

ZADT

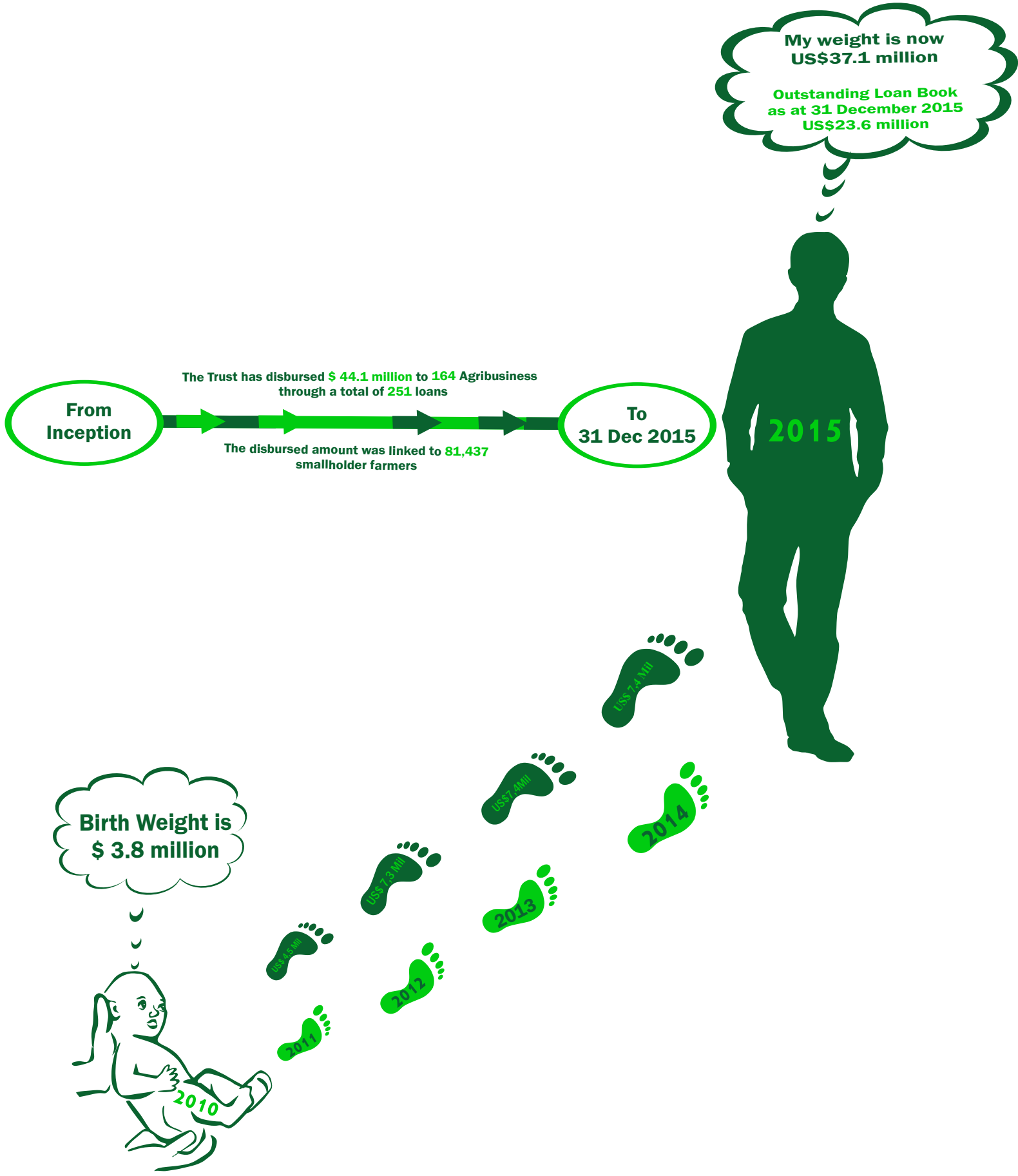
Zimbabwe Agricultural
Development Trust

**Strengthening Smallholder Agricultural & Rural Economies
through Value Chain Financing**



ANNUAL REPORT
2015

CreateFund Story



ZADT 2015 Business Story

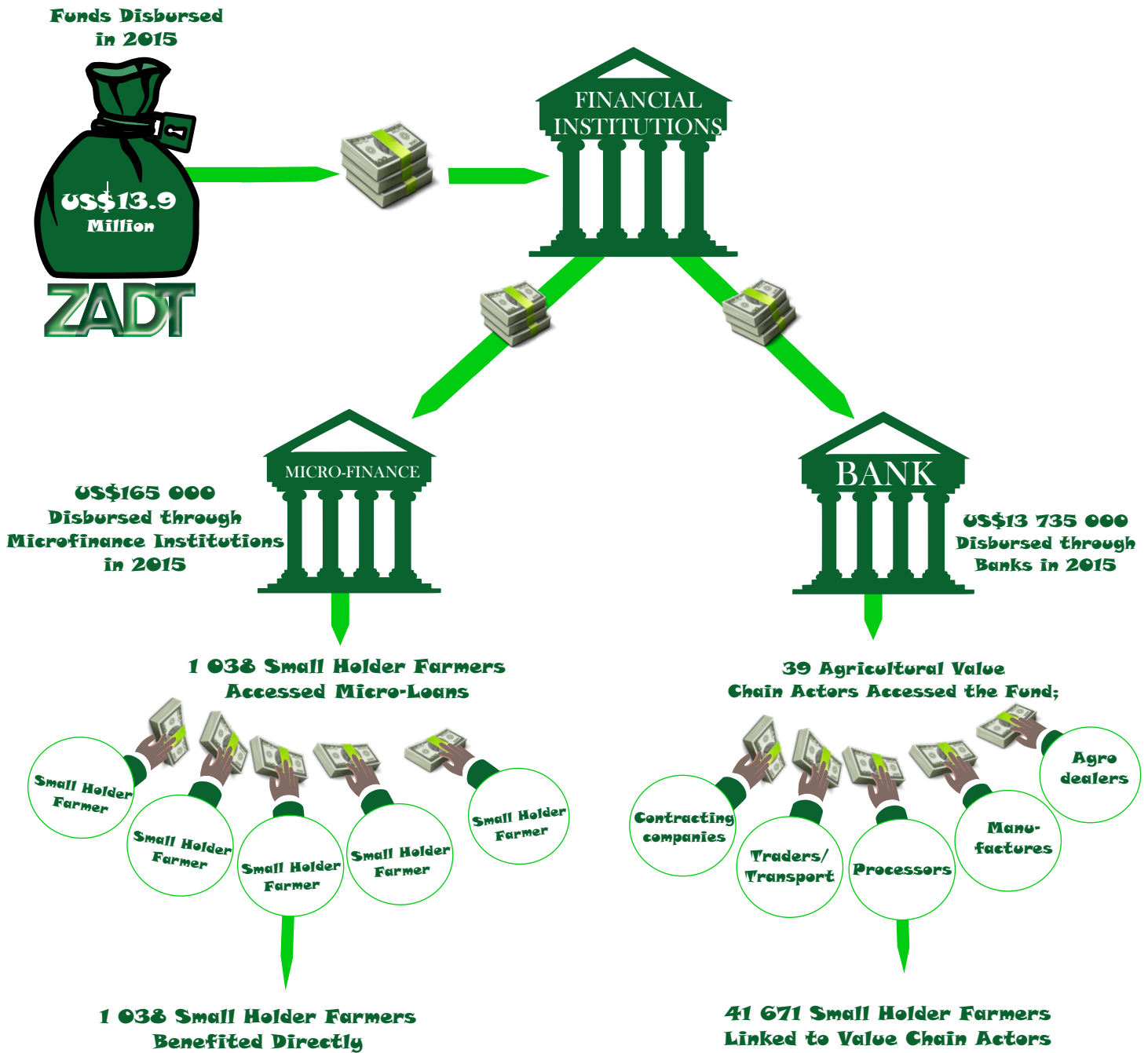


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Acronyms & Abbreviation

AECF	Africa Enterprise Challenge Fund
AIZ	Agro Initiative Zimbabwe
CEO	Chief Executive Officer
CREATE	Credit for Agricultural Trade and Expansion
DANIDA	Danish International Development Agency
DfID	Department for International Development
FEWSNET	Famine Early Warning System Network
FSP	Financial Service Provider
Hivos	Humanistic Institute for Cooperation with Developing Countries
MFI	Microfinance Institution
NGO	Non-Governmental Organization
NPL	Non-Performing Loan
SHF	Smallholder Farmer
SME	Small to Medium Enterprises
SNV	Netherlands Development Organization
TL	Total Loans
VCA	Value Chain Actor
ZADT	Zimbabwe Agricultural Development Trust
ZAMCO	Zimbabwe Asset Management Corporation

Our Partners



Chairperson's Review



It gives me great pleasure to report that the Zimbabwe Agricultural Development Trust ("the Trust" or "ZADT") continues to provide value chain financing to agribusinesses which directly or indirectly impact the livelihoods of smallholder farmers in Zimbabwe. With the economy still struggling to recover from the effects of a decade long phase of financial nightmares, which at one time saw annual inflation of over a million percent, the Trust is contributing to poverty reduction of smallholder farmers through increased production, income and employment. The Credit for Agricultural Trade and Expansion ("CREATE") Fund therefore continues to have relevance in the economy.


In order to strengthen the Trust to deliver on its mandate I am pleased to state that the Board made a deliberate move to influence activity of the fund in the country's southern regions which previously was very insignificant. A new Board member, Dr. B.G. Moyo who is based in Bulawayo was appointed in 2015 and we have already registered an increase in access to the Fund by agribusinesses there.

