively supported. SHFs that received support from intermediaries realized about \$1,945.84 on average whilst those not actively supported by intermediaries had an average of \$1,731.53. This demonstrated that there is great potential for the project to improve the livelihoods of SHFs given functional relations with intermediaries.

Access to markets

Maize Value Chain



Northern Farming contracted 1,051 farmers in Zvimba, Mazowe and Goromonzi to grow maize. They also contracted 131 smallholder farmers in Mushandike Irrigation Scheme in Masvingo District to grow Winter Wheat.

Horticulture Value Chain



- Global Import and Export provided a market for more than 200 smallholder farmers in irrigation schemes in Matabeleland province.
- African Preserves worked with smallholder farmers from the Domboshawa Horticultural Producers Association (DOHOPA) in Domboshawa communal area in Goromonzi district. The Association has more than 500 farmers.

Banana Value Chain



Nzarayapera Investments, a division of Matanuska (Pvt) Ltd, accessed the CREATE Fund in 2014 to support banana production under contract arrangements with smallholder farmers in Mutema communal area in Chipinge and Mutasa districts. In 2013 the company contracted 441 farmers whilst in 2014 an additional 300 farmers were contracted.

Poultry Value Chain



- Drummonds Chickens (Piatza Trading), a company based in Norton in Zvimba district is contracting smallholder farmers in Zvimba area to grow broiler chickens for them.
- Novatek Animal Nutrition is a stock feeds manufacturing company. It is supporting smallholder poultry farmers with feeds, layer cages (48 birds each) and point of lay hens in several districts such as Gokwe, Mazowe and Murewa.

Beef Value Chain



In 2014 Carswell Meats provided a market for 2,133 smallholder farmers; enabling them to get fair value for their cattle.

Sugarcane Value Chain



872 smallholder farmers benefited directly from Hippo Valley Estates' contract farming scheme, while 39,000 benefited indirectly from the company's support.

Tea Value Chain



Tanganda Tea Company provides markets for smallholder farmers in the Eastern Highlands and in the year under review the company supported about 700 smallholder tea growers.

5.6. Impact of the Fund on funded businesses

In 2013 Sabi Consulting (ZADT Fund Manager up to September 2013) carried out an assessment of the impact of the Fund on the funded businesses. This was done by analyzing changes in levels of turnover before and after accessing the loan. There was a 39% growth in turnover of businesses. A similar assessment by the

Secretariat for businesses funded in 2014 showed a 45% growth in turn over. This growth can be partially attributed to access to finance provided by the ZADT.

5.7. Capacity Building Activities

Training of participating bank staff on the CREATE Fund

A total of 122 staff from the five disbursing banks was trained by 31 December 2014. The training was conducted in the following branches Harare, Bulawayo, Chegutu, Gweru, Kwekwe, Masvingo and Zvishavane. Pre-training assessments revealed that bank staff were not very conversant about the CREATE Fund including its terms and conditions.

Training of Banks on other capacity needs

As at the 31st December 2014, the ZADT through SNV had organised Euromoney training on SMEs Banking for 40 staff members of BancABC and Ecobank involved in the disbursement of the CREATE Fund. The training was scheduled to be conducted in January 2015. FBC and NMB Banks staffs were trained in SME Banking in 2013. These banks did not submit any capacity needs request during the year hence no trainings were scheduled for them.

Pre and post-disbursement capacity building activities done

About 41% of the businesses which were assisted to prepare applications to the CREATE Fund by the capacity builders were successful. Some women and youth groups who wanted to access the Fund were referred to capacity builders. These included Africa Women's Initiatives in Developing Economies (AWIDE), Zimbabwe Indigenous Women Farmers Association Trust (ZIWAFAT) and Federation of Young Farmers Clubs of Zimbabwe (FYFCZ).

Only two VCAs were assisted with capacity building services by providing some training to smallholder farmers linked to them. One was a livestock trading company whilst the other was a stock feed manufacturer.

Capacity building for the ZADT Staff

Continuous training is undertaken for staff to ensure delivery of relevant and quality services to the Trust's stakeholders. Training that has been attended by staff in 2014 include Gender and SME Banking. Assessments

5.8. Assessments

There were several evaluations or studies that were undertaken by the ZADT in 2014.

Fund Absorption study

The Secretariat commissioned a Fund Absorption study which was completed in September 2014 to assess reasons affecting fund uptake with the intention of reviewing current loan approval processes. This study also reviewed similar funds in the country to assess to what extent they are also affected. Findings are helping the Secretariat to come up with appropriate strategies to increase uptake.

Sentinel survey

The Secretariat engaged a Consultant to undertake the second Round of the Sentinel Survey. This impact survey is a rolling survey which tracks a sample of smallholder farmers over a three year period to assess how their livelihoods are changing through linkages with funded businesses. This survey tracks variables such as household agricultural incomes as well as food availability. The survey was conducted in September 2014. The report was shared with stakeholders.

