

ZADT

Zimbabwe Agricultural
Development Trust

2017

ANNUAL REPORT



Our Vision

To be the most preferred and innovative financial partner for sustainable development of smallholder farmers.

Our Mission

To strengthen smallholder agriculture and rural economies by financing market driven activities.



Performance Highlights as at 31 December 2017



**Fund utilization position
at year end**

US\$23.4m*



Disbursing banks

8



**Disbursing Micro Finance
Institutions (MFIs)**

5



**SHFs benefitting through linked
Value Chain Actors (VCAs)**

29,693



**SHFs accessing credit through
disbursing MFIs**

6,686



**Agricultural commodities supported
during the year**

18

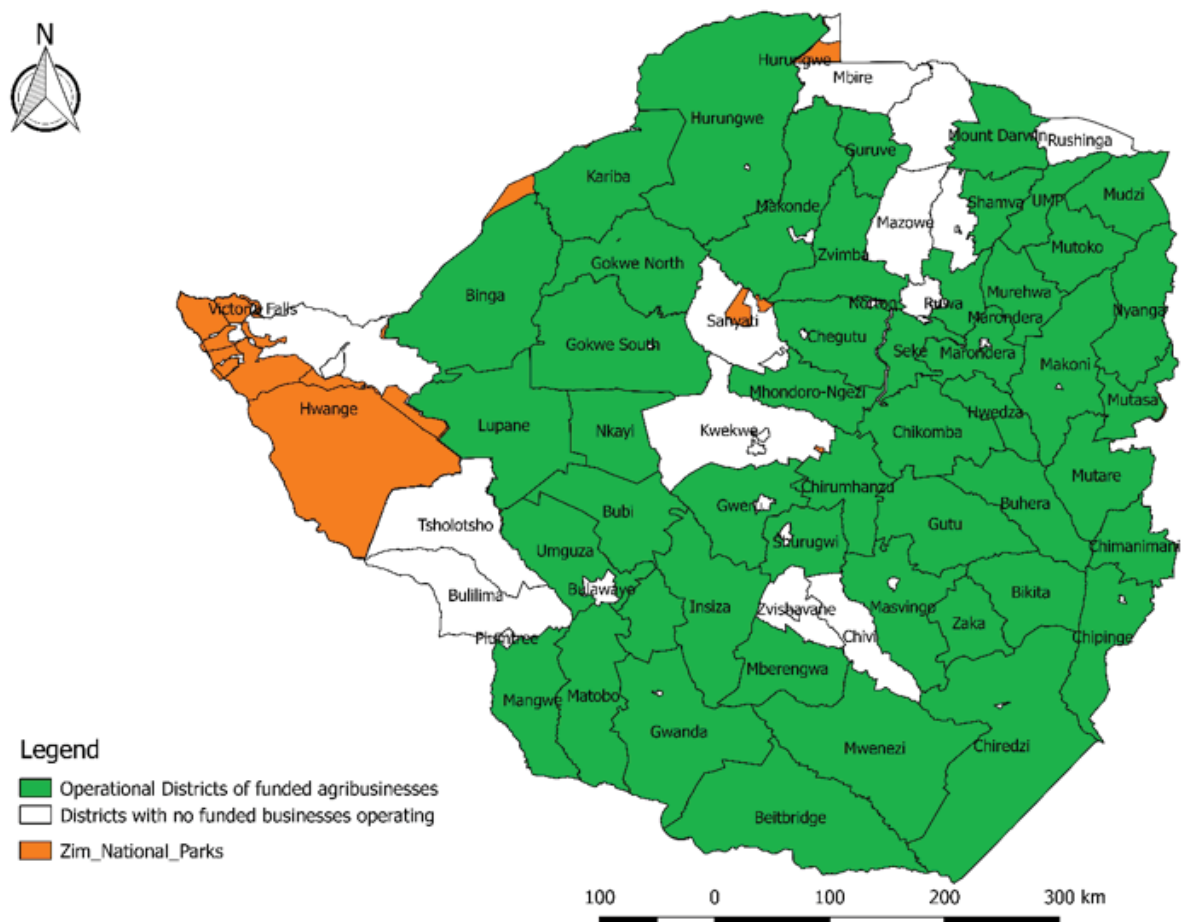


Financial products developed

5

*Made up of outstanding loans (US\$22.4million) and loan guarantees (US\$1million)

Distribution of districts where VCAs funded in 2017 were operating

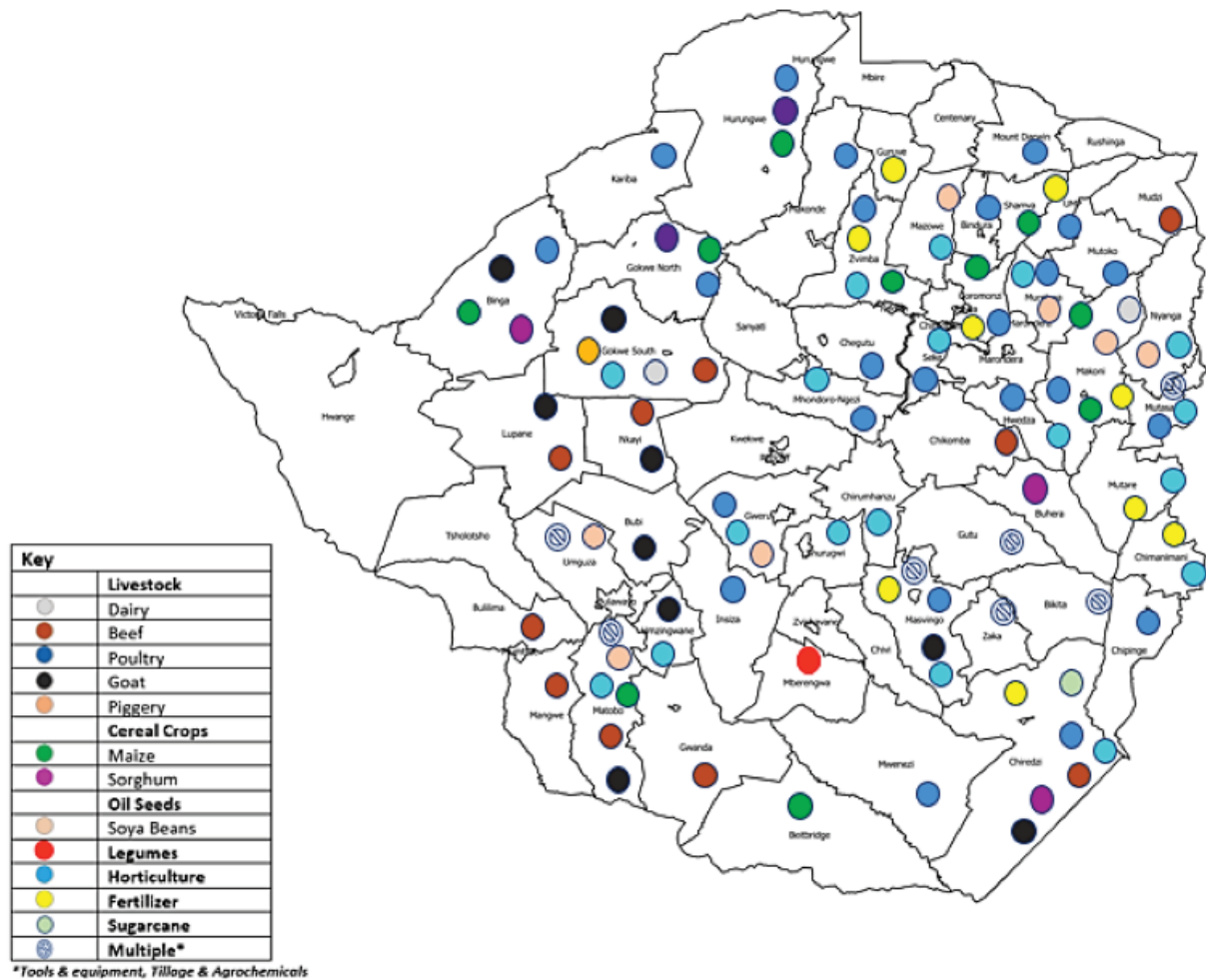


The map shows districts where Value Chain Actors funded in 2017 were operating. The distribution indicates that the Value Chain Actors borrowing from the CREATE Fund are operating in over 80% of rural districts in Zimbabwe. This shows that the Fund has reached out to a greater portion of smallholder farmers in Zimbabwe.



Reaching out and improving productivity of smallholder farmers is the core objective of ZADT

Distribution of commodities supported by Value Chain Actors funded in 2017



Smallholder farmer supported by an MFI for beef production in Chiredzi District, Masvingo.



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Impact highlights



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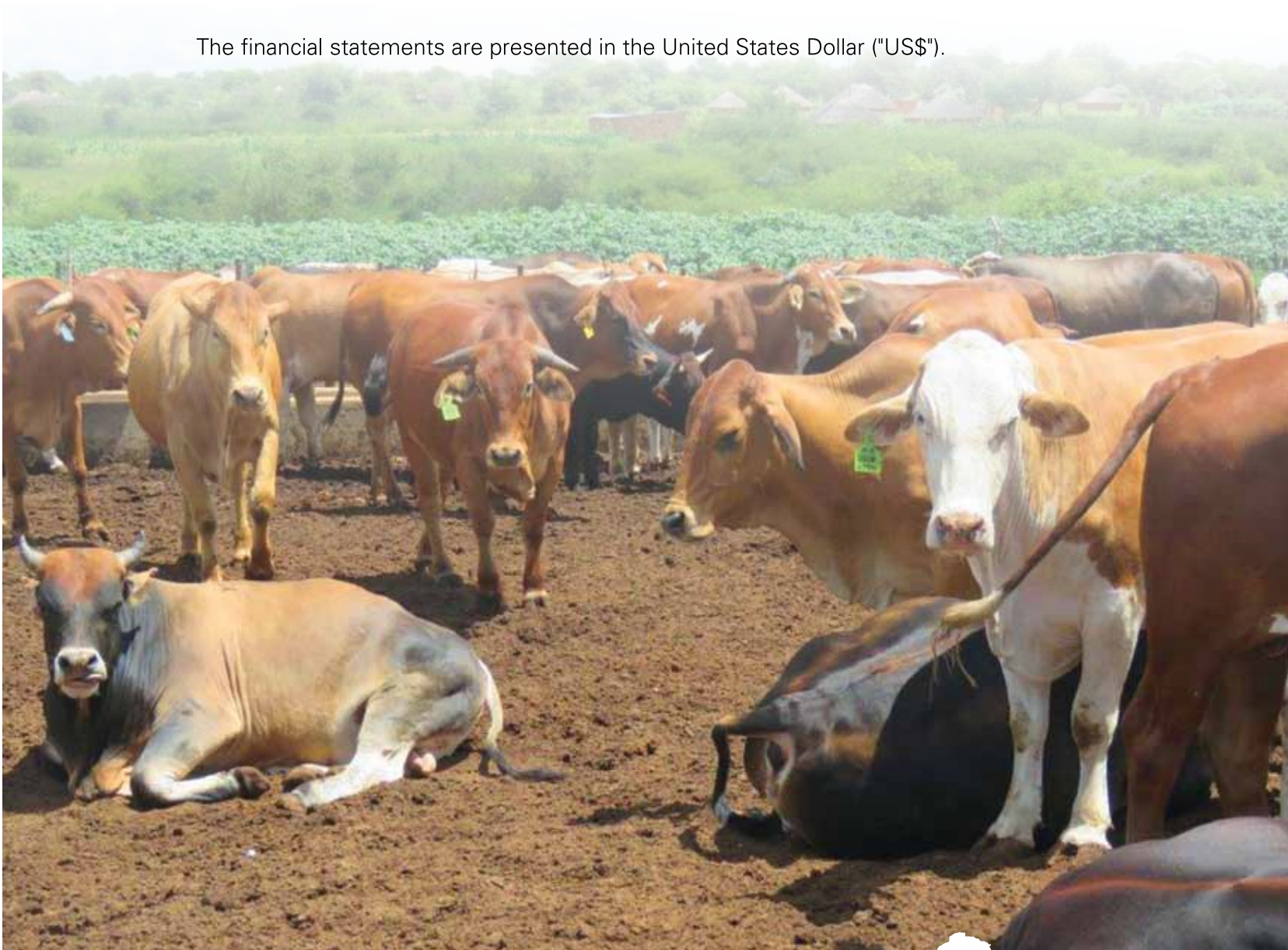
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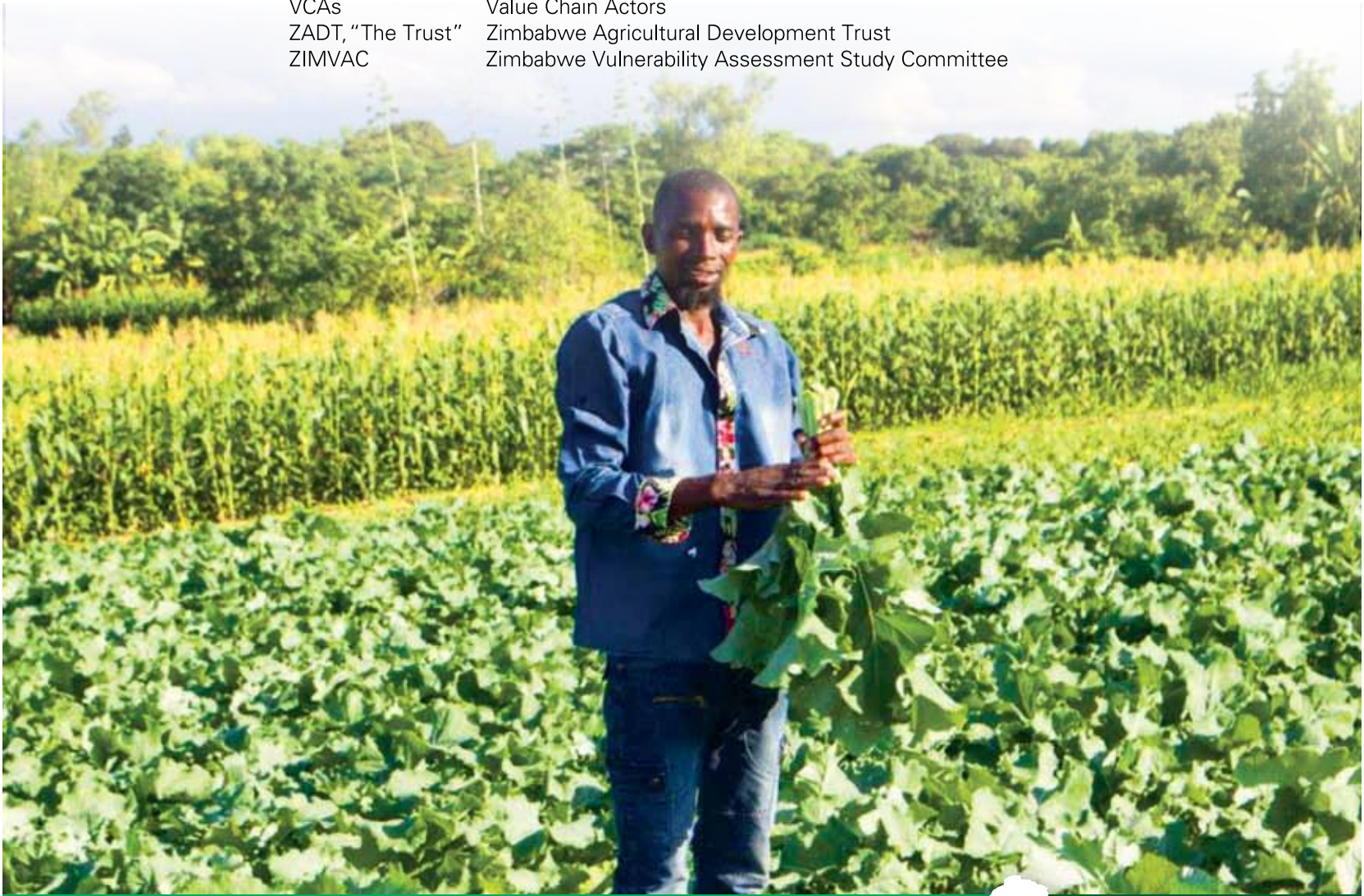
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The financial statements are presented in the United States Dollar ("US\$").