To further improve on governance, the Trust has also reviewed and put in place several policies to guide programme implementation. As testimony to these efforts by the Trust, two review missions by J.SR Consultants from Uganda were commissioned by one of the Trust's main funders, DANIDA, in May and November 2015. The reviews showed that the ZADT is on course to becoming a solid financial institution with appropriate systems and procedures in place to ensure sustainability.

The Trust continued to employ tight budgetary controls posting a US\$363,809 surplus and a cost to income ratio of 66% compared to US\$829,238 and 40% respectively in 2014. This means the Trust operated sustainably.

I would like to extend my gratitude to the funding partners namely the Royal Danish Ministry of Foreign Affairs through the Danish International Development Organization ("DANIDA"), the United Kingdom's Department for International Development ("DfID") and the Ford Foundation for the support that they have continued to provide to the ZADT. Special appreciation also goes to the Royal Netherlands Embassy and Australian Aid ("AusAID") for providing the seed money that was used to establish the Trust. This shows that the partners have trust and confidence in the ZADT to deliver on this noble mandate of positively impacting on the livelihoods of smallholder farmers located out there in rural areas of Zimbabwe. I would like to further extend my appreciation to my fellow Trustees, for the support and guidance they have provided during the year 2015.

Finally special tribute goes to management and staff of the Secretariat for their invaluable efforts in driving the business under a very challenging operating environment. I wish them a more rewarding 2016. To all our valuable partners I say keep providing the much needed support.


Mbekezeli Mthunzi
Board Chairperson

A Word from the CEO



The ZADT continues to play a critical role in addressing the gap in financing for agricultural value chain actors that facilitate timely provision of affordable inputs and commodity markets for the smallholder farmers. Despite subdued fund uptake in 2015, impact assessments over the three years have confirmed that with functional linkages, there is a high potential for smallholder farmers to increase productivity and incomes leading to improved livelihoods.