Credit and Operational Policy and Procedure Manual

A Credit and Operational Policy and Procedure Manual were developed during the financial year. This policy document provides guidelines on sound practices in credit risk management for the Trust, and contains guidelines and procedures on tracking and reporting on the smallholder farmer beneficiaries. The draft document was submitted to the Credit and Loans Committee in December 2014 for review pending approval by the main Board.

Verification survey for numbers of smallholder farmers

A verification survey was carried out in September and October 2014. This was meant to verify the number of smallholder farmers reported to be linked to the operations of the funded businesses. Out of the 11,552 smallholder farmers reported to have been linked to borrowers by end of November 2014 a total of 9,576 were verified, representing 83%. Verification is a continuous exercise and will continue in 2015. These are done whenever borrowers submit returns with names of farmers linked to their businesses.

DANIDA review

The review was conducted in May 2014. The review team managed to discuss with the various partners of the ZADT. These included samples of participating financial institutions, the intermediaries and smallholder farmers. The review team managed to produce a report, the findings of which were shared with The ZADT.

DFID review

DFID commissioned a review of the ZADT as part of its Pro Poor Growth (PPG) Programme. This programme has three other organizations funded by DFID. These are Agro Initiative Zimbabwe (AIZ), Zimbabwe Microfinance Wholesale Facility (ZMWF) and the Africa Enterprise Challenge Fund (AECF). The assessment was done in September 2014 and a report was issued.



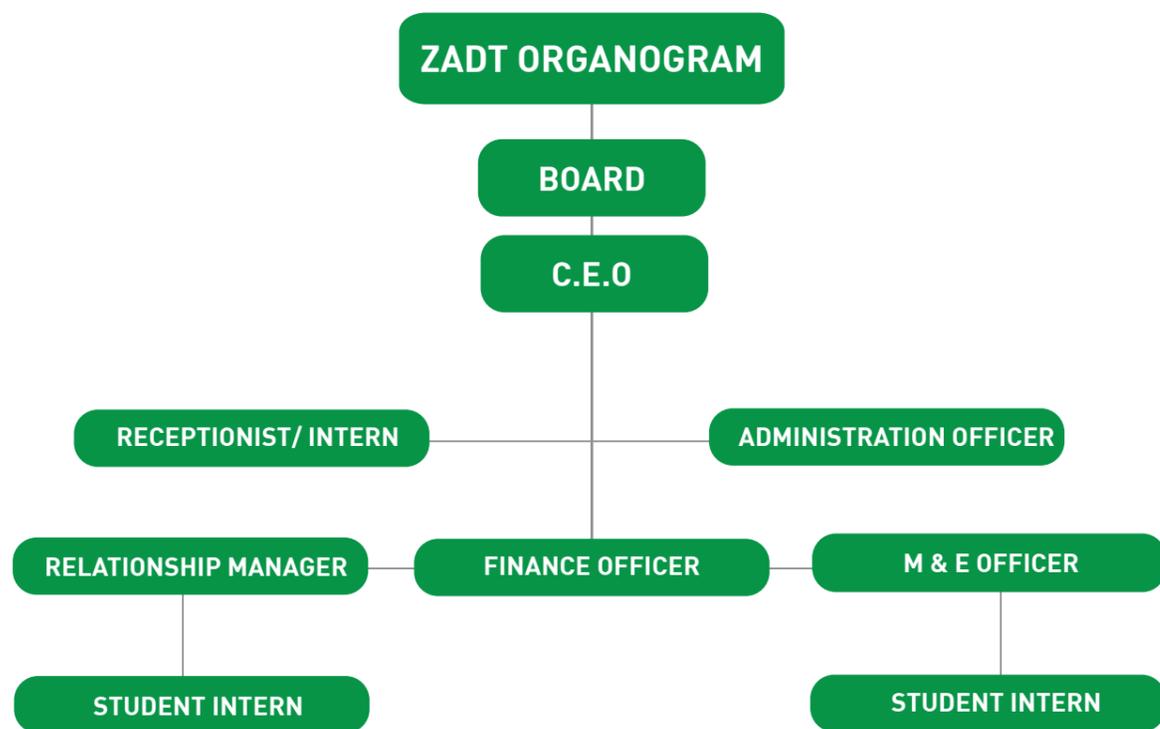
Institutional Development

6. Institutional Development

6.1. The ZADT Organizational Structure

The nature of the ZADT’s business and the management of entrusted capital require a sound and robust corporate governance framework. The ZADT is comprised of the Board of Trustees which has seven members. Within the Board of Trustees are three Sub Committees, and the Secretariat. The Organogram for the organization is presented in Figure 3.

Figure 3: ZADT Organogram



6.2. The ZADT Board

The Board of Trustees is the steward of the Trust. It is responsible for ensuring that the Trust discharges its mandate as per the set policy. The Board has set up three sub committees which have separate responsibilities to provide guidance in specific areas. These are:

- Credit and Loans Committee
- Human Resources and Nominations Committee
- Audit Committee.