Acronyms and Abbreviations

ACT	Access to Clean Technology
AusAID	Australian AID
BDCs	Business Development Consultants
CAPEX	Capital Expenditure Facility
CEO	Chief Executive Officer
CREATE	Credit for Agricultural Trade and Expansion
CSA	Climate Smart Agriculture
DANIDA	Danish International Development Agency
DfID	Department for International Development
Hivos	Humanistic Institute for Cooperation with Developing Countries
ICT	Information & Communication Technology
IFS	Inclusive Financial Services
MFI	Micro Finance Institution
NPL	Non-Performing Loan
NSSA	National Social Security Authority
OSS	Operational Self Sufficiency
PFIs	Participating Financial Institutions
PPG	Pro Poor Growth
RBZ	Reserve Bank of Zimbabwe
SDG	Sustainable Development Goals
SHFs	Small Holder Farmers
SMEs	Small to Medium Enterprises
SNV	SNV Netherlands Development Organization
VCAs	Value Chain Actors
ZADT, “The Trust”	Zimbabwe Agricultural Development Trust
ZIMVAC	Zimbabwe Vulnerability Assessment Study Committee



Executive Summary

The year 2017 was generally characterized by good rains which translated into a good harvest of most agricultural commodities. Increased production was realized on the back of various support programmes from both government and the private sector. The ZADT also supported smallholder farmers in both crop and livestock enterprises through participating financial institutions comprising of eight commercial banks and five microfinance institutions. Despite some challenges faced, the Trust managed to disburse US\$16.7 million through a total of 22 value chain actors. These supported agribusinesses were linked to a total of 36,379 smallholder farmers of which 29,693 were linked to VCAs and 6,686 directly through MFIs. These smallholder farmers were distributed in 80% of the rural districts. Cumulatively since inception to 31 December 2017 a total of 420,643 smallholder farmers have since been supported.

ZADT conducted two important reviews during the year. Both reviews were facilitated by QVARTZ', a Danish Management Consulting firm and these included reviews of the ZADT disbursement model and development of a five-year strategy for the period 2018 to 2022. The Secretariat has already started implementing some initiatives as per recommendations from these reviews. The Trust added three more financial products through which funds were disbursed to eligible agribusinesses. These included two products under the Green growth initiative namely Climate Smart Agriculture (CSA) and Access to Clean Technology (ACT). The ZADT was also able to leverage on the product offering through microfinance institutions who were providing access to finance directly to smallholder farmers.

The major crop commodities supported in 2017 were sugarcane, soyabeans, horticulture and maize whilst in the livestock subsector major livestock categories supported were poultry, beef and stock feeds. Poultry had the highest share of the value of disbursements among the livestock category with women constituting 44% of the beneficiaries.

Several impact assessments conducted during the year confirmed that smallholder farmers linked to funded value chain actors enjoyed positive benefits from their farming activities. These assessments included the annual longitudinal impact study, poultry value chain assessment, beef value chain study and a gender study. Profiling activities of funded projects were also done to demonstrate smallholder farmer benefits from the Fund. Major benefits derived by smallholder farmers from the ZADT's Credit for Agricultural Trade and Expansion (CREATE) Fund included increase in household incomes. The increased incomes helped smallholder farmers to pay for school fees for their children, meet overall welfare of their families, purchase productive assets such as motor vehicles, cattle, household goods and farming equipment.

The CREATE Fund also had an impact on the borrowing businesses themselves which included among other things growth in turnover, employment creation as well as increased capacity utilization.

Financially the Trust performed very well, posting a positive surplus of US\$563,939 which was 11% higher than the 2016 level. This was achieved notwithstanding the challenges faced due to a generally difficult economic operating environment. The Trust employed four Business Development Consultants (BDCs) during the year to help in improving Fund uptake. Out of the 26 agribusinesses which were assisted in developing business plans for submitting to disbursing financial institutions only 31% were approved for funding. Performance of the business development consulting initiatives were therefore not very satisfactory.

In terms of governance, some significant changes took place during the year. These included retirement of two board members including former Board Chairperson whose tenures came to an end in May 2017. These members were replaced by two new members to maintain a total of seven.

1. About ZADT

Founding Partners



Funding Partners



ZADT Business Model



Transactional business model

In the Transactional business model, Value Chain Actors access credit disbursed through commercial banks based on individual analysis of recipient and estimated impact from funding. This funding is also disbursed by Micro Finance Institutions directly to smallholder farmers.

Strategic value chain business model

In the Strategic Value Chain business model, ZADT is taking a longer-term perspective and cooperate with agricultural technical assistance specialists as well as other key partners to cause a structural lift to selected value chains over time and furthermore be in a better position to ensure financial inclusion.



FULL VALUE CHAIN ASSESSMENT

ACTION PLAN AND BUSINESS CASE PREPARED WITH ROLES AND RESPONSIBILITIES



ZADT's primary role is within funding

2. Governance

The ZADT Board of Trustees:

The Board of Trustees is the overseer of the Trust. Their main responsibility is ensuring that the Secretariat discharges the set mandate in line with policy specifications. The ZADT Board is composed of **seven (7)** Trustees, all of whom are non-executive.

The Board set up three (3) committees which ensure guidance is provided to the Secretariat in specific areas including; Credit and Loans Committee, Human Resources and Nominations Committee and Audit Committee. The committees meet at least quarterly unless there are urgent matters which may call for increase in the frequency.

 <p>Naa-Aku Acquaye-Baddoo <i>Acting Chairperson</i></p>	 <p>Mikkel Klim <i>Board Member</i></p>	 <p>Benedict Gilbert Moyo <i>Board Member</i></p>	 <p>Tanja Lubbers <i>Board Member</i></p>
 <p>Leif Reeckmann <i>Board Member</i></p>	 <p>Dorothy Mushayavanhu <i>Board Member</i></p>	 <p>Kumbirayi Katsande <i>Incoming Chairperson</i></p>	 <p>Godfrey Chinoera <i>Executive Board Member</i></p>

2. Governance continued

Roles of Management

Chief Executive Officer (CEO) – Responsible for overall progress toward the achievement of ZADT's mission. The CEO is responsible for 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. The CEO also ensures that the Trust supports initiatives that can both generate value for agribusinesses and take smallholder farmers and small business owners out of poverty.

Finance and Administration Manager - Responsible for the overall financial management and administration of the ZADT. The Finance and Administration Manager is also responsible for alignment of Human Resources strategy providing HR support at all levels of the organization. She also ensures effective internal control systems, communication technology management, budgeting and financial reporting.

Business and Market Development Manager - Responsible for establishing and managing relationships with the selected (partner) disbursing financial institutions. He also develops business relationships and markets for the Trust Funds and manages the operational tasks of the Trust, ensuring that the lending institutions adhere to the goals and overall objectives of the Funds and reports on the impact of the Funds in line with the objectives of the Trust. He is also responsible for ensuring fund preservation and growth of the revolving funds for the ZADT to ensure sustainable provision of direct and indirect support for smallholder farmers.

Senior Monitoring and Evaluation (M&E) Officer - The purpose of this job is to ensure that the organization maintains its strategic vision and that its activities result in the achievement of intended outputs in a cost effective and timely manner through the design and implementation of Monitoring and Evaluation activities for its all operations. The Senior M&E Officer is therefore responsible for all monitoring and evaluation activities across the delivery tiers from disbursing financial institutions, borrowing agribusinesses and beneficiary smallholder farmers.

Management



Godfrey Chinoera
Chief Executive Officer



Caroline Mangezi
Finance & Administration Manager



Morris Mudiwa
Senior Monitoring & Evaluation Officer



Fortunate Vengesai
Business & Market Development
Manager





3. CHAIRPERSON'S REMARKS

"As the ZADT, we greatly appreciate contributions from our funding partners; the Danish International Development Organization ("DANIDA"), the United Kingdom's Department for International Development (DfID) and the Ford Foundation. Appreciation also goes to The Royal Netherlands Embassy and Australian Aid (AusAID) for providing the initial seed capital that was used to establish the ZADT. My sincere appreciation also goes to my fellow members of the Board of Trustees, Management and staff of the ZADT for the good work done in 2017"

Naa-Aku Baddoo-Acquaye
Acting Board Chairperson

The Zimbabwe Agricultural Development Trust (ZADT) administers an agricultural value chain financing facility since 2012. The facility which is currently accessed through selected commercial and microfinance institutions has the objective to ultimately benefit smallholder farmers in the country. The Fund, which was initially established to mitigate the effects of the funding gap caused by the global liquidity crunch provided much needed relief to agribusinesses whose operations could have been brought to a standstill. As the liquidity of the banks has improved, ZADT continues to review its service offering to identify emerging gaps which can be financed from the Fund. It is with pride that the Trust can look back and see how the Fund has helped 200 agribusinesses linked to 420,643 smallholder farmers over the years. Through linkages with funded VCAs, smallholder farmers in various districts of the country have realized significant livelihood improvements. The positive impact that has been recorded on the livelihoods of thousands of smallholder farmers would not have been possible without the contributions from these financial and funding partners.

In terms of governance some significant changes took place during the year. Two members of the Board retired. These are Mr. Mbekezeli Mthunzi who was the Board Chairperson and whose tenure came to an end in May 2017 following recommendations to reduce the number of members representing SNV, from two to one. SNV, a founding member of the Trust has been having two members on the Board. The other member who left the Trust Board is Mr. Nyasha Makuvise who chaired the Credit and Loans Committee. Mr. Makuvise left the Board at the end of the year due to other pressing commitments. I would like to take this opportunity to thank these members for their contributions to the success of the Trust and wish them well in their other endeavors. These members were replaced by Tanja Lubbers from Hivos and Mr. Kumbirayi Katsande. Hivos is a founding member of the Trust and has an institutional seat reserved. Mr. Katsande is an independent member from the Private Sector.

The Board and its respective Committees met every quarter to provide the necessary oversight to the Secretariat. Out of the three Committees it was only the Credit and Loans Committee which met more often during the year necessitated by the need to consider and approve funding proposals received from participating financial institutions. ZADT continues to review policies that have been put in place to guide programme implementation.

Two important programme reviews were done during the year. Both were facilitated by Quartz, a Danish Management Consulting firm as a pro bono service. The first was a review of ZADT disbursement model to establish more innovative ways of disbursing the Fund. This took place in Quarter 1 of 2017. I am happy to say that the Trust has identified and started implementing some of the initiatives arising from that review. The Trust has adopted other products that include guarantees, equity and bonds. In Quarter 4 ZADT developed a five-year strategy for the period 2018 to 2022. I am happy to report that the Board has approved the strategy and the Secretariat has already started implementing the initiatives.

Once again, the Trust managed to post a surplus from its lending activities. The surplus is for meeting the operational expenses of the Trust. Total Income for 2017 amounted to US\$1,509,562 against total costs of US\$945,623 resulting in a surplus of US\$563,939. The Operational Self Sufficiency (OSS) Ratio for 2017 was 1.60. This is an income to cost ratio which measures the extent to which income covers costs, a measure of sustainability. With the adoption of other blended financing options, I am hopeful that the Trust will significantly improve on Fund uptake in 2018.

As ZADT Board, we greatly appreciate contributions from our funding partners; the Danish International Development Organization ("DANIDA"), the United Kingdom's Department for International Development (DfID) and the Ford Foundation. Appreciation also goes to The Royal Netherlands Embassy and Australian Aid (AusAID) for providing the initial seed capital that was used to establish ZADT.