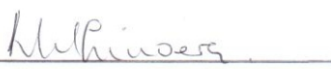
The Zimbabwean economic situation is dynamic and in order to maintain the Fund's relevance the ZADT periodically reviews its facility terms and conditions in line with changes in macro-economic fundamentals. This is informed by a continuous dialogue between the Trust and its partners which includes the funders and the disbursing financial institutions. During the first quarter of 2015 the Trust reviewed its terms and conditions which included a reduction in its interest rate to the financial institutions from 6.5% to 5.0%

Thereafter there was renewed interest by financial institutions to participate in

disbursing the fund. Four (4) new financial institutions were signed up in 2015 bringing the number of distribution channels to ten (10) by 31 December 2015 comprising of eight (8) commercial banks and two (2) microfinance institutions.

The CREATE Fund continued to support all agricultural value chains (except cotton and tobacco). Additional financial products are being developed to meet the needs of targeted SMEs in agribusiness who have commercial relationships with smallholder farmers.

In terms of financial inclusion the Trust has learnt that lending through microfinance institutions mostly impacts directly on financial needs of women smallholder farmers. The percentage of smallholder women farmers who accessed loans through microfinance institutions was 53% although on average the loan sizes for women borrowers were lower than those for men. The Trust is working on expanding the suite of financial products appropriate to the needs of women and youths for both value chain actors and smallholder farmers. The Trust continues to engage in efforts to improve business processes, terms and conditions that enhance efficiency, accountability and sustainability whilst delivering on its core mandate of improving the livelihoods of smallholder farmers. In 2015 the Trust developed a Gender Policy which will provide guidance on improving the participation of women led SMEs and beneficiation of women smallholder farmers.


Godfrey R. Chinoera
Chief Executive Officer

Executive Summary

The CREATE Fund was set up with funding from DANIDA, the United Kingdom Department for International Development (DfID) and the FORD Foundation. From an initial capital of US\$3.8 million in 2010 the Fund has grown almost ten times to US\$37.1 million as at 31 December 2015. The Royal Netherlands Embassy and AusAid provided the seed money which was used to establish the Trust. The size of loans that can be disbursed from the CREATE Fund through financial institutions range from a lower limit of US\$5,000 up to US\$200,000. However, the upper limit is negotiable between the disbursing financial institutions and the ZADT depending on the number and magnitude of the benefits accruing to smallholder farmers.

The CREATE Fund is currently being accessed as working capital loans or capital expenditure loans each with a different tenure. The tenure for working capital loans is up to twelve (12) months whilst capital expenditure loans have a repayment period of up to thirty six (36) months with a possibility of a grace period of up to twelve (12) months depending on the project circumstances. The extent of benefits to the smallholder farmers is key in negotiating for longer tenures on capital expenditure loans.

The cost of the fund to ultimate borrowers from participating financial institutions is an all-in rate of 12% per annum having been increased from the initial 11.5%. In 2015 ZADT added four more financial institutions to disburse the CREATE Fund to bring the total number to ten, eight of which are commercial banks and two microfinance institutions.

Eligible borrowers from the Fund through commercial banks are agricultural value chain actors which include Agro dealers, Manufacturers, Processors, Traders/Transporters and Contracting companies. Borrowers from microfinance institutions are mainly smallholder farmers.

In 2015 there was subdued loan uptake with new loans issued amounting to US\$13.9 million against a fund size of US\$37.1 million. The main reason was that disbursing financial institutions were not comfortable with the margin they were getting vis-a-viz the level of risk (100%) which they were carrying. The disbursed amount was linked to 42,709 smallholder farmers. Cumulatively since inception to 31st December 2015 the Trust has disbursed US\$44.1 million to 164 agribusinesses. This was disbursed through 251 loans.

Few smallholder farmers managed to get direct access to finance through commercial banks because of issues of collateral. For the 1,038 smallholder farmers who accessed finance directly through one disbursing microfinance institution, 53% of them were women. However, the total value of loans that were accessed by these women was 44% of the value taken by their male counterparts. The average loan size for women farmers was 69% that of men implying that, though more women had accessed the loans, their share of the loans was low compared to that of men.

Among agribusiness which accessed the CREATE Fund through commercial banks, only 15% of owners (shareholders) were women compared to 34% in 2014. Reasons for this decline were not clear although it is possible that it could have been just by chance that the respective businesses did not have significant number of women in their shareholding. However, the majority, 53%, of smallholder farmers who accessed finance directly from microfinance institutions were women.

The average growth rate in turnover for businesses which accessed the fund in 2015 was 7% against a target of 10%. This was a significant drop from 45% achieved in 2014. The Zimbabwean economy continued to face challenges through which the companies had to operate.

In terms of Fund impact on smallholder farmers there was an improvement in maize and banana productivity per hectare from 2014 to 2015. Productivity of beans, tomatoes and groundnuts per hectare was low compared to results recorded in the 2014. Crop productivity however, is a function of several factors which include rainfall, input use, as well as management (agronomic practices).

According to findings from the Sentinel Survey carried out in 2015, crop productivity per hectare was variable for most of the crops except for maize and bananas where there was an increase between 2014 and 2015. Variability was caused more by drought conditions.

The proportion of households purchasing productive assets such as livestock (cattle, goats, sheep) and farming equipment such as scotch carts, ploughs, wheelbarrows etc. rose from 19.1% in 2014 to 21% in 2015. The trend demonstrates propensity of linked farmers to invest in productive capacity. The proportion of households owning cattle and goats increased from 61% and 62% in 2014 to 67.4% and 66% respectively in 2015. Average number of animals owned has also been on the increase due to natural growth as well as purchases. Average number of cattle sold by traders declined between 2014 and 2015. Reasons included changing cattle marketing conditions in some areas where all cattle sales are now done through the Rural District Council (RDC) organised auctions and disease outbreaks such foot and mouth disease (FMD) restricting cattle movement.