Credit and Loans Committee

The Board Credit and Loans Committee, is responsible for overseeing the credit function of the ZADT. It is comprised of three members.

The Committee provides oversight of lending process and risk assessments and updates the Board on the Trust’s lending risks; monitors lending portfolio quality; recommends to the Trust Board for approval and inclusion within policy amendments to exposure limits,

new lending products and markets in accordance with the Notarial Trust Deed; monitors lending for alignment to the Trust Board risk appetite and adherence to the Trust Deed; and annually reviews the Credit Policy of the Trust and present to the Trust Board for approval. The committee meets at least once a month.

Human Resources and Nominations Committee

The primary objectives of the Committee are to assist the Board in the nomination, appointment and assessment of the Chief Executive Officer and his/her Senior Management employees reporting directly to the him/her; and to provide an independent and objective body that will make recommendations on policies and practices as well as on remuneration and other relevant human resources matters, for the ZADT Chief Executive and his staff. The Committee meets quarterly.

Audit Committee

The Audit Committee is responsible for issues of financial policy; financial and narrative reporting; Treasury management; External Audit; Internal control framework; Internal Audit; Anti-bribery, antimoney-laundering, whistle blowing and anti-fraud policy and Risk Management. The Committee meets at least 4 times a year or as and when it is required to meet.

Meetings held by the Committees in 2014

The following schedule (Table 3) presents the number of meetings that were held by the different Committees during the year.

Table 3: Number of board meetings held in 2014

Committee	Number of meetings held
Board of Trustees	6
Credit Committee	8
Audit Committee	4
Human Resources & Nominations Committee	2

Profiles of ZADT Board Members



Mbekezeli Mthunzi - Chairman

Mbekezeli has extensive experience in Business Development Services, Social & Economic Enterprise Development, Credit Management and Banking. He is the Sector Leader for Water, Sanitation and Hygiene within SNV. He holds a Bachelor of Business Studies (Hons) Degree, a Diploma in Bank Credit Management and a Master in Business Administration (MBA) Degree.



Soneni Ncube

Soneni is currently the senior Programme Officer at HIVOS Regional Office for Southern Africa. She has been Deputy Director Regional Office for Hivos Southern Africa. She was also Sector Programme Officer Green Entrepreneurship with Hivos. Prior, she was an Ecologist with the Department of Natural Resources. Soneni served as a Board member of Hivos Zambia and South Africa.



Naa-Aku Acquaye Baddoo

Ms. Naa-Aku Acquaye Baddoo is Country Director of SNV Zimbabwe. She has background in Law and Philosophy and over 24 years' experience in the fields of Development Practice, Strategy and Organizational Development, Human Resource Development and Learning, in Europe, Africa and Asia. Before taking up her post in Zimbabwe, Naa-Aku was Regional Head of Strategy and Regional Coordinator for seven SNV countries in South East and South Asia. She also worked as Senior Strategy Advisor in SNV's global office in The Hague for a number of years.



Nyasha Makuvishe

Nyasha is a seasoned banker and industrialist and is currently the Founder and CEO of Elbtree Group of Companies. Elbtree is a diversified group with activities in Consulting, Farming, Mining, Manufacturing and ITC. Nyasha holds Bachelor's and Master's Degrees from the University of Zimbabwe. He is also an Associate in Development Banking and an active Member of Zimbabwe Economic Society.



Dorothy Mushayavanhu

Dorothy is a Legal Adviser and Consultant. She has vast experience in lecturing, research and drafting of legal and policy frameworks. She holds a Masters of Laws (LLM) in Law and Development (University of London) and a Bachelor of Law (University of Zimbabwe) and a Post-Graduate Diploma in Sustainable Fisheries Management, (University of Tromso, Norway).



Bjorn Blau

Bjorn is currently the Deputy Head of Mission for the Royal Danish Embassy Office in Harare, Zimbabwe since 2011. He holds Bachelor and Master's Degrees from Copenhagen Business School. He is a seasoned diplomat who has worked in various capacities in different countries.

6.3. The Secretariat

The ZADT established the Secretariat as an autonomous management body to effectively and efficiently run the operations of the Trust. The Secretariat acts as the Managing Agent of the Fund with responsibility to monitor Financial Services Providers (FSPs) through analysis and review of periodic returns submitted as may be specified from time to time; ensures the implementation of the Fund and prepares periodic reports for the Board of Trustees on its performance; processes applications for the various facilities from FSPs; determines counterparty limits and specifies the rate at which FSPs will lend under the Fund; carries out verification/monitoring of projects under the Fund; builds capacity of stakeholders; and, reviews Fund guidelines as may be necessary from time to time. The Secretariat performs these functions under the oversight and with support of the Board of Trustees and its sub-committees.

The Secretariat is headed by a Chief Executive Officer who reports to the Board of Trustees. It has three main sections namely Fund Management (incorporates aspects of Relationship Management); Finance and Administration and Monitoring and Evaluation.