My sincere appreciation goes to my fellow members of the Board of Trustees, Management and staff of the ZADT for the good work done in 2017. I wish continued success to ZADT family and all its partners as we, together, continue in our noble efforts, to make a positive and lasting contribution to livelihoods of smallholder farmers.

Naa-Aku Baddoo-Acquaye



Acting Board Chairperson



4. MESSAGE FROM THE CEO

"The cumulative reach to smallholder farmers since inception of the CREATE Fund stood at 420,643 as at 31 December 2017. As far as livelihoods of these smallholder farmers is concerned several assessments conducted during the year confirmed that smallholder farmers linked to funded value chain actors enjoyed positive benefits from their farming activities."

Godfrey R. Chinoera
Chief Executive Officer

The ZADT continues to be relevant in the Zimbabwean Agricultural Sector by providing value chain financing to both agribusinesses and smallholder farmers. In terms of total funds disbursements, The Trust disbursed a total of US\$16.7 million, down from US\$21 million in 2016. ZADT however continues to respond to challenges in fund uptake by reviewing its terms and conditions. Two major reviews were done during 2017. In Quarter 1 the Trust engaged the services of a Danish Management Consulting firm, Qvartz, to review the Fund Disbursement Model. The review was quite comprehensive as the team consulted all the stakeholders that are in the Disbursement Model including the ultimate target beneficiaries who are the smallholder farmers. Recommendations were crafted which the Trust adopted for implementation. In Quarter 3 the firm deployed another team which facilitated the crafting of a five-year strategy for the period 2018 to 2022. This took into account initiatives which had been developed and recommended during Quarter 1. Both reviews resulted in the adoption of more innovative ways to disburse funds. These include a cocktail of options over and above the traditional transactional based lending. The blended options include risk sharing mechanisms such as guarantees, equity financing and bonds. In addition to that the ZADT is entering into strategic partnerships with development organizations working with our target clientele.

As part of the 2017 initiatives, ZADT developed additional financial products which were under piloting pending launch in Quarter 2 of 2018. These include the Climate Smart Agriculture (CSA) and Access to Clean Technology (ACT) products under the Green theme. De-risking instruments were also developed for financial institutions underwriting loans to value chain actors. The Trust is yet to experience the impact of these initiatives on the demand for finance. The overall Fund size has remained unchanged as the priority for the Trust was on product development and subsequent increase in fund uptake. New disbursements for the year supported businesses of 22 value chain actors of which 45% were new borrowers while the rest were rollovers. The main value chains which were supported during the year remained stock feeds, beef, maize, poultry and horticulture.

Changes in the distribution channels were only in the MFIs where the Trust added two more to the stable making a total of five (5) MFIs. Disbursements to MFIs in 2017 were 14.1% of total disbursements whilst in the outstanding loan book exposure, MFIs constituted 12.4%. The Trust, in its strategic vision for the period 2018 to 2022 would like to grow the share of the Fund disbursed through MFIs to 20%.

In terms of impact of the fund in 2017 the total number of smallholder farmers who benefitted from the Fund disbursements was 36,379. This represented a 24.9% reduction from the 2016 figure of 48,458. The 2017 total figure of smallholder farmer beneficiaries was made up of 29,693 who benefitted through linkages with funded value chain actors and 6,686 (18.4%) who benefitted directly through credit from MFIs. The cumulative reach to smallholder farmers since inception of the CREATE Fund stood at 420,643 as at 31 December 2017.

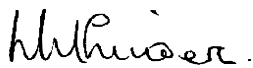
As far as livelihoods of these smallholder farmers is concerned several assessments conducted during the year confirmed that smallholder farmers linked to funded value chain actors enjoyed positive benefits from their farming activities. These included annual household agricultural incomes. Assessments included the annual longitudinal impact study, the poultry assessment and beef value chain study. A gender study was also conducted to capture how the Trust activities are inclusive. All the studies done came along with recommendations which the Trust will include in the 2018 work plan. Profiling activities done during the year also demonstrated how smallholder farmers benefitted from linkages with funded businesses. These were supplemented by individual testimonies.

One key finding from the longitudinal study was on women participation in funded value chain programmes. The results indicate that women were more dominant compared to their male counterparts. A total of 51.6% of the smallholder farmers that accessed the CREATE facility through funded agribusinesses were women. This is in line with the Sustainable Development Goal (SDG 5) of promoting gender equality and women empowerment. Future activities in the area of development finance will place more focus on cross cutting issues including gender.

Our reach has been spread to all parts of the country as VCAs and MFIs on the outstanding loan book were operating in 80% of the districts. The Trust still continue to ensure more and more VCAs in the southern parts of the country access the fund.

The Trust has been able to preserve its Capital Fund. There were no defaults recorded against all loans advanced through the financial institutions. The Trust acknowledges the support of our funding partners who have provided the funds for lending to business for the benefit of smallholder farmers. I would also like to thank the Board of Trustees for the oversight and guidance provided in 2017. Contributions by Secretariat are also greatly appreciated because without their invaluable efforts, ZADT would not have provided the services it did in 2017.

Godfrey R. Chinoera



Chief Executive Officer

5. Background

Introduction

This annual report covers the period 1 January 2017 to 31 December 2017 and is the Trust's primary report to stakeholders. The scope of this report includes highlights of the Trust's performance during the financial year in line with the general outlook of the operating environment, update of the CREATE Fund loan portfolio, highlights on Fund impact on both the smallholder farmers as well as agribusinesses, alternatively referred to in this report as value chain actors. The report also provides updates on development initiatives during the year, external reviews conducted and the audited financial results.

5.1 Performance of 2017 Agricultural Season

The reporting period straddles portions of two agricultural seasons. The period January to March 2017 represents the second half of the 2016/2017 rainy season whilst the period October to December 2017 forms the first half of the 2017/18 season. Generally, the rainfall distribution both in space and time from October 2016 to end of April 2017 was good. By the end of the rainfall season in April 2017, most areas across the country had received normal to above normal rains. However, according to the 2017 ZIMVAC Rural Livelihoods Assessment Report, in mid-February 2017, the southern parts of the country (mainly Masvingo, southern Midlands and the Matabeleland Provinces) were hit by the effects of the tropical depression Dineo, which precipitated flooding that destroyed crops, livestock, property, infrastructure (roads, bridges, dams etc.), worsening the preceding damage from the persistent rains that had been received across the country.

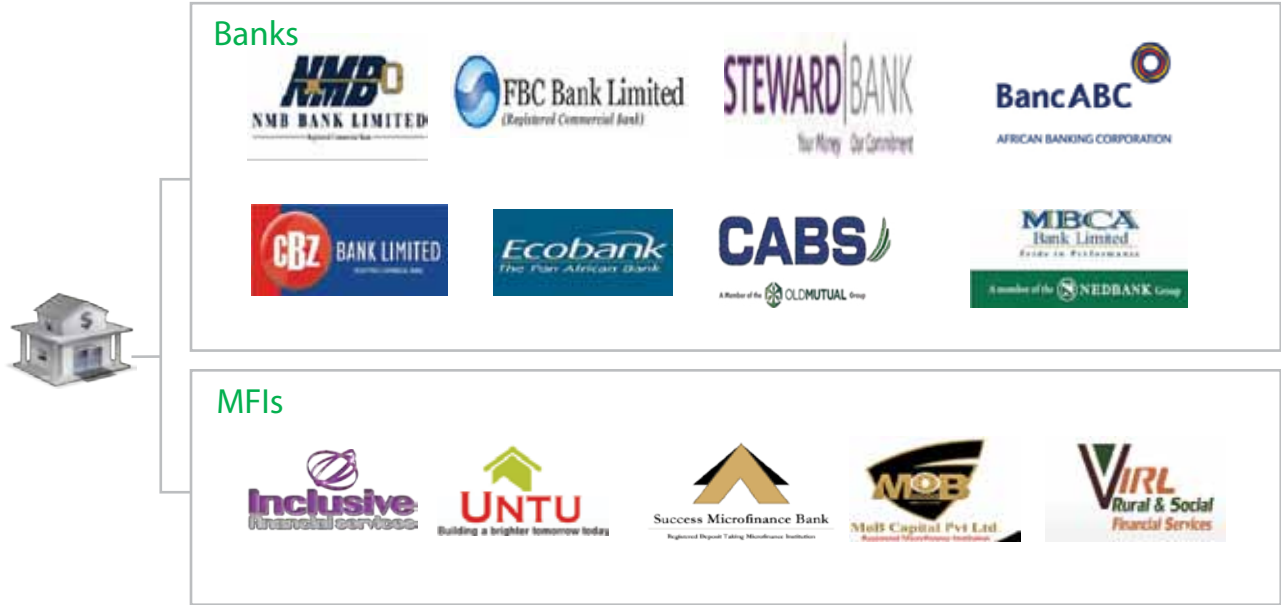
Despite the good rains, the country faced critical shortages of fertilizers as fertilizer manufacturing companies experienced liquidity challenges to pay for raw materials. Notwithstanding the general shortages, reports state that nationally there was a 266% increase in average household cereal production, a 280% increase in average household maize production and a 157% increase in average household small grains production from the 2016/17 season.

The period October to December 2017 saw the start of the 2017/18 rainy season which was characterized by below normal rains. This was in line with the seasonal forecast by the Meteorological Services Department which predicted normal to below normal rains during the first half of the season (October-November-December 2017) and normal to above normal rains during the second half (January-February-March 2018).

6. Overview of the ZADT Fund

ZADT mobilized funds from development institutions to support smallholder agriculture in Zimbabwe. The Trust then established agricultural value chain financing for the ultimate benefit of smallholder farmers. The disbursement model for these funds includes financial institutions comprising of commercial banks and microfinance institutions (MFIs). Since 2012 when the first disbursements were made ZADT has increased the number of financial institutions from three (3) to the current thirteen (13) made up of eight (8) commercial banks and five (5) MFIs, see Figure 1.

Figure 1: ZADT Fund disbursing financial institutions



6.1 ZADT products

Since inception the Fund has been mainly distributed through generic loan products either as working capital or capital expenditure facilities. To improve uptake the Trust has invested in developing a diversified product offering which saw five (5) products being developed and piloted during the year 2017. These are presented in Table 1.



Table 1: Loan products offered by ZADT through Participating Commercial Banks

Product	Purpose
1. Generic Working Capital & CAPEX	General facilities supporting broad range of agricultural projects benefitting smallholder farmers.
2. Climate Smart Agriculture (CSA)	Targets climate change and adaptation by smallholder farmers.
3. Access to Clean Technology (ACT)	Targets climate change and adaptation support systems by agribusinesses and green technology suppliers and distributors.
4. Risk sharing products	De-risking instruments for the financial services sector.
5. Equity financing	Targets existing agribusinesses whose requirements fall between the upper limit of MFI thresholds but lower than commercial bank thresholds to access funding.

ZADT partnered with several MFIs on the back of suites of financial products which they offer for the benefit of smallholder farmers. Some of the products which were offered by MFIs contracted in 2017 are presented in Table 2.

Table 2: Loan products offered to beneficiaries through MFIs

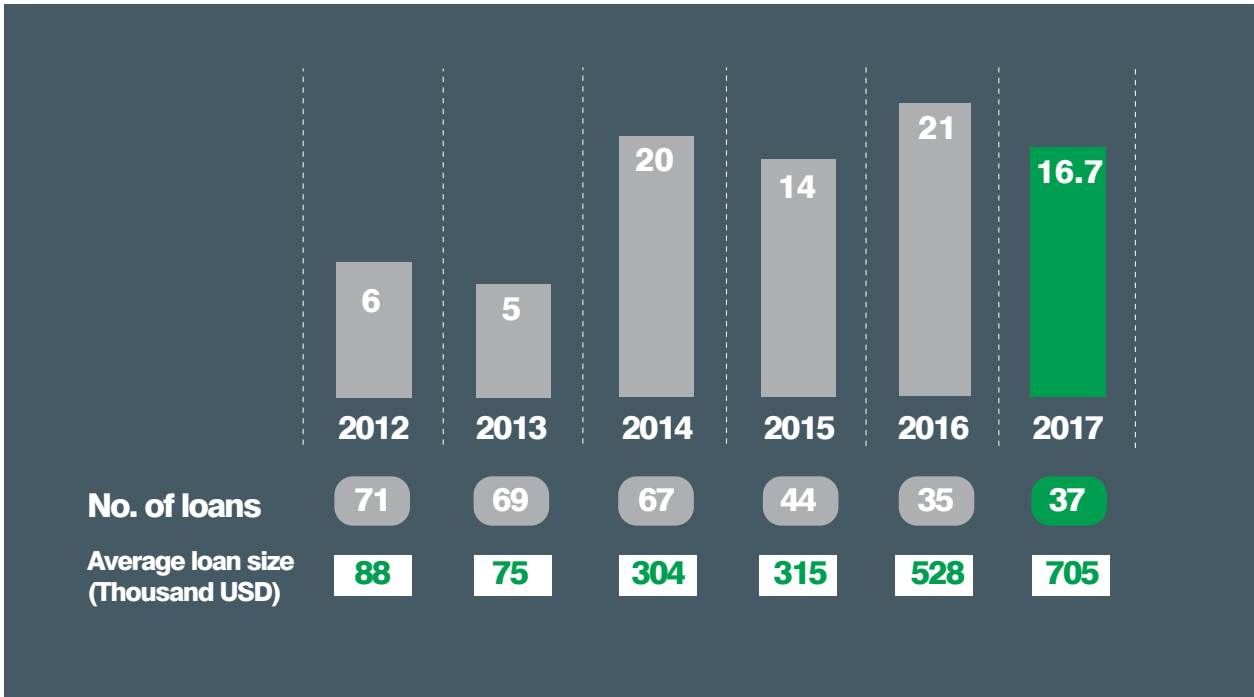
Products	Main components
Micro-Leasing	<ul style="list-style-type: none"> Finance to purchase capital equipment such as ploughs, irrigation systems, fumigation equipment, and so on. Repayments cover both rental and purchase of the equipment, and at end of loan tenor the borrower owns the equipment.
Working Capital Finance	<ul style="list-style-type: none"> Typically, 12 months long loans offered to agro-based small and medium enterprises (SMEs) at affordable rates.
Youth Entrepreneurship	<ul style="list-style-type: none"> Finance for Youth in agriculture at reduced rates. These usually have a bias towards women.
Green Finance	<ul style="list-style-type: none"> Covers funding for farmers, businesses, and households that want to purchase, refurbish, or develop infrastructure, or projects that preserve the environment such as solar systems, biogas digesters and other.
Group lending	<ul style="list-style-type: none"> Funding provided to smallholder farmers organised into groups. Groups help in risk mitigation by financial institutions as farmers in a group co-guarantee each other.