The average household income for the linked smallholder farmers from all livelihood activities in 2015 was US\$2,254.47 compared to \$1,887.39 in 2014, a 19.4% increase. Livestock traders alone had an average income of \$6,722.00 which constituted a 5.5% increase from the 2014 levels.

Key livelihood changes that were reported by smallholder farmers in 2015 included increased food security, household assets, household income, ability to pay school fees, business expansion, access to markets and gain in knowledge.

A total of 73 staff (22 females and 51 men) from five disbursing banks were trained during the year. The financial institutions where training was conducted are FBC Bank, BancABC, Ecobank, MBCA Bank and CABS. Together with the 122 who were trained in 2014 this brings the cumulative total to 195. The objective of the training was to appraise the Banks' client facing staff on the CREATE Fund so that they can effectively market the Fund. The trainings were conducted at the following branches Harare, Mutare, Chinhoyi and Bindura.

Under the capacity building support initiative for value chain actors, about 30% of the businesses which were assisted with services by Business Development Consultants to prepare and submit applications to the financial institutions for the CREATE Fund were successful compared to 41% in 2014. However, by the end of December 2015 a significant number of submitted applications were still under consideration by banks. Because of lack of budgetary support there was no post disbursement capacity building support to funded agribusinesses.

Three members of staff successfully attended local courses for six months. One was in Credit Risk Management and the other was in Project Monitoring and Evaluation.

Two review missions were commissioned by DANIDA in May and November 2015 by J.SR Consultants from Uganda. The objective of the May mission was to assess and review the progress in maturing ZADT as a solid financial institution with appropriate systems and

procedures in place. The second technical review was to assess the sustainability and continuity of ZADT against the background of DANIDA's phased exit from Zimbabwe which was scheduled to be completed during the first half of 2016. DFID also commissioned an end of programme review of its Pro Poor Growth ("PPG") Programme in August 2015. The final review report pointed out that the ZADT cumulative disbursement and support for agribusinesses was on target – although not all of the available funds had been deployed. The report also commended the ZADT for having commissioned a fund absorption study to understand the dynamics of the financial sector in Zimbabwe and possible ways forward. They noted that following the study, the Trust had created greater financial incentives which led to increased number of intermediaries borrowing from the Trust and the corresponding improvement in disbursement of the funds.

On financial performance, the total revenue for the year to 31 December 2015 was US\$1,410,098 against total operating cost of US\$829,259. This resulted in a cost to income ratio of 66% and a surplus of US\$580,839. The cost to income ratio for 2014 was 40%.

INTRODUCTION





1. INTRODUCTION

The 2015 Annual Report presents performance highlights achieved by the ZADT through the CREATE Fund accessed through various financial institutions. The CREATE Fund is a value chain financing facility focusing on all agricultural value chains except cotton and tobacco. The Fund was accessed through a Model involving financial institutions namely commercial banks and microfinance institutions, agribusinesses and smallholder farmers.

2. VISION & MISSION OF THE ZADT

The ZADT's vision is to be the most preferred and innovative financial partner for sustainable development of smallholder agriculture and rural economies in Zimbabwe. This will be done through strengthening smallholder agriculture and rural economies by financing market driven activities.

3. AGRICULTURAL PERFORMANCE OF THE 2015 AGRICULTURE SEASON

The 2014/2015 rainy season started mid-December, two months later than the traditional time with climate experts attributing the late start to climate change. The 2014/15 season performed below average leading to a national cereal deficit of about 1.1 million metric tonnes ("MT") for the 2015-16 consumption years. The ZIMVAC 2015 rural livelihoods assessment indicated that approximately 5 percent of the population was acutely food insecure. The Grain Marketing Board's ("GMB") Strategic Grain Reserve levels were reportedly 76 percent below their minimum required 500,000 MT as of July 5, 2015. Grain deliveries to the GMB were very low during the year, with only 29 percent (11,500 MT) received as of early

July, compared to 40,000 MT by the same time the previous year.

These low delivery levels to the GMB were due to the loss of trust by farmers with surplus grain because of non-payment for past deliveries. These farmers were opting to sell to private traders offering cash. In some cases, traders were offering as little as \$180/MT, a price hardly viable for farmers. The GMB was buying maize at \$390/MT, though following Statutory Instrument SI 122 of 2015 (April 2015), the government deregulated the marketing of maize, allowing for prices to be determined by market forces. Some traders who accessed CREATE Funds to buy grain were affected by the stipulation by government to have maize prices pegged at US\$390 per tonne. Though the GMB was buying at US\$390 per tonne the institution delayed payments to these farmers which then affected their preparedness for the 2015/16 season.

Because of the poor season Famine Early Warning System Network ("FEWSNET") reported that rural food insecurity for the 2015-16 consumption year was estimated at 16 percent (1.5 million people) of the rural population. Livelihood options are projected to be constrained in most parts of the country, but especially in the south. Safety-net interventions by the government and partners are limited and lean season humanitarian assistance is expected to be lower than average due to a challenging funding situation.