Management Profiles



Godfrey Chinoera – Chief Executive Officer

Godfrey has extensive experience in agribusiness, agro-export project financing, advisory and trade financing structures. He is responsible for the development and execution of the corporate strategy of the Trust. He also ensures effective monitoring and management of corporate principal risks that the Trust faces. He holds a Bachelor of Science (Hons) Degree in Agriculture, a Post-Graduate Diploma in Management and a Master in Business Administration (MBA) degree.



Fortunate Vengesai – Relationship Manager

Fortunate is a seasoned Agriculturalist, Development and Corporate banker with vast experience in managing agribusiness and corporate portfolios. Fortunate is currently the Relationship Manager for ZADT, responsible for business development and fund preservation. He holds a Bachelor of Science (Hons) Degree in Agriculture and a Master in Business Administration (MBA) degree, as well as certificates in Financial Analysis, Project & Credit Assessment and Appraisal, Corporate Workouts and Turn Around strategies, Selling Skills and Account Relationship Development and Management, Investment, Project Management and Risk Analysis.



Morris Mudiwa – Monitoring & Evaluation Officer

Morris is an Agricultural Economist with vast experience in the region including working in Mozambique, South Africa, Malawi, Namibia and Zambia. Within ZADT Morris is responsible for all monitoring and evaluation activities across the delivery tiers from disbursing financial institutions, borrowing agribusinesses and beneficiary smallholder farmers. He holds Master and Bachelor of Science (Hons) degrees in Agricultural Economics as well as an Institute of Bankers Zimbabwe Diploma.



Richard Mutenga – Finance Officer

Richard has vast experience in the accountancy and asset management administration fields. Within ZADT, he is responsible for the entire finance and administration function including setting up of the internal controls, human resources management and Information and Communication Technology management. He holds a Bachelor of Commerce (Hons) Degree in Finance, Masters in Business Administration (MBA) Degree and CIMA Diploma in Management Accounting.



Sekai Mswaka – Administration Officer

Sekai W Mswaka is an experienced administrator having worked for both the private sector and non-governmental organizations for fourteen years. She has experience in administration and human resources for organizations operating in the health sector. Sekai Winnie Mswaka holds an Honors Degree in Office Administration & Technology, a Diploma in Secretarial Administration (PITMAN) and a Certificate in Human Resources Management (IPMZ).



FINANCIAL PERFORMANCE

7. Financial performance of the Trust

Interest Income

Interest income of \$1,365,116 for 2014 was 485% more than the \$233,177 generated in 2013. The growth was attributable to improved loan uptake during the year 2014 relative to 2013. Total loans issued during the year to 31 December 2014 were US\$20.38 million giving a 289% growth relative to loans of \$5.24 million for the year 2013.

Other income

Other income of \$23,025 comprised of income realised from repayment income generated from repayment of the Pilot Seeds Facility granted to Agriseeds (Pvt) Ltd for the Smallholder and National Food Security Programme that was initiated in the 2009-2010 summer cropping season.

Employment costs

The total employment costs for the year 2014 were \$228,709 compared to \$31,455 for the same period in 2013. The huge increase is mainly attributed to the change in operations from outsourced management to current system where the Secretariat is managing the overall operations of the Trust. The Secretariat staff complement was 8 in 2014.

Overall, this resulted in a staff cost to interest income ratio of 17% which was within the targeted ratio of 18%.

Administration expenses

Administration costs for the year ending 31 December 2014 were \$330,194 and this was 36% below comparative costs of \$512,488 for the year 2013. The decrease was on the back of expiry of Fund administration contract for SABI Consulting (Pvt) Ltd and the establishment of a Secretariat to manage the affairs of the Trust.

During the period under review, loan loss provision of \$131,300 was made as compared to \$107,500 for the year 2013.

The overall administration cost to interest income ratio for the year was 24% which was a favourable improvement from prior year ratio of 220%.

Working capital

The Trust's cash resources available for lending as at 31 December 2014 were \$9,637,149 distributed as \$7,684,094 held at Hivos Offshore account and \$1,953,055 cash in bank account, while the cash balances in the revenue account for funding operations was \$1,060,748.

Summary of financial position

Total revenue for the year to 31 December 2014 was \$1,388,141 against total operating cost of \$558,903. This resulted in a cost to income ratio of 40% (207% in year 2013) and a surplus of US\$829,238 as compared to a deficit of US\$280,766 during the year 2013.