7. CREATE Fund Portfolio Analysis

7.1 Fund Uptake

Annual disbursements for 2017 stood at US\$16.7 million and thus 20% lower than the 2016 level. 2017 therefore becomes the highest since 2012. There continues to be an inverse relationship between number of loans and average loan sizes. The number of loans issued annually has been steadily declining against an increase in average loan size. Disbursing banks seem to continue prioritizing bigger loans more as a strategy to manage costs and returns.

Figure 2: Annual disbursements and placements by loan values, number of loans and average loan sizes



However, the outstanding loan book including guarantees as at 31 December 2017 stood at US\$23.4 million compared to US\$21.9 million in 2016 which represents a 7% increase. The outstanding loan book at the end of the year therefore represented 63% utilization against the available Fund of \$37 million.

Table 3: Cumulative disbursements by loan values

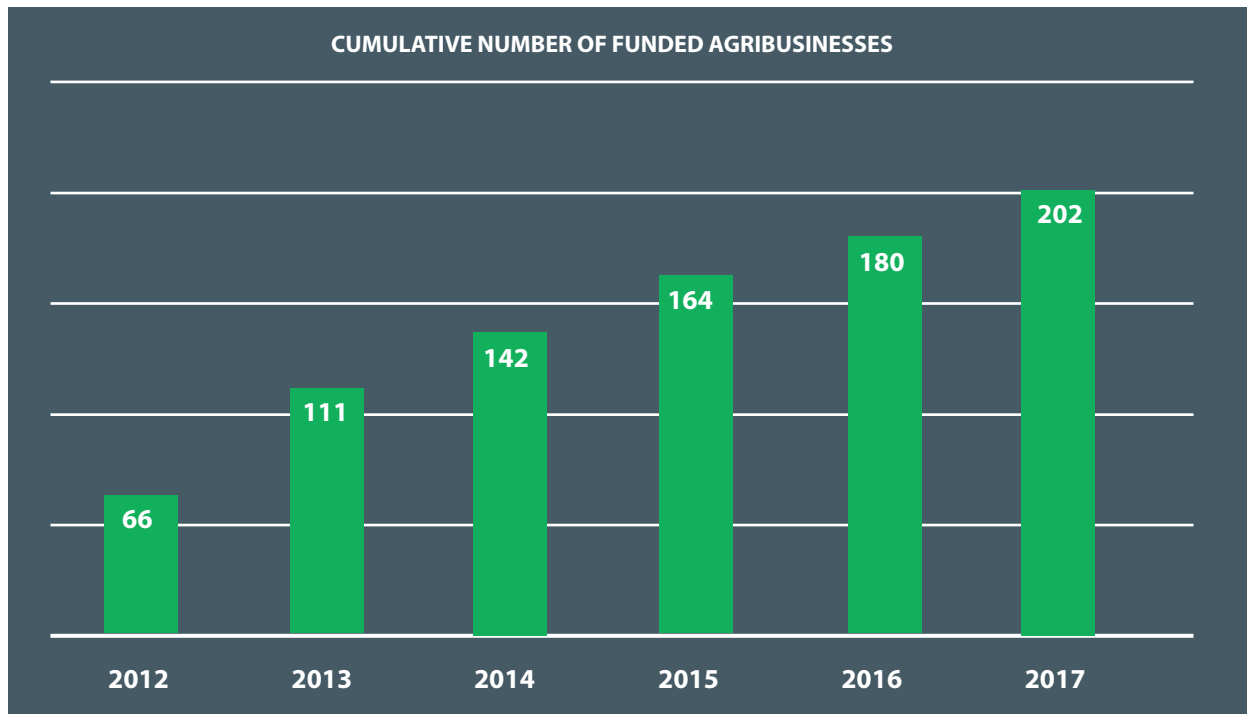
	2012	2013	2014	2015	2016	2017
Cumulative value of loans (Million US\$)	6.1	11.4	31.8	44.1	63.3	77.5
Annual number of loans	71	69	67	44	35	37

Since inception to 31 December 2017, cumulative disbursements have increased significantly over the years. The greatest increase having been experienced in 2014 where an increase of about US\$20 million was recorded. Cumulatively year to 31 December 2017, CREATE Fund loans worth US\$77.5 million have been disbursed translating to 323 loans to 200 value chain actors across the agricultural sector. The cumulative number of disbursed loans has been decreasing significantly as old clients have moved on and new borrowing entities have mainly accessed bigger loans.

7.2 Access to finance by Value Chain Actors

During the year, US\$16.7 million worth of loans were disbursed to 22 value chain actors comprising of 12 VCAs who rolled over or renewed their facilities and 10 who accessed loans for the first time. Cumulatively, the number of VCAs accessing the CREATE Fund therefore stands at 202. Figure 4 presents the cumulative position of number of VCAs who accessed finance from the CREATE Fund from inception to December 2017.

Figure 3: Distribution of cumulative number of VCAs borrowing from the CREATE Fund from inception to 31 December 2017



Access to finance by smallholder farmers through commercial banks continue to be subdued due to the perceived high risk. Nevertheless, some banks are targeting financing smallholder farmers. For example, through CBZ Bank, ZADT facilitated access to finance for about 5,000 smallholder farmers organised into village groups. These groups belong to a rural development organisation known as Intwasa/Pfumvudza working with about 5,000 smallholder farmers in two districts, Murehwa and Makoni.

MFIs continue to reach out to more and more smallholder farmers. The Trust is making deliberate efforts to increase the share of its Funds which are disbursed through MFIs.



Commodities supported through ZADT facility

Table 4: Agricultural commodities supported through banks in 2017

Commodity	Total Loan Value		Number of loans		Total SHFs linked	Female SHFs linked	Proportion of female SHF (%)
	Loan Amount US\$	%	Number of loans	%			
Poultry	7,717,800	40%	7	23%	22,666	9,933	44%
Sugarcane	3,500,000	18%	1	3%	1,038	169	16%
Fertilizers	2,000,000	10%	1	3%	4,073	970	24%
Soya Beans	1,600,000	8%	2	6%	3,979	1,894	48%
Stock Feeds	1,180,000	6%	2	6%	1,063	343	32%
Horticulture	1,100,000	6%	3	10%	830	243	29%
Maize	1,090,000	6%	3	10%	5,600	2,615	47%
Red Sorghum	630,000	3%	2	6%	738	221	30%
Multiple* - Transporters	251,000	1%	2	6%	90	27	30%
Beef	190,000	1%	4	13%	560	198	35%
Multiple* - Tools and Equipment	133,333	1%	1	3%	15,000	4,500	30%
Multiple* - Agrochemicals	70,000	0%	1	3%	275	82	30%
Multiple* - Tillage	47,000	0%	1	3%	100	70	70%
Dairy	2,500	0%	1	3%	70	31	44%
Total	19,511,633		31		56,082	21,296	38%

Table 4 presents a distribution of major value chains supported through loans disbursed by banks to value chain actors as per the outstanding loan book at end of year. About 47% of the outstanding loans in this category fell within the livestock sector namely (beef, dairy, poultry, and stock feeds) compared to 56% in 2016. Out of the 47%, poultry constituted the largest percentage, 40%. In 2016 beef constituted the largest proportion. It is important to note that the number of smallholder farmers benefitting was also highest in the poultry value chain with women constituting 44%. As was the case in 2016 support to the dairy value chain still remains very insignificant both in terms of number of facilities and value. Only one dairy facility was supported through the banks.

Though support to the sugarcane ranked second in terms of loan amount, the number of smallholder farmer beneficiaries (plot holders) was not that high compared to other commodities which had even smaller values of loans. Sugarcane smallholder farmers cultivate larger pieces of land and the commodity is more capital intensive. It is also important to note that each sugarcane smallholder farmer is more of an SME in that each employs several people on both permanent and casual basis.

Support to service related type of commodities was not significant in terms of loan amounts but the reach was high in terms of smallholder farmers. Notable in the reporting period was support to value

¹ Multiple* refers to VCAs that support more than one commodity.

chain actors providing a market for tools and equipment to smallholder farmers. Others were providing tillage services, transport and agrochemicals.

Table 5: Agricultural commodities supported through MFIs as per the outstanding loan book at 31 December 2017

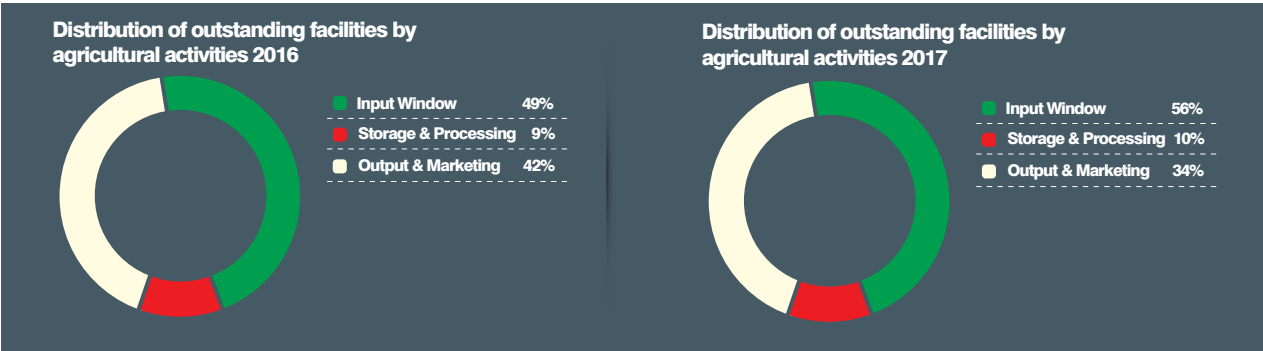
MFIs	Commodities Funded	Loan Amount US\$	Total SHFs linked	Female SHFs linked	Proportion of female SHFs (%)
MFI 1	Horticulture, Beef, Poultry, Goats, Oil Seeds, Legumes, Maize	1,500,000.00	6,590	4,013	61%
MFI 2	Beef, poultry, goats, horticulture	500,000.00	2,062	619	30%
MFI 3	Cattle Fattening, Dairy, Horticulture, Piggery, Poultry	500,000.00	1,000	300	30%
MFI 4	Horticulture (Potatoes)	208,000.00	1,034	310	30%
MFI 5	Poultry	200,000.00	1,000	300	30%
Total		2,908,000.00	11,686	5,542	47%

Table 5 presents value chains that have been supported through loan disbursements by MFIs to smallholder farmers. Poultry and horticulture were almost universal commodities as far as MFI funding was concerned in 2017. Two MFIs only supported a single value chain each under the CREATE Fund portfolio, poultry and potatoes. Beef production is also now a quite popular value chain supported by MFIs. Initially most contracted MFIs were supporting horticulture but all seem to be now covering both crop and livestock enterprises. Support to beef through banks has mainly been in the form of working capital to processors for buying animals from smallholder farmers. However, one of the lessons learnt from dealing with MFIs is that support to smallholder farmers is mainly by working capital for pen fattening. Pen feeding of cattle takes up to 90 days which is normally the tenure of a micro loan facility through MFIs. Smallholder farmers earn more when they pen feed and then sell their cattle than just buying and selling.

Another lesson learnt from supporting beef processors to buy animals from smallholder farmers is that the farmers only sell their animals when they want to finance their pressing financial obligations such as school fees and other social obligations. Such smallholder farmers do not take cattle production as a business enterprise. They just 'keep their animals alive' with minimal investment in breeding or other productivity parameters. Supporting pen fattening projects therefore represents a better livelihood enhancement programme for smallholder farmers.

7.3 Disbursements by agricultural activities

Figure 4: Distribution of outstanding facilities by agricultural activities as at 31 December 2017



The CREATE Fund is accessed through any one of three windows namely Inputs, Output/marketing and Storage/processing. Demand for facilities under these windows normally follows the seasonal calendar. Demand for loans under the Inputs window will be higher towards the onset of the rainy season whilst the Output and Marketing loans processing window normally picks up towards the harvesting period. Storage and processing follows the output/marketing period. Distribution of outstanding loans in 2017 was similar to the situation in 2016 where the highest proportion of loans was in the inputs category followed by the output window. There was no significant change in the proportion of loans under the storage window.