**OVERVIEW OF THE
CREATE FUND**

4. OVERVIEW OF THE CREATE FUND

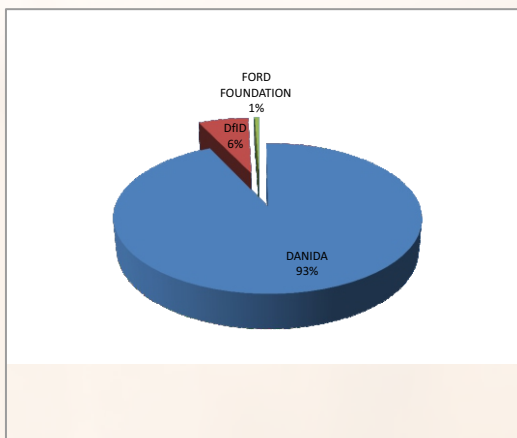
4.1 Funding Sources

The CREATE Fund is a revolving facility. In 2015 the ZADT received additional funds from the Danish International Development Agency ("DANIDA"). The CREATE Fund was set up with funding from DANIDA, the United Kingdom Department for International Development ("DfID") and the FORD Foundation. However the seed money to establish the Trust was provided by the Royal Netherlands Embassy and AusAid.

4.2 Fund Size

From an initial capital of US\$3.8 million in 2010 the Fund has grown almost ten times to US\$37.1 million as at 31 December 2015. Figure 1 presents the percentage distribution of the available Fund by source. DANIDA is the main funder of the CREATE Fund followed by DfID.

Figure 1: Percentage distribution of Fund by source



4.3 Loan terms and conditions

Loan Sizes

From the closing figure of US\$30.7 million at end of 2014 the fund has grown to US\$37.1 million following an additional US\$6.7 million from DANIDA. The size of loans that can be disbursed from the CREATE Fund through financial institutions range from a lower limit of US\$5,000 up to an average of US\$200,000. However, the upper limit is negotiable between the disbursing financial institutions and the ZADT depending on the extent of the benefits accruing to smallholder farmers.

Financial Products

The CREATE Fund is currently being accessed as working capital or capital expenditure. Within the Fund there is US\$200,000 that was specifically targeted for smallholder farmers growing bananas in the Eastern Highlands. Whilst at inception participating financial institutions were only commercial banks, the Trust opened up the distribution channels to include micro finance institutions to promote direct lending to smallholder farmers. There was little direct lending to smallholder farmers through commercial banks because of issues related to loan sizes, transactional costs to service the highly dispersed smallholder farmers and collateral. At the end of 2015 the Trust initiated activities to expand the product range by engaging a Consultant who commenced work on developing additional financial products. These will be made available in the first quarter of 2016.

Loan Tenures

The tenure for working capital ranges from three (3) to twelve (12) months. However, the Trust is also cognisant of the need to be flexible on the tenure of working capital

loans so as to take into account the life cycle of the funded commodity which may be more than 12 months. The repayment period for capital expenditure loans is up to thirty six (36) months with a possibility of a grace period of up to twelve (12) months depending on the project circumstances. The extent of benefits to the smallholder farmers can be used to justify longer tenures for loans. months with a possibility of a grace period of up to twelve (12) months depending on the project circumstances. The extent of benefits to the smallholder farmers can be used to justify longer tenures for loans.

Interest Rates

Up to 31 March 2015 the ZADT was charging financial institutions a base interest rate of 6.5% per annum collected upfront and the financial institutions would in turn put a margin of 5% per annum when on-lending to value chain actors. This translated into an all-in interest rate to value chain actors ("VCAs") of 11.5% per annum. However, the ZADT reviewed the interest rates with effect from 1 April 2015 in response to findings from the Fund Absorption Study, recommendations from review missions by partners and also at the request of disbursing financial institutions. The ZADT now charges 5% per annum (collectable upfront) to disbursing financial institutions who can now put a margin of up to 7% per annum depending on the risk profile of their borrowing clients. The all-in rate up to 31 December 2015 was 12% per annum.

4.4 CREATE Fund disbursing financial institutions

In 2015 ZADT added four more financial institutions to disburse the CREATE Fund. This brought to ten the number of

disbursing financial institutions as at 31 December 2015. Among these, eight are commercial banks whilst two are Micro Finance Institutions ("MFIs"). These are presented in Table 1.

Table1: Create Fund disbursing financial institutions



Financial institutions market the Fund and receive and process applications from prospective applicants. The ZADT does not interfere with the credit assessment process of applicants mostly because the financial institutions access the CREATE Fund from the ZADT assuming 100% risk as long as ZADT loan fund principles are followed. From inception to 31 March 2015, the ZADT was solely responsible for the verification of the existence of linkages between borrowing companies and smallholder farmers for all loan amounts. However, from 1 April 2015 the ZADT reviewed its conditions regarding the verification of linkages between borrowers and smallholder farmers. From that date, verification of linkages between borrowers and smallholder farmers is now a shared responsibility between the ZADT and the financial institutions. For loan amounts of up to US\$500,000 the financial institutions perform the verifications on their own using a format agreed to with the Trust. Beyond that threshold verifications are done jointly by the ZADT and the respective financial institutions. One benefit of the review was to reduce turnaround time for loan processing to an average of 18 days as at end of December 2015 compared to 50 days during the same period in 2014.

CREATE FUND PORTFOLIO ANALYSIS IN 2015





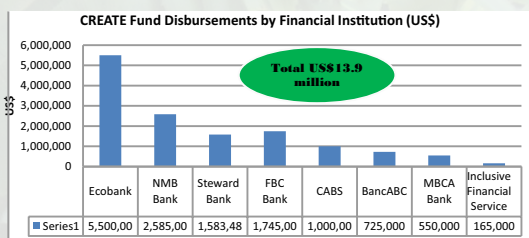
5.1 Relevance of the CREATE Fund

According to findings from the ZADT Round 3 Sentinel survey the ZADT CREATE Fund value chain financing facility still plays a critical role in addressing the gap in financing for agricultural value chain actors that facilitate timely provision of affordable inputs and product markets for the SHFs. Over the three years, the surveys have confirmed that with functional linkages, there is high potential for smallholder farmers to increase productivity and income generation leading to improved livelihoods.