The Trust has devised strategies to improve business processes and enhance efficiency, improve turnaround for loan processing while ensuring that related operating costs are maintained at levels adequate to efficiently run the operations of the Trust.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

REFERENCE AND ADMINISTRATION INFORMATION

BOARD OF TRUSTEES	Mbekezeli Mthunzi - Chairperson (appointed 7 February 2014) Soneni Ncube - Treasurer Bjorn Blau Dorothy Mushayavanhu - (appointed 12 February 2014) Nyasha Makuvisе - (appointed 1 April 2014) Naa-Aku Acquaye Baddoo - (appointed 8 September 2014) Lawrence Attipoe (resigned 25 April 2014) Tanja Lubbers (resigned 1 August 2014)
SECRETARIAT	Godfrey R Chinoera- Chief Executive Officer Richard Mutenga - Finance Officer Fortunate Vengesai - Relationship Manager Morris Mudiwa - Monitoring and Evaluation Officer Sekai W Mswaka - Administration Officer
MAIN FUNDERS	Royal Danish Ministry of Foreign Affairs ("DANIDA"), Department for International Development ("DFID"), and Ford Foundation
REGULATORY BODY	Ministry of Public Service, Labour and Social Welfare of the Republic of Zimbabwe
TRUST DEED NUMBER	MA864/2010
LEGAL ADVISOR	Gill, Godlonton & Gerrans 7th Floor, Beverley Court, 100 Nelson Mandela Avenue, Harare
PRINCIPAL BANKER	Standard Chartered Bank of Zimbabwe Limited 68 Nelson Mandela Avenue, Harare
INDEPENDENT AUDITOR	Pricewaterhousecoopers Chartered Accountants (Zimbabwe) Building No. 4, Arundel Office Park, Mt Pleasant, Harare

The financial statements are presented in the United States of America dollar ("US\$").

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

BOARD OF TRUSTEES' REPORT

The Zimbabwe Agricultural Development Trust ("The Trust" or "ZADT") is a trust registered in Zimbabwe in October 2010. The main objective of the Trust is promoting smallholder agriculture development by facilitating market driven approaches. The Trust seeks to provide funding through financial institutions to value chain actors in the agriculture sector with the main aim that they benefit small holder farmers meaningfully.

The ZADT operating structure that was set up in 2013 include a Secretariat headed by a Chief Executive Officer who reports directly to the Board of Trustees.

The Secretariat was fully constituted in October 2013 with the main responsibility of managing the Trust's fund-raising initiatives and promoting uptake of funds by beneficiaries. It is also tasked with ensuring that loan disbursing financial institutions on-lend to agricultural sector intermediaries that benefit small-scale farmers. The fund distribution is done across all defined agricultural value chain Credit Windows that include Input Window, the Output and Marketing Window the Storage and Processing Window.

The Trust's provision of agricultural funding is done through registered financial institutions that have expertise in managing the lending process. This also allows risk sharing as the financial institutions would underwrite the risks associated with lending. However the Secretariat closely monitors the lending institutions to ensure that the commercial lending process does not overshadow the developmental objectives of the ZADT.

In terms of risk management, ZADT has formulated risk management strategies in all areas of operation and the risks faced include operational risk, counter party risk, settlement risk, market risk, compliance risk and liquidity risk. The Trust manages these risks through an enterprise-wide risk management framework. Daily operational risks are managed through meetings of functional heads in consultation with the Chief Executive Officer who in turn has frequent ad-hoc meetings and briefs with the Board of Trustees.

I would like to extend my gratitude to the partners for the support that ZADT has received. DANIDA and DFID

support ZADT with the bulk of the funds for the credit facility.

In addition, I would like to extend my appreciation to my fellow Trustees, SNV Netherlands Development Organisation - Zimbabwe, and Hivos - Zimbabwe for the support and advice they provided during the year.

I wish to give particular tribute to Secretariat staff for their spirited commitment and sterling contribution to the Trust business under a very difficult operating environment. Special mention also goes to our clients and business partners who supported the Trust during this difficult period and we look forward to a more fruitful partnership in years to come.

We are confident that the Trust will remain a key player in the provision of agricultural finance whilst returning significant value to its stakeholders, through creation and maintaining sustainable livelihoods of the rural economies.

It is therefore my pleasure to present to you the ZADT's audited financial statements for 2014. The report chronicles in more detail all ZADT's activities and outputs during the period.



M I Mthunzi
Chairperson

30 March 2015

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES

Report on the financial statements

We have audited the financial statements of Zimbabwe Agricultural Development Trust ("the Trust" or "ZADT") which comprise the statement of financial position as at 31 December 2014, the statements of income and expenditure and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, set out on pages 33 to 38. The financial statements have been prepared by the Secretariat of ZADT in accordance with the accounting policies described in note 1 of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the accounting policies described in note 1 of the financial statements and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

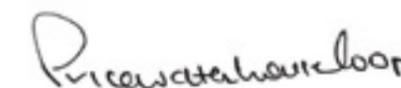
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of ZADT for the year ended 31 December 2014 are prepared, in all material respects, in accordance with the accounting policies described in note 1 to the financial statements.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to note 1, which describes the basis of accounting. The financial statements are prepared to assist ZADT to comply with the financial reporting requirements of the accounting framework. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ZADT and its donors and should not be distributed to or used by parties other than ZADT and its donors.