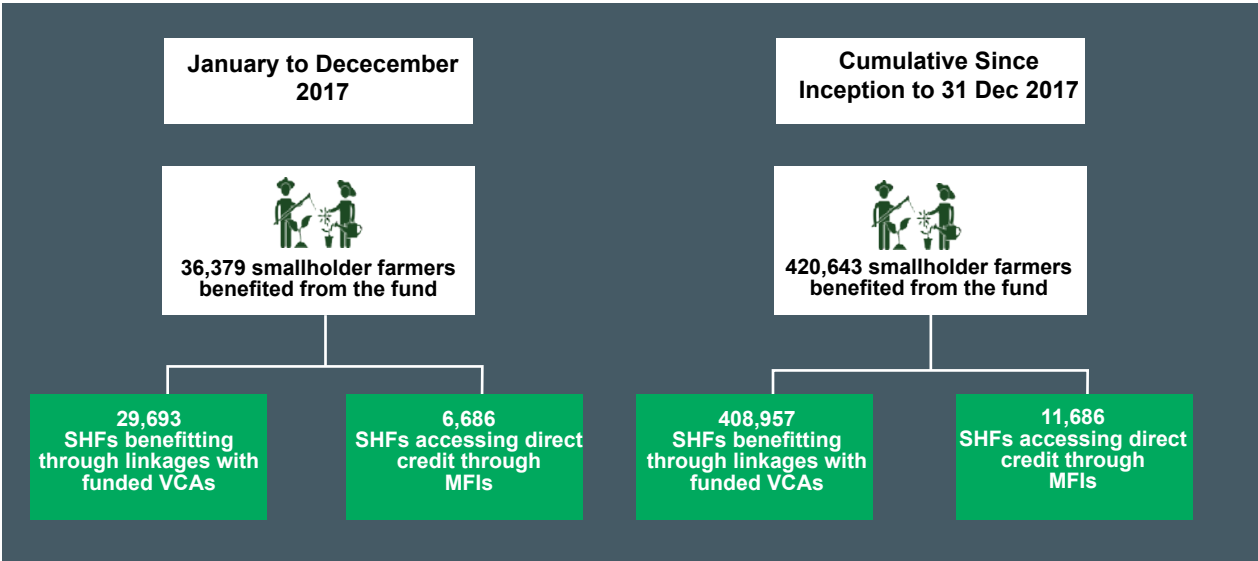
7.4 Fund preservation

The ZADT managed to preserve the Fund as there were no defaults on borrowed funds by disbursing financial institutions in 2017. Non-Performing Loans (NPL) rate for the whole banking sector closed the year at 7.08% down from 7.87% in 2016 against an RBZ target of 5%. There was also about 2% growth in the fund from \$37,048,313 in 2016 to \$37,603,514 in 2017. The growth was from excess income above operational costs of running the Trust which was then ploughed into the Capital Fund.



7.5 Smallholder farmers linked to funded intermediaries

Figure 5: Smallholder farmers benefitting through VCAs and through direct loans from MFIs



As presented in Figure 6, the total number of smallholder farmers who benefitted from the Fund disbursements in 2017 was 36,379. This represented a 24.9% reduction from the 2016 figure of 48,458.

As far as the cumulative since inception position is concerned, as at 31 December 2017, a total of 420,643 smallholder farmers had been supported. These were made up of 408,957 benefitting through linkages with funded VCAs whilst 11,686 were accessing credit directly through MFIs. The cumulative figure includes both repeat and new smallholder farmers reached since inception to 31 December 2017.

8. Fund Impact

8.1 Highlights from the Longitudinal Sentinel Study

The Trust conducted a longitudinal study in 2017 to determine the impact of the Fund on smallholder farmers. The Sentinel Survey is an impact assessment conducted in order to quantify the effect of the Fund on farmers’ agricultural production, asset accumulation, income, food and nutritional security. The sampled farmers were from eight value chains supported through the Fund.

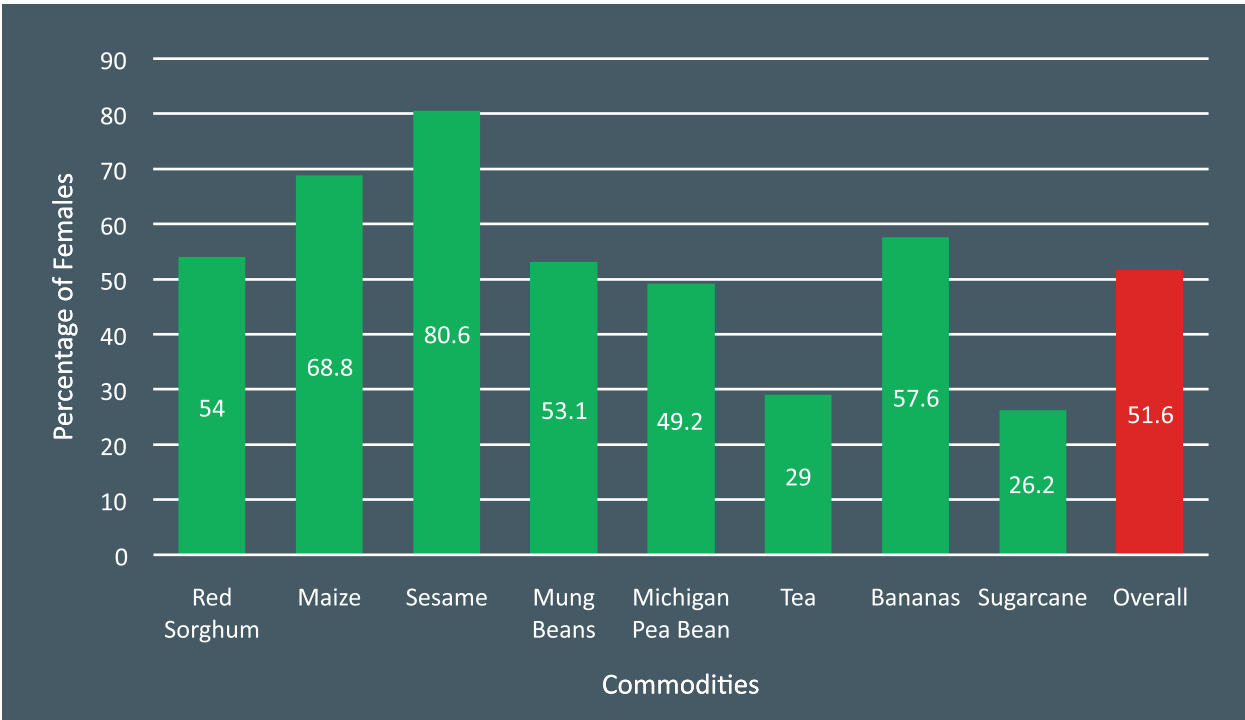
The study results revealed that the value chain financing facility accessed by agribusinesses and smallholder farmers through the selected financial institutions contributed to improving the welfare (livelihoods) and income of farmers. The CREATE Fund also improved smallholder farmer’s access to credit, particularly for women as shown in **Figure 6**

Women participation in value chains supported through funded VCAs

Figure 6 shows female participation in the credit facility programs from different value chains. The results indicate that women were more dominant compared to their male counterparts. A total of 51.6% of the smallholder farmers that accessed the CREATE facility through funded agribusinesses were women. This resonates with the Sustainable Development Goal (SDG 5) of promoting gender equality and women empowerment.

Women were less involved in tea (29%) and in sugarcane production (26.2%), indicating that women are not yet actively involved in these value chains, see Figure 6. As such there is need for programs and interventions which also empower women in these value chains so that they can also benefit from the high incomes. Sesame value chain was dominated by women (80.6%) with only about 20% males having borrowed. Sesame production is labour intensive and involves several conditions that make the crop less attractive to men e.g. exposure to birds which makes it require more attention and monitoring.

Figure 6: Participation of women in funded value chains through VCAs



Annual income generated by smallholder farmers (all sources)

Table 6 presents average annual household income figures for sampled farmers in descending order by value chain. The value chain where farmers had highest average household incomes was sugarcane which was more than twenty-five times the second in rank, tea. As highlighted earlier sugarcane is capital intensive compared to other value chains. Sesame, Michigan Pea Beans and maize had the lowest earnings compared to the others. When income from sugarcane is excluded, the average agricultural income was US\$2,069.42 per household. The Table also shows an inverse relationship between women participation and earnings from value chains. Participation of women is lower in value chains with higher incomes. The Secretariat therefore plans to introduce strategic initiatives towards business development and product development in order to improve involvement of women in profitable value chains.

Table 6: Level of annual income generated by smallholder farmers

Districts	Commodity	Sample Size	Economic agricultural income (US\$)	Total off-farm income (US\$)	Total household income (US\$)	Proportion of women who borrowed (%)
Chiredzi	Sugarcane	65	136,845.39	7,193.17	144,038.56	26.2
Mutasa	Tea	66	4,017.93	1,379.91	5,397.84	29.0
Chipinge	Bananas	65	3,366.34	610.95	3,977.29	57.6
Mt Darwin	Mung Beans	63	2,395.84	897.14	3,292.98	53.1
Binga	Sorghum	64	2,281.10	763.41	3,044.51	54.0
Chiredzi	Sesame	64	941.50	1,183.63	2,125.13	80.6
Buhera	Michigan	63	940.92	1,012.17	1,953.10	49.2
Murehwa	Maize	63	542.34	833.46	1,375.80	68.8
Mean (All Commodities)		513	18,916.42	1,734.23	20,650.65	52.3
Mean (Excluding Sugarcane)		448	2,069.42	954.38	3,023.81	56.04

Other highlights

Whilst 51.6% of the farmers that obtained inputs credit through CREATE funded VCAs were women, youth participation was very low, less than 10%. This means the CREATE Fund improved smallholder farmer's access to credit, particularly for women but more effort is needed to ensure youth participation.

Farmers linked to VCAs which received funding from the CREATE Fund had better access to extension support services as 42% of them obtained additional extension support from borrowers over and above government extension support services that were provided to all farmers.

43% of the crops sales were from value chains supported by the CREATE facility. Crops sales that were channelled through VCAs funded under the CREATE facility contributed 58% of total crop revenue generated in 2016/17 season. This means CREATE funded businesses were instrumental in creating a stable, viable and guaranteed market for smallholder farmers.

Access and volume of the credit obtained under the CREATE funded programmes had positive effects on dietary diversity and food consumption. Productivity of crops grown under contract to funded VCAs was negatively affected by late disbursement of inputs. Farmers were not impressed with the performance of new or emerging value chains such as mung beans and sesame which they said needed a lot of extension backstopping unlike commonly grown crops such as maize, sugar beans, sorghum and groundnuts which the farmers are used to growing.

8.2 Impact stories as narrated by smallholder farmer beneficiaries themselves.

In 2017 ZADT managed to visit and interview some of the farmers benefitting through participating commercial banks and MFIs. The farmers had an opportunity to describe their experiences with the CREATE Fund focusing on successes, lessons learnt and challenges faced. These farmers were visited in Chinhoyi, Chiredzi and Gokwe. The following are brief testimonials from some of the smallholder farmers.

Sarah Mtisi - Founding Director

"We were renting a small place in the industrial area where at first we would use shovels and sticks to mix the feed in a bath tub. We then acquired a small mixing machine which helped us for some time. However, with the increase in demand for our products, the mixing machine became too small for our operations. Thanks to Steward Bank and ZADT, we managed to acquire an industrial stand and processing machinery. The new machinery has improved our production significantly as we can now produce 2 to 3 tonnes of feed pellets per hour"

INCREASED PRODUCTION CAPACITY THROUGH A CAPITAL EXPENDITURE FACILITY

Packzone Investments accessed a CREATE Fund Capital Expenditure Facility through Steward Bank in 2015. The client testified how the facility has assisted the business in boosting overall production and revenues. The loan was used to establish a stock feeds milling and pelleting plant.

The company director also mentioned that the increased processing capacity had led to higher demand for grain which was sourced from smallholder farmers. Through support provided by the loan facility the company managed to increase their reach to smallholder farmers by expanding their rural outlets where smallholder farmers purchase various agricultural inputs.

Mr Mtisi Founding Director
showing the newly acquired grain
processing machine

Grain acquired from smallholder
farmers as input for stockfeed
manufacturing

Before
Old machine only had a capacity
to process 42kgs an hour

After
New state of the art machine acquired
after funding with a processing
capacity of 2.5tonnes per hour

Harvest time
Sheila inspecting one of her fields
under harvest



Sheila Chidhakwa - Small holder sugarcane farmer

"During the previous farming season in 2016, I planted sugarcane on my 13.5-hectare plot. From this, I managed to harvest 150 tonnes of sugarcane. My gross income was US\$32,000. Production costs which included transport services, inputs and labour costs, water supply and road maintenance amounted to US\$20,000. I earned a net income of US\$12,000 which enabled me to fund my children's education and overall welfare of the family. As a widow, I have benefited very much from my farming operations."

SUGARCANE SMALL HOLDER FARMERS EXPERIENCE LIVELIHOOD IMPROVEMENTS IN CHIREDI

Small holder farmers producing sugarcane under out grower arrangements with Hippo Valley Estates (a CREATE Fund loan beneficiary through BancABC) also gave testimonies on how their relationship with Hippo Valley had significantly contributed to improvements in their livelihoods.

Sheila Chidhakwa also noted that she had managed to purchase a motor vehicle, cattle, a cart and household goods including a refrigerator and leather sofas.

Achievements

Motor vehicle purchased by Sheila using proceeds from cane production in 2016.



Small holder farmers - Chiredzi

"We have benefitted a lot from the loan accessed through Inclusive Financial Services. We managed to buy seeds, pumps, pipes and a truck for transporting produce to the market and paid school fees for our children."

SMALL HOLDER FARMERS LIVELIHOODS IMPROVE THROUGH AFFORDABLE MICRO LOANS IN CHIREDDI

The Trust also visited and profiled smallholder farmers who accessed group loans through Inclusive Financial Services (a CREATE Fund Disbursing Microfinance Institution) in Chiredzi for cattle fattening and horticulture projects. Members from one of the horticulture groups noted that they were able to recapitalise their retail businesses using profits realised from their sugar bean project. The group members also managed to pay for their children's education using proceeds from their project.

Achievements

Mr Tsamwisi, a smallholder farmer happy with his funded cattle fattening project.

Achievements

A truck purchased by one of the farmers for transporting produce to the market.

Achievements

Female farmers in funded irrigation vegetable field increasing production

Achievements

Farmer built and stocked a tuckshop using proceeds from his horticultural project supported by IFS.



Smallholder cattle farmer

"We also assist in the project by feeding the animals when our husbands are away. We are happy because we can now pay our children's fees without difficulty, our food security status has also improved significantly."

LOAN FACILITY BENEFITS CATTLE FATTENING PROJECTS

Smallholder farmers involved in cattle fattening projects expressed their appreciation for the loan facilities advanced under the CREATE Fund through IFS. They noted that the loans had assisted them to implement their projects on larger scale as compared to previous years.