5.2 Fund uptake

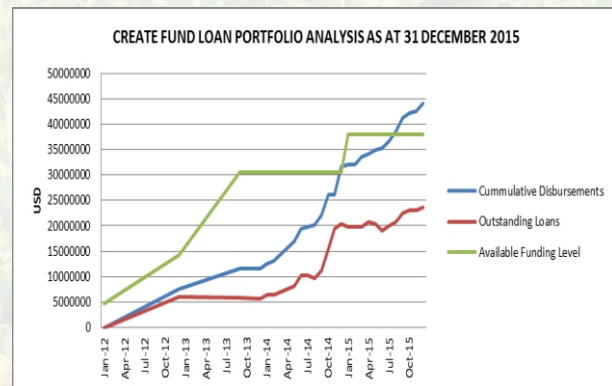
In 2015 there was subdued loan uptake with new loans disbursed amounting to US\$13.9 million compared to US\$20.4 million that was disbursed in 2014. The breakdown of disbursements was as reflected on Table 2 below. As at 31 December 2015 the Trust was yet to on-lend the whole Fund of US\$37.1 million to revolving status.

Table 2: Disbursements breakdown by financial institution in 2015



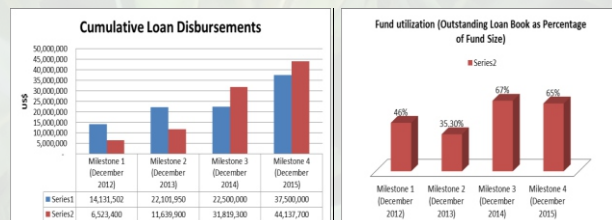
Cumulatively from inception to 31 December 2015 the ZADT issued out US\$44.1 Million worth of loans to the agricultural value chain actors. The total number of loans through which the US\$44.1 million was disbursed was 251. Figure 2 presents the trend in the cumulative disbursements.

Figure 2: CREATE Fund portfolio analysis as at 31 December 2015 (US\$)



The outstanding loan book with the banks as at 31 December 2015 stood at US\$23.6 million representing 65% of the total Fund. This figure was 14.6% higher than the 2014 position where the outstanding loan book was US\$20.6 million representing 67% of the Fund size then, see Figure 3 below. The total outstanding loan book which includes loans issued in previous years was US\$23.6 million, a utilization level of 64%. The outstanding loan book at 31 December 2015 was 16% higher than the 2014 level.

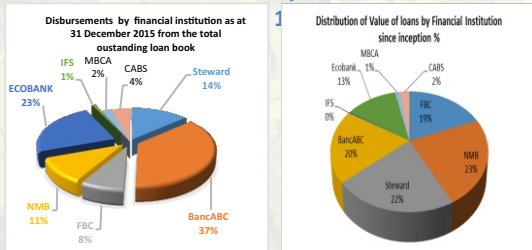
Figure 3: Cumulative loan disbursements & Fund utilization from inception to 31 December 2015



5.3 Disbursements by financial institution

The distribution of the outstanding loan book by financial institution as at 31 December 2015 is presented in Figure 4. Whilst BancABC and Ecobank shared 60% of the loan book between them, MBCA and CABS which were signed up as disbursing financial institutions during the fourth quarter of the year had only just started to disburse loans. Cumulatively from inception to 31 December 2015 NMB Bank had the highest share followed by BancABC and Steward Bank. NMB Bank, Steward Bank and FBC Bank have been disbursing loans from the Fund since inception.

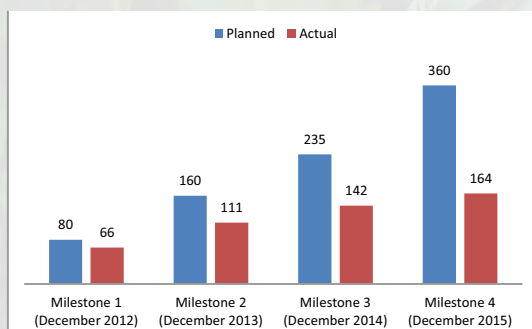
Figure 4: Distribution of outstanding loan book and cumulative disbursements by financial institution as at 31 December 2015 from the total outstanding loan book



5.4 Access to finance by Value Chain Actors

In 2015 about 40 intermediaries accessed the CREATE Fund of which 22(55%) were new applicants and the rest, 45%, repeat applicants, i.e. roll overs and renewals. Figure 5 presents the Fund performance in terms of attainment against annual targets.

Figure 5: Cumulative number of funded intermediaries



By 31 December 2015 the Trust had a target of disbursing to 360 new intermediaries. When the targets were set the significance of demand for loans through roll overs and renewals were underestimated. If one were to assume that each targeted intermediary represents a single loan the 251 cumulative numbers of loans would imply 70% achievement against target. However, by 31 December 2015 the cumulative number of intermediaries who accessed the Fund was 164 representing 46% of the planned target. There has been a systematic reduction in the number of new intermediaries borrowing from the Fund as seen in Figure 5. This is what led the Trust to commission a Fund Absorption Study to establish the reasons for the decline in uptake which culminated in a review of Fund terms and conditions in Quarter 1 of 2015. The distribution of the borrowers by value chain category is presented in Figure 6.

Distribution of loans by value chain category

The Trust defined the different types of value chain actors which are eligible to borrow from the Fund for the onward benefitting by smallholder farmers. As presented in Figure 6 the majority of loans were disbursed to Processors followed by Traders and Agro dealers. However, in terms of value, Processors and Manufacturers had more than 70% of the share. Funded manufacturing companies were mainly for fertilizers.