Pricewaterhousecoopers
Chartered Accountants (Zimbabwe)

Harare
31 March 2015

PricewaterhouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mt Pleasant P O Box 453, Harare,

Zimbabwe T: +263 (4) 338362-8, F: +263 (4) 338395, www.pwc.com
T I Rwodzi — Senior Partner, The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare Zimbabwe where a list of the Partners' names is available for inspection.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 US\$	Restated 2013 US\$
ASSETS			
Cash and bank	2	3 013 804	1 748 603
Offshore investments	2	-	7 000 000
Funds receivable from HIVOS	3	7 684 094	8 734 795
Receivables	4	31 128	127 065
Loans and advances to banks	5	20 379 400	5 241 900
Equipment	6	81 296	28 962
Total assets		31 189 722	22 881 325
LIABILITIES AND ACCUMULATED SURPLUS/ (DEFICIT)			
Accumulated surplus / (deficit)	7	239 800	(589 438)
Liabilities			
Revolving fund	8	30 678 540	23 228 644
Accounts payable	9	271 382	242 119
		30 949 922	23 470 763
Total liabilities and accumulated surplus		31 189 722	22 881 325

The notes on page 33-38 are an integral part of these financial statements.

The financial statements were approved by the Board of Trustees and are signed on its behalf by:

Mbekezeli M
Chairperson

JOSEPH MUBVUMBA
Trustee

30 March 2015

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 US\$	Restated 2013 US\$
Income			
Interest on loans		1 365 116	233 177
Other income		23 025	30 000
		1388141	263177
Expenditure			
Administrative expenses	10		(162 020)
Fund management fees			(126 936)
Employment expenses	11	(228 710)	(31 455)
Legal expenses		(4 852)	(414)
Board fees		(6 000)	(21 475)
Allowance for impairment of loans and advances to banks		(130 000)	(107 500)
Fees receivable written off		(1 300)	(3 250)
Consultancy fees		(40 352)	(12 907)
Rent and occupational expenses		(41 481)	
Audit fees		(21 265)	(27 273)
Other expenses	12	(84 943)	(50 713)
		(558 903)	(543 943)
Surplus (deficit) for the year		829 238	(280 766)

The notes on page 33-38 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 US\$	Restated 2013 US\$
Cash flows from operating activities			
Surplus / (deficit) for the year		829 238	(280 766)
Adjustment for non—cash items			
Allowance for impairment of loans and advances		130 000	107 500
Fees receivable written off		1 300	3 250
Depreciation	6	14 979	1 090
Operating cash flows before working capital changes		975 517	(168 926)
Changes in working capital:			
Decrease/(increase) in funds receivable from HIVOS		1 050 701	(8 734 795)
Decrease in receivables		95 937	34 585
(Increase)/decrease in loans and advances to financial institutions		(15 268 800)	682 600
Increase in accounts payable		29 263	109 938
Net cash used in operating activities		(13 117 382)	(8 076 598)
Cash flows from investing activities			
Purchase of equipment	6	(67 313)	(30 052)
Decrease/(increase) in offshore investments	2.2	7 000 000	(7 000 000)
Net cash flows generated from / (used in) investing activities		6 932 687	(7 030 052)
Cash flows from financing activities			
Increase in Revolving Fund	8	7 449 896	8 734 795
Net cash flows generated from financing activities		7 449 896	8 734 795
Net increase/(decrease) in cash and cash equivalents		1 265 201	(6 371 855)
Cash and cash equivalents at the beginning of year		1 748 603	8 120 458
Cash and cash equivalents at the end of the year		2 3 013 805	1 748 603

The notes on page 33-38 are an integral part of these financial statements.

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

1. Accounting policies and scope of financial statements

1.1 Scope of financial statements

The financial statements incorporate externally financed projects, the funding of which is channelled through the Secretariat.

1.2 Basis of accounting and accounting policies

The financial statements are prepared in accordance with the accounting framework for Zimbabwe Agricultural Development Trust and the accounting policies are applied on a consistent basis.

1.2.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of placement, including cash on hand and demand deposits with banks.

1.2.2 Loans and advances to banks

Loans and receivables are non—derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets. Zimbabwe Agricultural Development Trust's loans and receivables comprise loans and advances to financial institutions.

Impairment of loans and advances to banks

The Trust 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. A financial asset or a group of financial assets is impaired and impairment losses are incurred only 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 a group of financial assets

that can be reliably estimated.

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 income and expenditure account.

If, in a subsequent period, the amount of the impairment loss 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 loss is recognised in the income and expenditure account.

1.2.3 Revolving fund

The Revolving fund comprises funds that have been received from the funding partners for the purposes of onward lending as well as meeting administrative expenses.

1.2.4 Revenue

The Trust recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the trust's activities, as described below.

Interest income

Revenue is recognised upfront when the loan contract has been signed rather than when cash is received nor over the term of the loan.

1.2.5 Expenditure

Expenses are recognised using the accruals basis when incurred.