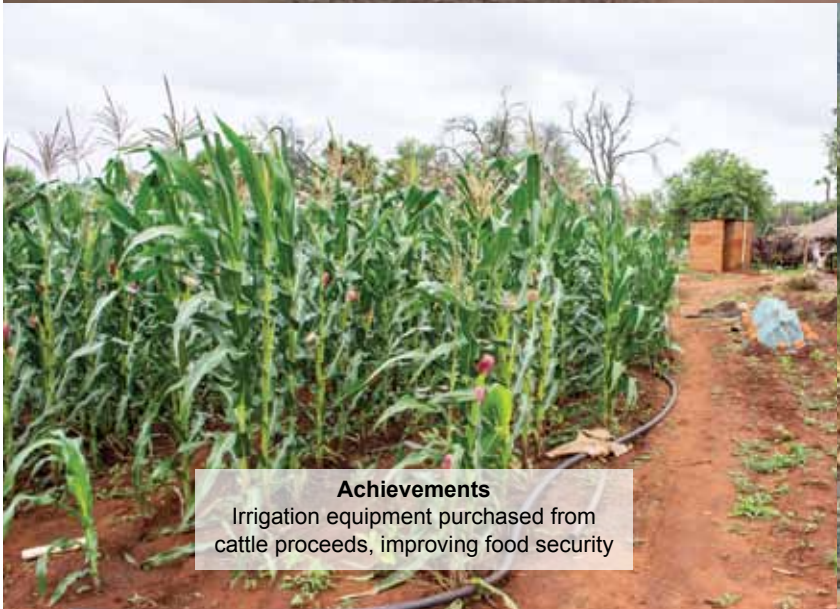
One of the group members also informed the team that their profit per beast ranged from US\$130 to US\$150 when they used the speculative approach of just buying and selling the animals. However, for pen fattening, the average gross income per beast was US\$300 which was 50% higher.



Achievements
Recently refurbished homestead from cattle fattening project profits.



Achievements
A truck and motorcycles purchased from cattle fattening profits.



Achievements
Irrigation equipment purchased from cattle proceeds, improving food security



Achievements
A tractor bought by one of the farmers for US\$8,462



Mr. Munemo - Gokwe Smallholder vegetable farmer

"I am involved in horticulture specialising in vegetables, tomatoes and green mealies on one hectare of land. In 2017 I received a loan of US\$800 from Untu and I bought inputs which I used for green mealies and tomatoes. After harvesting the green mealies, I realized a gross income of US\$2,400 and for tomatoes over US\$1,200. I am happy because over the two year relationship with UNTU, I have managed to buy a truck, cattle and also built a decent house."

AFFORDABLE MICRO LOANS THROUGH UNTU CAPITAL IN GOKWE BENEFITS FARMERS

Smallholder farmers borrowing from Untu Capital were able to enhance and boost their farming operations, making them operate on larger and more profitable scales. One of the farmers managed to fund his children's education and also contributed to employment creation as he employed casual labourers to assist him in his operations.

Achievements

Mr Munemo poses on his recently acquired truck ready to deliver tomatoes to the market.

Achievements

Mr Munemo's recently built house using proceeds from horticultural production.

OTHER IMPACT HIGHLIGHTS

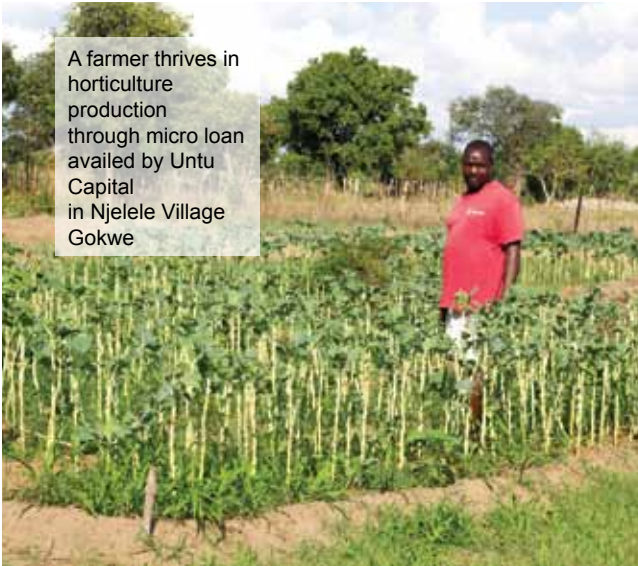
Female dairy farmer funded by Untu Capital realizes increased income.



A Gokwe farmer funded for Capital Expenditure achieves increased productivity and profitability in piggery production.



A farmer thrives in horticulture production through micro loan availed by Untu Capital in Njelele Village Gokwe



9. Other Assessments

9.1 Poultry assessment

The Trust conducted a study to assess the socio-economic impact of the CREATE Fund on smallholder farmers linked to funded VCAs under the poultry value chain. These were mainly targeted at borrowing agribusinesses who typically have short term relationships with smallholder farmers. Farmers were sampled from one of the poultry value chain actors who accessed the Fund. Value Chain Actor is involved in stock feeds manufacturing and chick supply.

The study results showed that the relationship between smallholder farmers and funded agribusinesses depended on the types of arrangements. From the study, poultry farmers were classified into two categories, non-regular and regular farmers. Non-regular farmers were those farmers who have inconsistent chicken production patterns in terms of scale and stocking levels. They produce less than six (6) batches of broiler chickens per year hence they buy inputs from funded agribusiness firms on non-regular basis.

Regular farmers keep chickens on a fulltime basis. Such farmers have comparatively high average monthly incomes ranging between US\$301 to US\$500. On average they produce six (6) or more batches per annum from the same facilities and their average batch sizes range from 100 to 200 birds per cycle.

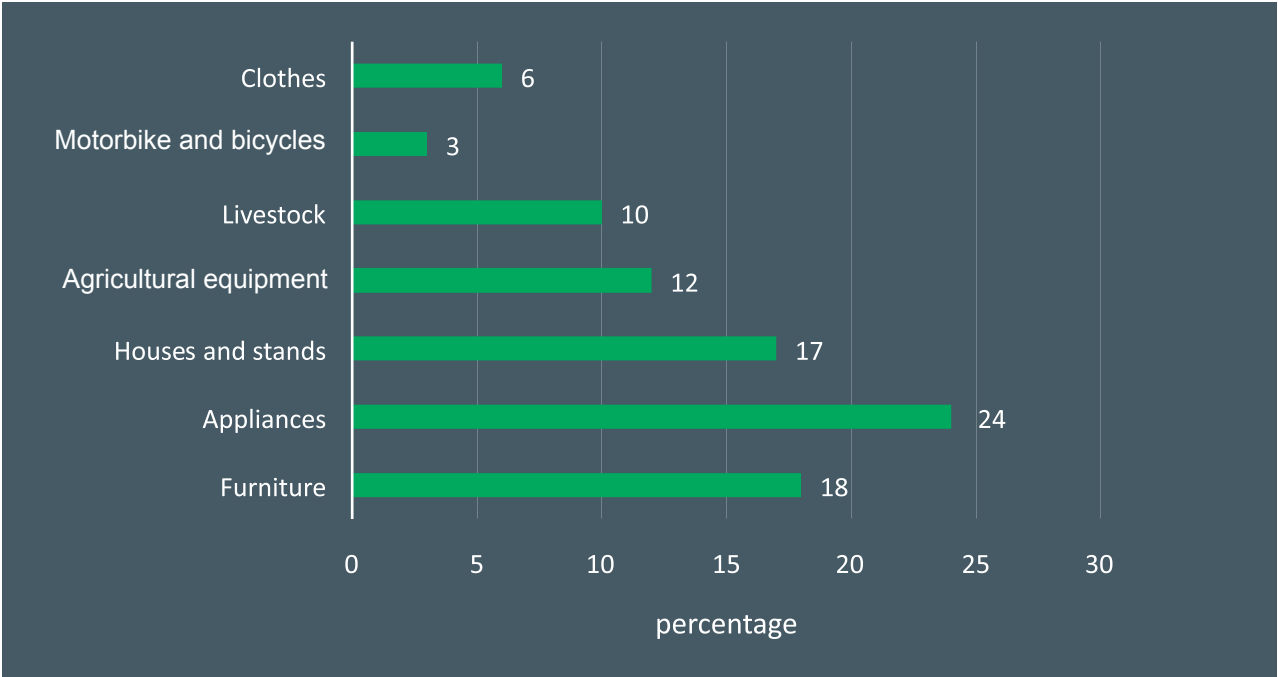
Impact of Fund on smallholder farmers

i. Asset accumulation

Figure 7 shows responses on assets which respondents have accumulated from income derived from working with funded agribusinesses. Most respondents have managed to purchase household appliances using income generated from chicken production. A significant number indicated that they bought household furniture and some managed to construct their houses or buy housing stands. More non-regular farmers invested in purchasing household appliances whereas regular farmers invested into agriculture equipment, vehicles, residential stands and building material.



Figure 7: Asset accumulation



*information based on multiple responses

Impact on profitability

Several qualitative indicators showed farmers perceptions with respect to the impact of Profeeds relationship on farmers’ profitability. More than 75% of the survey respondents indicated that they have grown their chicken business and this can be translated to mean increased income and profitability. More than 60% of the survey respondents indicated that they have experienced reduction in their input costs in terms of cost of day old’s and chicken feed.

Using the gross margin analysis, more than 80% of the survey respondents generated positive profits. One cannot however wholly attribute farmers profitability to the presence of funded agribusinesses. One needs to have time series data (on individual production costs and income) to trace profitability over time.

9.2 ZADT Business Model and Strategy Review

ZADT enlisted the services of a Danish Management Consulting Firm, QVARTZ Consultancy to undertake a review of its Business Model and alignment of Strategy in January and October 2017 respectively. As part of the approach the Consultants looked at the macro economic trends and agricultural business landscape in Zimbabwe. They interviewed a sample of the different actors in the ZADT Disbursement Model. These included participating financial institutions, value chain actors and smallholder farmers. Value chains which were sampled for the assessment were Dairy, Beef and Horticulture. Following the review of the model the Consulting Team recommended some initiatives which the Trust needed to adopt as a way forward. These included, among other things, joint product

development initiatives such as de-risking instruments with credit insurers including the necessary pilots for such products; due diligence processes for participating financial institutions as well as development of an appropriate interest rate model.

In Quarter 3 the same firm deployed another team of Consultants to facilitate the crafting of a five-year strategy for the period 2018 to 2022. The strategy came up with additional recommendations which took into account the initiatives which were developed and adopted during the model review phase in Quarter 1. These included expansion of disbursement options to include blended finance initiatives such as equity. The strategy was approved by the Board and adopted for implementation by the Trust from 2018.

10. Capacity Building

The Trust supports activities which aim at increasing access to financial services by value chain actors. In 2017, the Secretariat engaged four (4) business development consultants to improve ZADT product awareness and uptake of the fund. The Business Development Consultants were involved in capacitating eligible and interested agricultural value chain actors to develop bankable business proposals meeting Fund objectives for submission to the Participating Financial Institutions (PFIs).

26 of the agribusinesses identified were also assisted with business plans which were submitted to the PFI during 2017. However, only eight (8) of these agribusiness business plans managed to reach approval and disbursement at bank level. Performance by the BDCs was therefore generally low and this was mainly attributed to operating environment.

The Secretariat is however in the process of reviewing the current capacity building framework and exploring opportunities for improvement.

11. Financial Performance

ZADT delivered strong performance in 2017 despite the effect of external factors on financial performance. Our ability to grow depends on the success of product development efforts to replenish pipeline business, as well as on the commercial acceptance of ZADT products in the market. Increased pricing pressure remained an issue as general market interest rates continued to decline. ZADT Management has assessed the effectiveness of internal control over financial reporting.

Figure 8:Financial Highlights

Revenue & Expenditure	2017 US\$	2016 US\$	Movement
Interest Income	1,020,518	1,054,943	↓
Other Income	489,044	250,426	↑
Employment Costs	358,664	333,960	↑
Administrative Costs	362,905	332,841	↑
Programme Costs	224,054	131,777	↑
Surplus	563 939	506,791	↑

Assets & Liabilities	2017 US\$	2016 US\$	Movement
Total Assets	38,843,406	38,217,834	↑
Revolving Fund	37,603,514	37,048,313	↑
Other Liabilities	120,753	59,120	↑
Accumulated Surplus	1,119,139	1,111,401	↑

11.1 Interest Income

Interest income was 3% down from US\$1,054,943 in 2016 to US\$1,020,518 in 2017. The slight decline was mainly due to the decline in interest rates charged to Participating Financial Institutions (PFIs) in 2017 due to the general decline in market interest rates.

11.2 Other Income

Other Income of US\$489,044 was 95% more compared to US\$250,426 achieved in 2016. This was attributed to the generation of extra revenue from money market investments. Total revenue generated from the money market investments totalled US\$364,872 compared to US\$44,896 realised in 2016. US\$103,148 related to income realised from repayments income from the Pilot Seeds Facility granted to Agriseeds (Pvt) Ltd for the smallholder and National Food Security Programme funded by AusAid and the Royal Netherlands Embassy that was initiated in the 2009-2010 summer cropping season. US\$20,000 related to income received from loans guaranteed by the ZADT as guarantee fees. Other income of US\$1,024 related to an insurance claim.