Figure 6: Distribution of loans by number and value

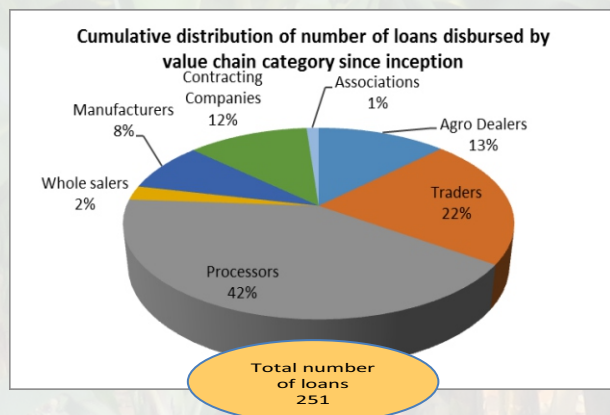
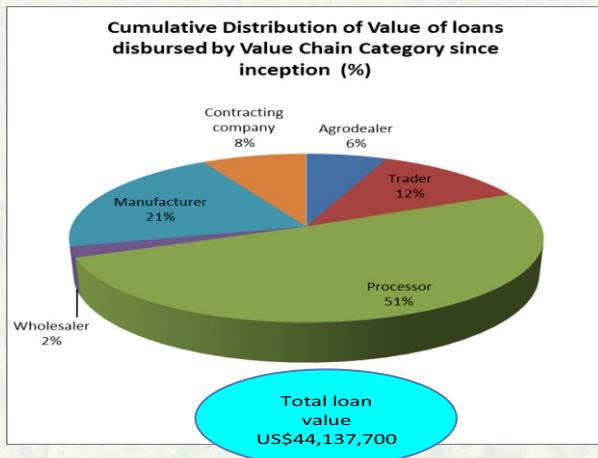


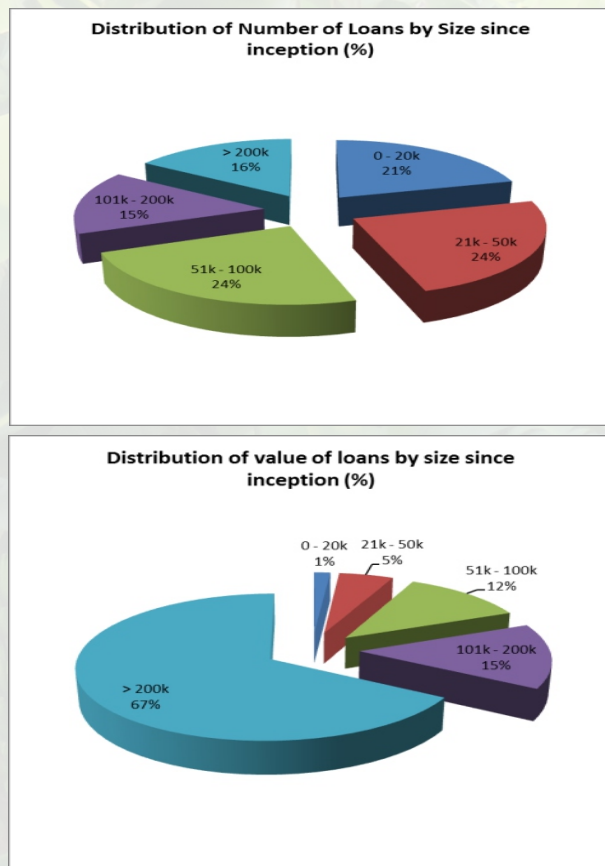
Figure 6: Distribution of loans by number and value



Distribution by loans by size

Whilst the cumulative distribution of the number of loans by size shows a fair spread among the stated categories 69% of the loans were for less than US\$100,000. However the distribution of the value of loans by size in the stated categories displays a skewed pattern where 67% of the loans were for loan sizes above US\$200,000.

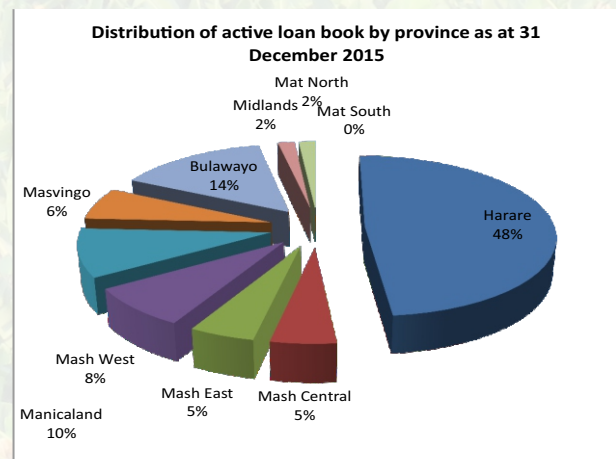
Figure 7: Distribution of loans by size



The 69% loans which are less than US\$100,000 in size were only worth 18% of the total value of disbursements. This shows that banks have an appetite for bigger loans as a way of managing costs.