1.2.6 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the Trust are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in the United States of America dollar (“US\$”), which is the Trust’s functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income and expenditure account.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	2014	Restated 2013
	US\$	US\$
2. CASH AND BANK		
Cash held with local bank (Standard Chartered Bank)	3 013 804	1 748 603

2.1 The financial institution holding cash and cash equivalents of the Trust has the following credit rating:

	Rating	Agency	2014	Restated 2013
Cash held with local bank (Standard Chartered Bank)	AA-	GCR	3 013 804	1 748 603

2.2 Offshore investment

Cash invested offshore (Hivos)	-	7 000 000
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Capital funds for ZADT are channelled by funding partners to an offshore account maintained by Hivos, who upon request will transfer the funds to ZADT for on—lending. During 2013, loan uptake was below expectation and the Trustees resolved to invest US\$7 million with HIVOS. In 2014, the money was recalled when the loan uptake had improved.

3. FUNDS RECEIVABLE FROM HIVOS

Opening balance	8 734 795	1 319 733
Contribution from funding partners	7 457 518	7 415 062
Transfer from Hivos	(8 508 219)	—
Transfer from Hivos Funds receivable from Hivos	7 684 094	8 734 795

The above funds relate to contributions for ZADT by DANIDA and related funders transferred to Hivos offshore account. ZADT calls for these funds from HIVOS when they are required for on-lending to agricultural value chain actors.

4. RECEIVABLES

Fees receivable	17 901	122 697
Prepaid expenses	10 400	3 000
Other receivables	2 827	1 368
	31 128	127 065

5. LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS

Gross loans and advances to financial institutions	20 509 400	5 349 400
Less: allowance for impairment of loan assets	(130 000)	(107 500)
	<u>20 379 400</u>	<u>5 241 900</u>

viders that lend to agricultural input and output value chain actors who ultimately benefit small holder farmers.

The financial institutions bear 100% of the risk of any default on the loans advanced except in the following

circumstances:

- Any prospective customer whose applications the financial institutions are inclined to disapprove solely for lack of collateral and ZADT recommends that the application be approved will be subject to the following terms:

ZADT shall assume a proportion of the risk of on-lending with the unrecovered amounts being netted off against

any payments still due by the banks.

In the current year clients with a loan value of US\$130 000 (2013 - US\$107 500) were having difficulties in repaying their loans. The Trust therefore impaired the entire amount as

5.1 ZADT made credit facilities available to selected financial institutions so that they on-lend to actors in the agricultural value chains, with the exception of those in tobacco and cotton who are already receiving support under various existing out-grower schemes.

These facilities are advanced to meet the following objectives:

— Providing soft capital to value chain actors in which smallholder farmers meaningfully benefit directly or indirectly for example contracting companies, processors, traders, transporters, agro dealers, distributors and service providers.

- Providing soft capital to small and medium enterprises which procure from and sell to and distribute to low

income groups and are engaged in other agro-rural economic activities that create rural employment, and

— Providing soft capital to financial services pro-

recoverability is doubtful.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

5.2 Analysis of loan tenor

	0 to 6 months US\$	6 to 12 months US\$	over 12 months US\$	Total US\$
As at 31 December 2014				
FBC Bank Limited	430 000	412 600	276 000	1 118 600
NMB Bank Limited	2 005 000	500 000	-	2 505 000
Steward Bank Limited	3 081 800	2 600 00	3 074 000	8 755 800
BancABC	-	-	8 000 000	8 000 000
	<u>5 516 800</u>	<u>3 512 600</u>	<u>11 350 000</u>	<u>20 379 400</u>

	0 to 6 months US\$	6 to 12 months US\$	over 12 months US\$	Total US\$
As at 31 December 2013				
FBC Bank Limited	30 400	3 029 000	-	3 059 400
NMB Bank Limited	1 230 000	310 000	-	1 540 000
Steward Bank Limited	3 081 800	2 600 00	-	8 755 800
BancABC	-	642 500	-	642 500
	<u>1 260 400</u>	<u>3 981 500</u>	<u>-</u>	<u>5 241 900</u>

6. EQUIPMENT

	Motor Vehicles US\$	Computer Equipment US\$	Furniture and Fittings US\$	Total US\$
Year ended 31 December 2013				
Opening net book amount	-	-	-	-
Additions	-	16 444	13 608	30 052
Depreciation charge	-	(863)	(227)	(1 090)
Closing net book amount	-	<u>15 581</u>	<u>13 381</u>	<u>28 962</u>

Year ended 31 December 2013				
Cost	-	16 444	13 608	30 052
Accumulated depreciation	-	(863)	(227)	(1 090)
Closing net book amount	-	<u>15 581</u>	<u>13 381</u>	<u>28 962</u>

Year ended 31 December 2014				
Opening net book amount	-	15 581	13 381	28 962
Additions	57 469	7 581	2 263	67 313
Depreciation charge	(6 774)	(6 740)	(1 465)	(14 979)

Closing net book amount	50 695	16 422	14 179	81 296
-------------------------	--------	--------	--------	--------

Equipment is initially measured at cost less accumulated depreciation and impairment losses. Repairs and maintenance costs are recognised in the income and expenditure statement as incurred.