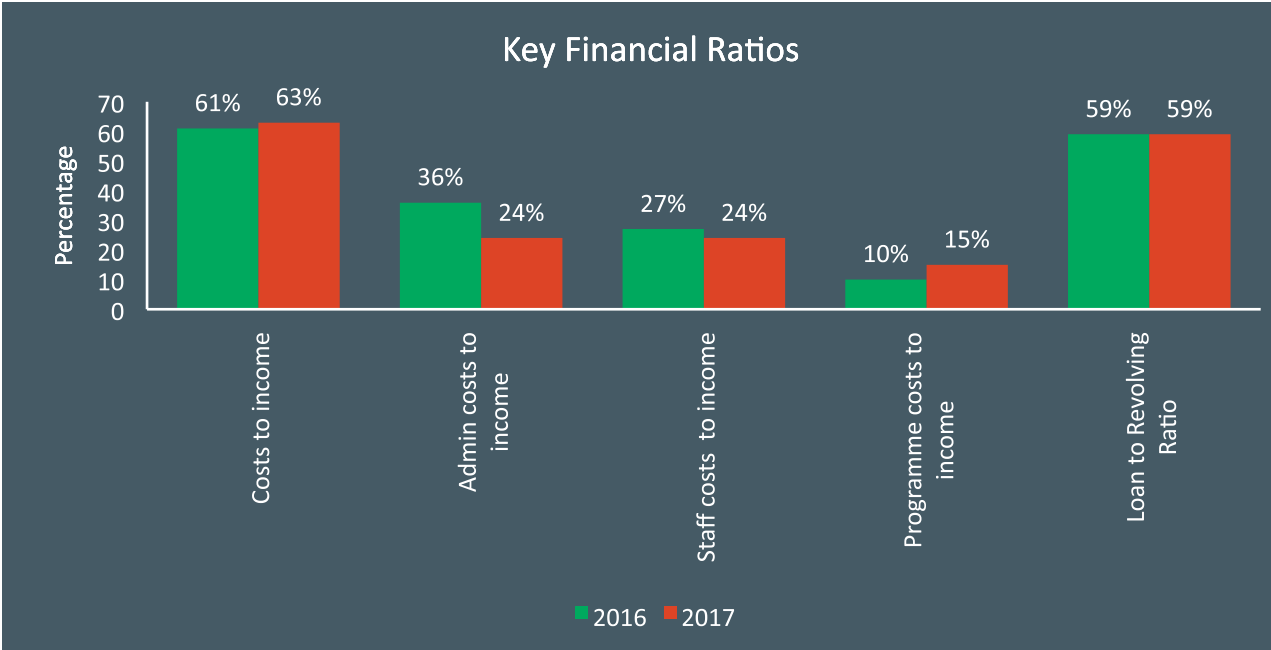
11.3 Operating Costs

The total employment costs for the year were US\$358,664 compared US\$333,960 for 2016. The 7% increase was mainly on the back of the increase in staff. Total administration costs for the year stood at US\$362,905 compared to US\$332,841 incurred in 2016. Total programme costs increased significantly to US\$224,056 from US\$131,777 in prior year. The increase was mainly as a result of the Longitudinal Sentinel Study, Social Economic Assessment for Smallholder farmers linked to Beef and Poultry Value Chain Actors in addition to the costs for Gender Assessment Study that was carried out in 2017.



ZADT staff and QVARTZ consultancy team during review of the ZADT business model in January 2017

Figure 9:Key Financial Ratios



Cost to income ratio slightly increased to 63% from 61% due to the slight increase in total costs mainly attributed to the increase in programme costs. Administration costs to income ratio and the staff costs to income ratios increased by 12% and 3% respectively due to the 16% increase in total income. Staff costs to income ratio remained below the maximum acceptable development sector ratio of 30% which was a positive outcome, an indication of the Trust’s efficient management of its employment costs. Total income increased to US\$1,509,562 in 2017 from 1,305,369 in 2016 due to the 95% increase in Other Income. Programme costs to income ratio increased to 15% in 2017 from 10% in 2016 due to the significant increase in programme costs from US\$131,777 to US\$224,056. The Loan to Revolving ratio remained at 59% despite the loan book growing by US\$494,859 at year end. The ratio remained the same due to the US\$500,000 increase in the Revolving Fund.

Value for Money (VFM)

The main indicator for value for money is the Cost to Income ratio which stood at 63% which was 2% above the 61% achieved in 2016. The increase in cost to income ratio was attributable to the increase in programme costs.

11.4 Operating Self Sufficiency (OSS)

The ZADT is currently self-sustainable as evidenced by OSS ratio which stood at 1.60. This indicates some self-sufficiency. This was almost in line with the 2016 ratio of 1.63.

11.5 Working Capital

The Trust’s cash at bank available for lending as at 31 December 2017 amounted to US\$10,320,883. Prior year amounted to US\$4,677,022. Cash for operations in the revenue account stood at US\$553,260. Prior year amounted to US\$354,290.

12. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

REFERENCE AND ADMINISTRATION INFORMATION

BOARD OF TRUSTEES:	<ul style="list-style-type: none"> - Acting Board Chairman – Naa-Aku Acquaye Baddoo - Dr Benedict Gilbert Moyo - Dorothy Mushayavanhu - Nyasha Makuvise - Tanja Lubbers - Mikkel Klim - Leif Reeckmann
SECRETARIAT :	<ul style="list-style-type: none"> - Godfrey R Chinoera - Chief Executive Officer - Caroline Mangezi - Finance and Administration Manager - Fortunate Vengesai - Business and Market Development Manager - Morris Mudiwa - Senior Monitoring and Evaluation Officer - Mutsa Denhere - Projects Officer - Tafadzwa Masama - Accountant - Bridget Gomo - Loans Officer - Tatenda Majongwe - Monitoring & Evaluation Officer - Caroline Muyambo - Receptionist - Jonathan Moyo - Driver/Messenger/Cleaner - Leanard Maziyo - Gardener
REGISTERED OFFICE:	Zimbabwe Agricultural Development Trust 44 The Chase, Mt Pleasant, Harare, Zimbabwe
MAIN FUNDERS:	<ul style="list-style-type: none"> - Royal Danish Ministry of Foreign Affairs ("DANIDA"), - Department for International Development ("DFID"), - Ford Foundation
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:	KPMG Chartered Accountants 100 The Chase (West) Emerald Hill, Harare Zimbabwe

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

GENERAL INFORMATION

GENERAL OVERVIEW AND OBJECTIVES OF THE TRUST

Zimbabwe Agricultural Development Trust (the "Trust" or "ZADT"), is a Trust that was formed by SNV Netherlands Development Organization - Zimbabwe and Hivos - Zimbabwe and is funded by The Royal Danish Ministry of Foreign Affairs ("DANIDA"), Department for International Development ("DFID") and Ford Foundation. The Trust's objective is to promote growth in primary agriculture and related value chain with the main aim of improving food security and income for rural communities through provision of funding for agricultural activities.

STATEMENT OF THE BOARD OF TRUSTEES' RESPONSIBILITIES


The Board of Trustees is responsible for the preparation, presentation and integrity of the financial statements and all the information contained in the report. The information contained in these financial statements has been prepared in accordance with the accounting policies described in note 1 (one) of the financial statements and they incorporate full and responsible disclosure to ensure that the information contained therein is both reliable and relevant.

The Board of Trustees is also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements and to safeguard, maintain and verify accountability of assets and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel, with appropriate segregation of authority and duties. Nothing has come to the attention of the Trustees to indicate that a material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

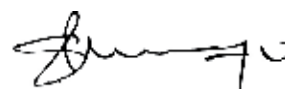
These financial statements are prepared on the going concern basis. Nothing has come to the attention of the Board of Trustees to indicate that the Trust will not remain a going concern for the foreseeable future.

The Trust's independent auditor KPMG Chartered Accountants (Zimbabwe), has audited the financial statements and their report appears on pages 45 to 46.

The financial statements set out on pages 47 to 49 were approved by the Board of Trustees on 02/05/2018 and are signed on its behalf by:



Board Chairman



Audit Committee Chairman

15/05/2018

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Board of Trustees' Report

The Zimbabwe Agricultural Development Trust ("the Trust" or "ZADT") is a trust registered in Zimbabwe on 5 October 2010. The main objective of the Trust is promoting smallholder agriculture development by facilitating market driven approaches. The Trust provides 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 has 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 funds 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 allows risk sharing as the financial institutions 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, credit 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

We would like to extend our gratitude to the partners for the support that ZADT has received. DANIDA, DFID and Ford Foundation supported ZADT with the bulk of the funds for the credit facility.

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

We 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Board of Trustees' Report (continued)

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 our pleasure to present to you the ZADT's audited financial statements for 2017. The report chronicles in more detail ZADT's activities and outputs during the period.



Board Chairman

15/05/2018



KPMG
Mutual Gardens
100 The Chase (West)
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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

Unqualified Opinion

We have audited the financial statements of Zimbabwe Agricultural Development Trust ("ZADT", or the "Trust"), set out on pages 47 to 63, which comprise the statement of financial position as at 31 December 2017, the income and expenditure statement, and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Trust for the year ended 31 December 2017 are prepared in all material respects, in accordance with the Basis of Accounting described in Note 1 to the financial statements.

Basis for Opinion

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

Emphasis of Matter-Basis of Accounting and restriction on use

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared for the purpose of providing financial information to the members of ZADT. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Trust and its members and should not be used by parties other than the Trust or its members. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Trust for the year ended 31 December 2016, were audited by another auditor who expressed an unqualified opinion on those statements on 18 May 2017.

Other Information

The Trustees are responsible for the other information. The other information comprises the Trustees' Report and general information but 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 misstated. If, based on the work we have performed, 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 Trustees for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with the Basis of Accounting described in Note 1 of the financial statements and for such internal control as the Trustees 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 Trustees are responsible for assessing the Trust'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 Trustees either intend to liquidate the Trust 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees'.
- Conclude on the appropriateness of the Trustees' 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 Trust'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 Trust 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 communicated with the Trustees' 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 identified during our audit.



Themba Mudidi

Partner

Registered Public Auditor

PAAB Practicing Certificate Number 0437

For and on behalf of KPMG Chartered Accountants (Zimbabwe), Reporting Auditors

100 The Chase (West)

Emerald Hill, Harare

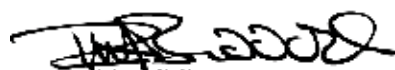
Zimbabwe

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Notes	2017 US\$	2016 US\$
ASSETS			
Non-current assets			
Property and Equipment	2	483 291	516 573
Current assets			
Loans and advances to financial institutions	3	22 419 633	21 924 773
Receivables	4	225 718	245 118
Money market investments	5	4 800 000	10 500 000
Cash and cash equivalents	5	10 914 764	5 031 370
Total assets		38 843 406	38 217 834
LIABILITIES AND ACCUMULATED SURPLUS			
Accumulated surplus	6	1 119 139	1 110 401
Liabilities			
Revolving fund	7	37 603 514	37 048 313
Accounts payable	8	120 753	59 120
		37 724 267	37 107 433
Total liabilities and accumulated surplus		38 843 406	38 217 834

The notes on page 13 to 26 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:



**Board Chairperson
Chairperson**



Audit Committee

Date: 15/05/2018

**INCOME AND EXPENDITURE STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 US\$	2016 US\$
INCOME			
Interest on loans	9	1 020 518	1 054 943
Other income	10	489 044	250 426
		<u>1 509 562</u>	<u>1 305 369</u>
EXPENDITURE			
Employment expenses	11	(358 664)	(333 960)
Advertising and marketing		(23 456)	(29 396)
Legal expenses		(10 374)	(1 049)
Board fees		(35 880)	(25 934)
Loans and advances written off		-	(95 600)
Consultancy fees		(18 770)	(10 487)
Rent and occupational expenses		(27 205)	(49 504)
Audit fees	12	(25 752)	(28 721)
Equipment write offs		(1 159)	(17 425)
Travel and accommodation		(46 748)	(35 567)
Other administration expenses	13	(173 560)	(149 489)
Business development		(25 343)	(21 446)
Business development - consultancy		(37 016)	-
Monitoring & evaluation - travel & accommodation		(27 283)	-
Monitoring & evaluation - consultancy		(97 274)	-
Guarantee fees		(25 000)	-
Other programme costs		(12 139)	-
		<u>(945 623)</u>	<u>(798 578)</u>
Total expenditure			
		<u>563 939</u>	<u>506 791</u>
Surplus for the year			

The notes on page 13 to 26 are an integral part of these financial statements.

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

	Notes	2017 US\$	2016 US\$
Cash flows from operating activities			
Surplus for the year		563 939	506 791
Adjustment for non-cash items:			
Fixed Assets Write offs at netbook value		2 238	17 425
Depreciation	2	78 040	57 442
Operating cash flows before working capital changes		644 217	581 658
Changes in working capital:			
Decrease/ (increase) in fees receivables		90 451	(238 136)
(Increase)/decrease in receivables		(71 051)	49 239
(Increase)/decrease in loans and advances to financial institutions		(494 860)	1 687 869
Increase/(decrease) in accounts payable		61 633	(88 348)
Net cash generated from operating activities		230 390	1 992 282
Cash flows from investing activities			
Purchase of equipment	2	(46 996)	(469 559)
Net cash flows used in investing activities		(46 996)	(469 559)
Cash flows from financing activities			
Decrease in revolving fund		-	(75 061)
Net cash flows used in financing activities		-	(75 061)
Net increase in cash and cash equivalents		183 394	1 447 662
Cash and cash equivalents at the beginning of year		15 531 370	14 083 708
Cash and cash equivalents at the end of the year	5	15 714 764	15 531 370

The notes on page 13-26 are an integral part of these financial statements.

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

Accounting policies and scope of financial statements

Scope of financial statements

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

Basis of accounting and accounting policies

The financial statements are prepared in accordance with the accounting framework for Zimbabwe Agricultural Development Trust (the "Trust").

The accounting policies applied in the preparation of these financial statements have been consistently applied to all the years presented.

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 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.

Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Trust's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The entity applies the use of estimates and judgments in the following sections:

- **Depreciation**

In the depreciation of property and equipment, the assets are depreciated over the period that the asset is expected to be used.

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

Accounting policies and scope of financial statements (continued)

Use of judgments and estimates (continued)

- **Determination of the functional currency**

The company operates in an economy which is experiencing a shortage of foreign currency and consequently has exchange control regulations that impact the timing of payment of foreign payables among other matters. Given the context of the environment, management has assessed in terms of its operations, if there has been a change in the functional currency used by the company. The assessment included consideration of whether the various modes of settlement may represent different forms of currency. It is observed that whether cash, bond notes, electronic money transfers or point of sale the unit of measure across all these payment modes remains US Dollars. Management concluded that the US dollar is still the functional currency as presented in the prior year financial statements.