Depreciation is provided on a straight line basis on the carrying amount of the asset over its estimated economic useful life. The Trusts estimates economic lives of plant and equipment as follows:

Furniture and fittings	10 years
Computers and office equipment	3 years
Motor vehicles	4 years

		Restated
	2014	2013
	US\$	US\$
7. ACCUMULATED SURPLUS/ (DEFICIT)		
Opening balance as at 1 January	(589 438)	(308 672)
Surplus (deficit) for the year	829 238	(280 766)
Closing balance as at 31 December	239 800	(589 438)

		Restated
	2012	2013
	US\$	US\$

13. CORRECTION OF PRIOR PERIOD ERROR

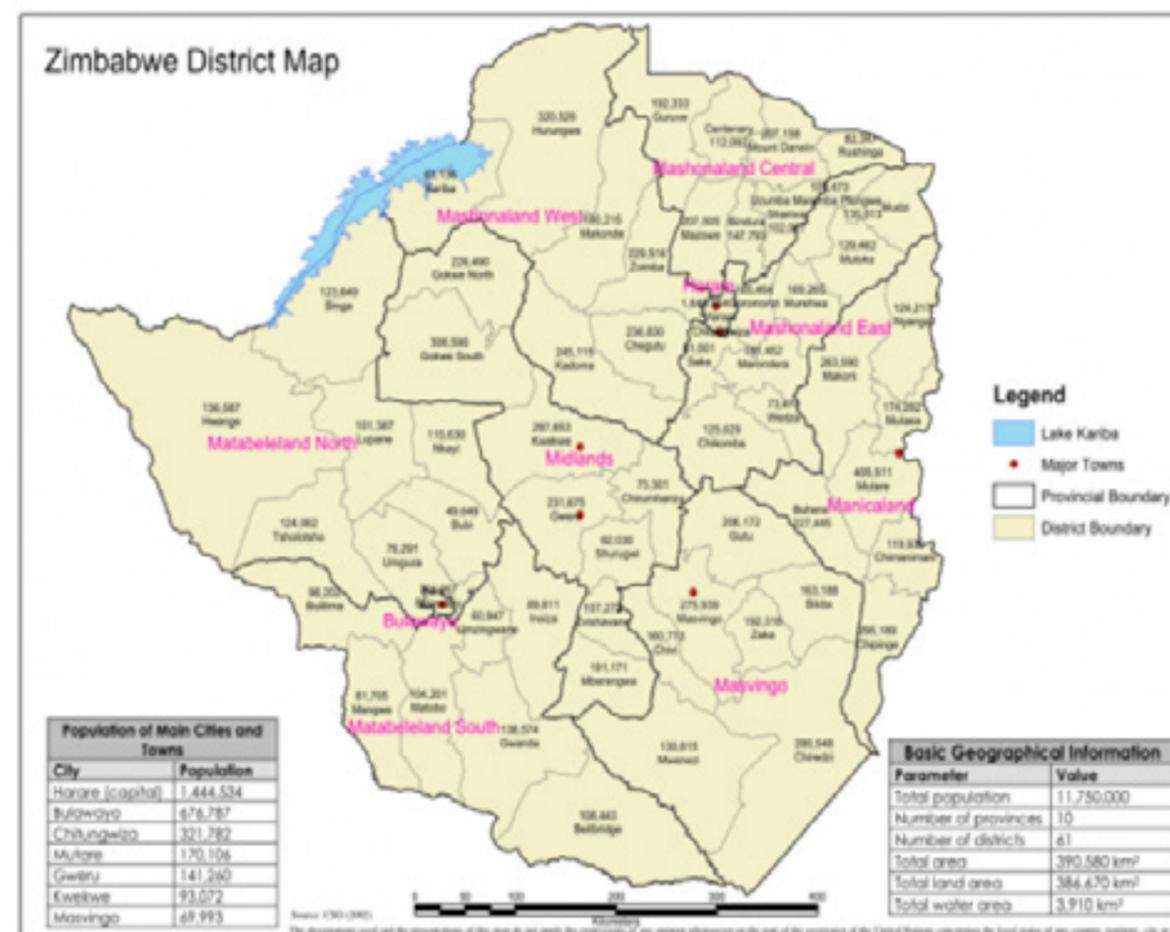
Funds receivable from HIVOS were incorrectly accounted for in the statement of financial position for the year ended 31 December 2013. This error has been corrected retrospectively and comparative figures have been appropriately restated. The effect of the correction of the error on the results for 2013 is as follows:

Increase in funds receivable from HIVOS	8 734 795
Increase in the revolving fund	8 734 795

14. TAXATION

The Income earned by a non-profit making organisation of a public character is exempt from corporate tax as provided for by the Income Tax Act (Chapter 23:06), Section 14, Third Schedule sub—paragraph 2L. ZADT being a non—profit making organisation has not provided for corporate tax on this basis. Subsequently, a tax exemption application was made to Zimbabwe Revenue Authority (ZIMRA) in December 2014 for confirmation of this status and it is expected that the. Zimra will make a determination on this tax exemption application during the first quarter of 2015.

Map of Zimbabwe





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