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.

Loans and advances to financial institutions.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Trust initially recognizes the loans and advances when they are originated. 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.

Loans and advances are initially measured at fair value. Subsequently, the Trust reviews its loan portfolio to assess impairment at least on an annual basis. In determining whether an allowance for probable losses should be recorded in the statement of financial performance, Management makes judgements as whether there is an observable data indicating that there is a measurable decrease in the estimated future cash flows from the bank. At the moment, the banks take 100% risk on all transactional loans.

The financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

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

Accounting policies and scope of financial statements (continued)

Loans and advances to financial institutions (continued)

Impairment of loans and advances to financial institutions

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 a 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 recognized in the income and expenditure account.

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

Contingent Liabilities.

Contingent liabilities are possible obligations which arise from past events and whose existence will be only confirmed by the occurrence or non-occurrence of uncertain future events. Loan Guarantees are contingent liabilities which are accounted for off balance sheet. The ZADT recognizes loan guarantees when the first installment of guarantee fees for the guaranteed amount is received from the bank.

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

Accounting policies and scope of financial statements (continued)

Revolving fund

The Revolving fund comprises funds that have been received from the funding partners for the purposes of onward lending including interest earned in the Hivos Account and surpluses earned by the Trust which have been transferred to the fund. The Board of Trustees resolved that all loan impairments should be charged to the revolving fund and all recoveries of such impairments should be credited to the revolving fund starting 2016.

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.
- **Investment income**
The Trust recognises interest earned from short term money market investments when the investment matures and funds have been received in the ZADT bank account.
- **Guarantee fees**
The Trust recognizes income earned from guarantee fees when the fees have been received in the ZADT bank account. The Trust accrues for outstanding fees as per the guarantee loan agreement.

Expenditure

Expenses are recognised using the accruals basis when incurred.

Property and equipment

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

	Estimated Useful life	Depreciation rate per annum
Buildings	40 years	2.50%
Intangible assets	3 years	33%
Motor vehicles	4 years	25%
Computers and office equipment	3 years	33%
Furniture and fittings	10 years	10%
ICT systems	5 years	20%

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

2 PROPERTY AND EQUIPMENT

	Land and buildings US\$	Intangible assets US\$	Motor vehicles US\$	Computer and related equipment US\$	Furniture and fittings US\$	ICT systems US\$	Total US\$
31 December 2017							
Opening net book amount	323 608	1 365	95 446	39 625	22 098	34 431	516 573
Additions	3 788	-	-	35 483	7 725	-	46 996
Write offs – cost	-	-	-	(4 570)	(1 925)	-	(6 495)
Depreciation charge	(8 267)	(517)	(36 547)	(22 491)	(3 167)	(7 051)	(78 040)
Write offs – accumulated depreciation	-	-	-	3 712	545	-	4 257
Carrying amount	319 129	848	58 899	51 759	25 276	27 380	483 291
As at 31 December 2017							
Cost	332 618	1 553	146 188	100 617	34 104	35 254	650 334
Accumulated depreciation	(13 489)	(705)	(87 289)	(48 858)	(8 828)	(7 874)	(167 043)
Carrying amount	319 129	848	58 899	51 759	25 276	27 380	483 291

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

2 PROPERTY AND EQUIPMENT (continued)

	Land and buildings US\$	Intangible assets US\$	Motor vehicles US\$	Computer and related equipment US\$	Furniture and fittings US\$	ICT systems US\$	Total US\$
31 December 2016							
Opening net book amount	-	-	36 328	26 493	28 181	30 879	121 881
Additions	328 830	1 553	88 719	40 193	5 889	4 375	469 559
Write offs – cost	-	-	-	(16 296)	(10 351)	-	(26 647)
Depreciation charge	(5 222)	(188)	(29 601)	(18 493)	(3 115)	(823)	(57 442)
Write offs – accumulated depreciation	-	-	-	7 728	1494	-	9 222
Carrying amount	323 608	1 365	95 446	39 625	22 098	34 431	516 573
As at 31 December 2016							
Cost	328 830	1 553	146 188	69 704	28 304	35 254	609 833
Accumulated depreciation	(5 222)	(188)	(50 742)	(30 079)	(6 206)	(823)	(93 260)
Carrying amount	323 608	1 365	95 446	39 625	22 098	34 431	516 573

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

	2017 US\$	2016 US\$
3 LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS		
Balance at 1 January 2017	21 924 773	23 612 641
Loans and advances repaid by financial institutions	(14 573 940)	(20 827 068)
Loans and advances rolled over to financial institutions	(1 700 000)	(1350 000)
Loans and advances advanced to financial institutions	16 768 800	20 584 800
Loan assets written off	-	(95 600)
	<hr/>	<hr/>
Balance as at 31 December 2017	<u>22 419 633</u>	<u>21 924 773</u>

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

The financial institutions bear 100% (2016: 100%) of the risk of any default on the loans advances except for loans guaranteed by the ZADT.

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

3 LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS (continued)

3.2 Analysis of loan tenor

	0 to 6 Months US\$	6 to 12 Months US\$	Over 12 Months US\$	Total US\$
As at 31 December 2017				
FBC Bank Limited	205 000	701 000	-	906 000
NMB Bank Limited	150 000	2 000 000	-	2 150 000
Steward Bank Limited	20 000	1 230 000	-	1 250 000
Ecobank Zimbabwe Limited	133 333	-	-	133 333
African Banking Corporation of Zimbabwe Limited t/a BancABC	5 500 000	1 000 000	4 500 000	11 000 000
MBCA Bank Limited	70 000	50 000	-	120 000
CBZ Bank Limited	907 000	2 965 300	80 000	3 952 300
Inclusive Financial Services (Private) Limited	400 000	500 000	600 000	1 500 000
Success Microfinance (Private Limited)	500 000	-	-	500 000
MoB Capital (Private) Limited	-	200 000	-	200 000
Untu Microfinance (Private) Limited	450 000	50 000	-	500 000
Virl Microfinance (Private Limited)	-	208 000	-	208 000
Total	8 335 333	8 904 300	5 180 000	22 419 633
As at 31 December 2016				
FBC Bank Limited	665 000	50 667	305 000	1 020 667
NMB Bank Limited	2 000 000	1 775 000	2 000 000	5 775 000
Steward Bank Limited	1 026 000	315 440	-	1 341 440
Ecobank Zimbabwe Limited	-	-	66 667	266 667
African Banking Corporation of Zimbabwe Limited t/a BancABC	2 000 000	1 000 000	4 500 000	7 500 000
MBCA Bank Limited	100 000	625 000	240 000	965 000
Central African Building Society	-	2 950 000	-	2 950 000
CBZ Bank Limited	-	1 052 000	14 000	1 066 000
Inclusive Financial Services (Private) Limited	-	-	400 000	400 000
Collarhedge Finance (Private) Limited	500 000	-	-	500 000
Untu Microfinance (Private) Limited	-	140 000	-	140 000
Total	6 291 000	7 908 107	7 725 667	21 924 774

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

4	RECEIVABLES	2017 US\$	2016 US\$
	Fees receivable	147 685	238 136
	Prepaid expenses	58 605	6 982
	Interest on short term investments	19 428	-
		<u>225 718</u>	<u>245 118</u>
5.	CASH AND CASH EQUIVALENTS		
	Cash held with local bank (Standard Chartered Bank)	10 874 143	5 031 314
	BancABC Current Investment Account	624	-
	Petty cash	1 997	56
	Cash on hand	38 000	-
		<u>10 914 764</u>	<u>5 031 370</u>

Included in cash and cash equivalents are balances with Banks. These balances are used for transacting on a daily basis. In 2016, the Central Bank through the Exchange Control Operational Guide 8 (ECOGAD8) introduced a prioritization criterion which has to be followed when making foreign payments. Any foreign payments which we make from the bank balances above are ranked based on the Central Bank prioritization criteria and paid subject to the Bank having adequate funds with its Foreign Correspondent Banks. Most of our foreign payments are categorized in Not Priority category by the directive.

Included in cash and cash equivalents are bond notes. Bond notes are zero coupon debt instruments which are pegged at 1:1 with the US\$.

5.1 Money market investments

Money market investments relate to funds placed with local banks on a short term basis. Short term investments of US\$1,000,000 relate to the amount of loan guarantees issued during the period.

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

5. CASH AND CASH EQUIVALENTS (continued)

5.1 Money market investments (continued)

	Interest rates per annum (%)	Tenure (days)	2017 US\$
NMB Bank Limited	5	90	250 000
NMB Bank Limited	4	90	750 000
NMB Bank Limited	3.5	60	300 000
			<hr/>
			1 300 000
CBZ Bank Limited	3.25	61	3 500 000
			<hr/>
			4 800 000
			<hr/> <hr/>

	Interest rates per annum (%)	Tenure (days)	2016 US\$
FBC Bank Limited	6	60	3 500 000
NMB Bank Limited	6.5	90	4 000 000
African Banking Corporation Zimbabwe Limited t/a BancABC	4.5	30	3 000 000
			<hr/>
			10 500 000
			<hr/> <hr/>

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

			2017 US\$	2016 US\$
	Rating	Agency		
Standard Chartered Bank Zimbabwe Limited	AA-	GCR	10 874 143	5 031 314
			<hr/>	<hr/>

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

	2017 US\$	2016 US\$
6 ACCUMULATED SURPLUS		
Opening balance as at 1 January	1 110 401	603 610
Surplus for the year	563 939	506 791
Capital fund replenishment	(555 201)	-
	<hr/>	<hr/>
Closing balance as at 31 December	1 119 139	1 110 401
	<hr/>	<hr/>
7 REVOLVING FUND		
Balance as at 1 January	(37 048 313)	(37 123 374)
Interest received from HIVOS	-	(13 474)
Capital fund replenishment	(555 201)	-
Impaired loans written off	-	95 600
Impaired loans recoveries	-	(7 065)
	<hr/>	<hr/>
Balance as at 31 December 2017	(37 603 514)	(37 048 313)
	<hr/>	<hr/>

BREAKDOWN OF REVOLVING FUND BY CONTRIBUTION

The revolving fund contribution is broken down as follows:

	2017 US\$	2016 US\$
DANIDA funds received through HIVOS	(34 440 694)	(34 440 694)
DFID funds received through HIVOS	(2 407 619)	(2 407 619)
Ford Foundation contribution	(200 000)	(200 000)
Capital fund replenishment	(555 201)	-
	<hr/>	<hr/>
	(37 603 514)	(37 048 313)
	<hr/>	<hr/>

The funds are received for the purposes of on-lending in line with the Trust's objectives and as such are not recorded as revenue. The funds are recorded as a liability as they are maintained in a revolving fund.

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

8	ACCOUNTS PAYABLE	2017 US\$	2016 US\$
	Audit fees	18 371	28 241
	Pay As You Earn (PAYE) and National Social Security Authority (NSSA)	5 109	-
	Pension and leave pay provision	15 337	9 315
	Suppliers	24 126	-
	Monitoring & evaluation costs	40 728	-
	Fees Payable	6 540	-
	Other payables	10 542	21 564
		<u>120 753</u>	<u>59 120</u>
	Payables are non-interest bearing and are generally on 7-90 days' terms.		
9	INTEREST ON LOANS		
	Interest received	882 904	816 807
	Accrued interest income	137 614	238 136
		<u>1 020 518</u>	<u>1 054 943</u>
10	OTHER INCOME		
	Interest from short term investments	364 872	44 896
	Impaired loans recoveries	-	95 600
	SNV Netherlands Development Organization - Zimbabwe Subsidy	-	14 560
	Agriseeds loan recoveries	103 148	94 552
	Insurance claim	1 024	-
	Interest charges on contract delays	-	818
	Guarantee fees	20 000	-
		<u>489 044</u>	<u>250 426</u>

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

11	EMPLOYMENT EXPENSES	2017 US\$	2016 US\$
	Basic salaries	273 667	254 700
	Bonus	21 871	20 133
	Medical aid	18 206	19 690
	Staff Allowances	5 730	-
	NSSA	2 797	2 520
	Workers' compensation insurance fund (WCIF)	3 325	3 184
	Staff training and development	4 401	996
	Provident fund	25 224	31 425
	Leave pay	3 443	1 312
		<u>358 664</u>	<u>333 960</u>
12	AUDIT FEES		
	External audit fees	18 852	28 721
	Internal audit fees	6 900	-
		<u>25 752</u>	<u>28 721</u>
13	OTHER EXPENSES		
	Key stakeholders meetings	-	8 997
	Bank charges	8 868	9 992
	Depreciation	78 040	57 442
	Insurance	14 249	11 075
	IT consultancy costs	11 859	7 752
	Cleaning and teas	3 373	2 087
	Printing and stationery	9 790	13 240
	Repairs and maintenance	15 098	16 374
	Telephone and fax	5 748	5 383
	General expenses	17 867	17 147
	Team Building	8 668	-
		<u>173 560</u>	<u>149 489</u>

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

14 TAXATION

The income earned by a non-profit making organization 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 2, ZADT being a non-profit making organization has not provided for corporate tax on this basis.

15 CONTINGENCIES

	2017 US\$	2016 US\$
Guarantees	1 000 000	-

The contractual amounts of the Trust's off balance sheet guarantees from the reporting date are as follows:

Up to 1 month	-	-
Due between 1 and 3 months	-	-
Due between 3 and 12 months	1 000 000	-
Greater than 1 year	-	-
	<u>1 000 000</u>	<u>-</u>

16 GOING CONCERN

The Trustees have assessed the ability of the organization 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 Trustees believe that under the current economic environment, a continuous assessment of the ability of ZADT 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 preparation of these financial statements.

17 SUBSEQUENT EVENTS

There are no materials events after the reporting period that require adjustments to be effected on the reported amounts or to be disclosed in the financial statements.

[illegible]



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