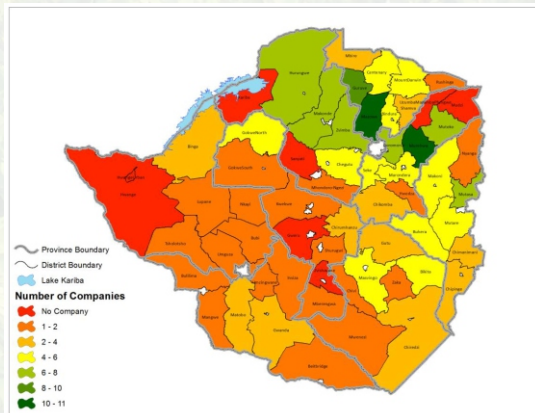
Spatial distribution of disbursements

Figure 8: Distribution of funded intermediaries in 2015 by province



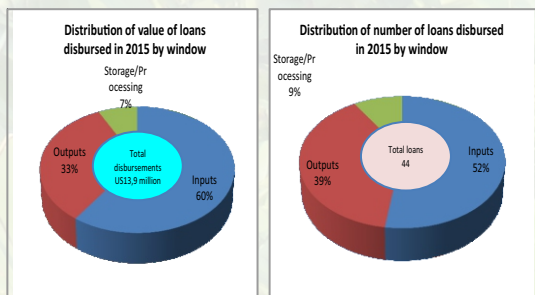
The CREATE Fund is not a regional Fund targeting only certain areas of the country. All regions are eligible as long as there are smallholder farmers and agribusinesses whose operations benefit smallholder farmers. Distribution of the number of funded intermediaries for the year to 31 December 2015 shows that Harare had the largest share followed by Bulawayo. However the distribution is only based on the physical location of the Offices of the applicant rather than areas of operation. Distribution in terms of the districts where the funded intermediaries are operating and with linkages with smallholder farmers is presented in Figure 9. In this Figure only seven districts were not covered in terms of having beneficiaries of the fund operating there. This means the CREATE Fund covered 88% of the rural districts in Zimbabwe.

Figure 9: Districts where funded intermediaries were operating in 2015



Disbursements by Window

Figure 10: Distribution of loans disbursed in 2015 by value and number by Window



There was congruency in the distribution of value and number of loans by the respective windows as reflected in Figure 10. Demand for loans was disproportionately higher for inputs followed by output/marketing windows.

5.5 Credit risk

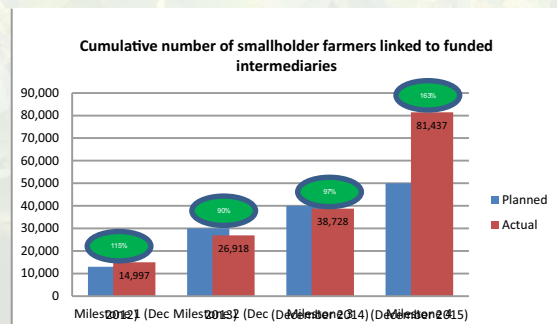
The financial sector ratio of non-performing loans (NPLs) to total loans (TL) declined markedly from 16% as at 31 December 2014 to 10.87% at 31 December 2015. Improvements in the level of NPLs in the sector was largely attributable to the disposal of qualifying loans to the Zimbabwe Asset Management Corporation (ZAMCO) and the effective credit risk management strategies employed by banks including intensified collections and workout plans. ZAMCO was established by the RBZ in 2014 as a special purpose vehicle to buy

secured bad loans on the books of banks so as to free their balance sheets and enable them to lend to the various sectors of the economy.

As at 31 December 2015, ZAMCO had acquired and restructured non-performing loans totaling \$357 million from a number of banking institutions which include ZADT CREATE Fund disbursing banks. The restructuring involved extending the loan repayment period, extending grace periods for capital repayment, reducing interest rates and in some instances converting debt to equity. Whilst the ZADT had NPLs amounting to 1.2% at the beginning of 2015 which had been fully provided for, by the end of December 2015 the rate for the ZADT stood at 1%.

5.6 Smallholder farmers linked to funded businesses

Figure 11: Number of smallholder farmers linked to funded intermediaries



For the year to 31st December 2015 the number of smallholder farmers linked to CREATE Fund borrowers was 42,709 against an annual target of 10,000. This figure excludes walk-in customers where the borrowers do not capture records. This is a significant achievement against a backdrop of subdued loan uptake. The growth in number of linked smallholder farmers was mainly due to some funded input manufacturing companies who had very high outreach to smallholder farmers.

The grand total of the number of smallholder farmers that the fund has benefited, including walk in customers for 2015 was estimated to be 355,739. As presented in Table 3 the bulk of these are smallholder farmers linked to input manufacturing companies and farmer associations. Funded associations include the Zimbabwe Farmers Union (ZFU) with a membership of over 130,000 and Agro Dealer Associations from different provinces. The cumulative number, 81,437, of smallholder farmers (excluding walk-in customers) linked to funded intermediaries by end of December 2015 was therefore 163% of planned target, see Figure 11.

Table 3: Distribution of smallholder farmers linked by value chain categories

Value Chain Category	Number of SHFs targeted
Agro dealers	21,820
Manufacturer	161,210
Associations	130,000
Traders	6,700
Contracting companies	22,443
Processors	13,566
TOTAL	355,739

5.7 CREATE Fund and women participation

Smallholder women farmers linked to intermediaries

In 2015 the Trust disbursed Funds through both commercial banks and one microfinance institution (MFI). Smallholder farmers with contractual relationships with intermediaries such as Northern Farming, Tanganda Tea Company, Matanuska, Zero One Africa and Hippo Valley were getting funding from the funded intermediaries in the form of agricultural inputs.

The proportion of women beneficiaries in the contract farming value chain category was 21%. Accounting for the proportion of women in other categories such as agro dealers, manufacturers, processors etc. was not systematic as disaggregation by gender was not consistent.

For the 1,038 smallholder farmers who accessed finance directly through the MFI, 53% of them were women. However, the total value of loans that were accessed by women was 44% the value taken by their male counterparts. The average loan size for women farmers was 69% that of men implying that though more women had accessed the loans, they accounted for a smaller share of the capital compared to the fewer men who got money. There remains an opportunity to promote gender equity in access to loans through MFIs. The Trust is yet to develop gender biased financial products. In order to promote equity in 2015 the ZADT developed a Gender Policy which will provide guidance on improving the participation of women led SMEs and benefitting women smallholder farmers.

Participation of women in funded intermediary businesses

In 2015 out of the 22 new intermediaries which accessed CREATE Fund loans 8 managed to profile the names and gender of owners of the companies. There were a total of 40 Directors in the 8 companies. Only six (6) representing 15% of the directors (owners) were women. Of the 8 companies half of them (4) had equal number of men and women Directors whilst 3 did not have any women in the ownership.

FUND IMPACT

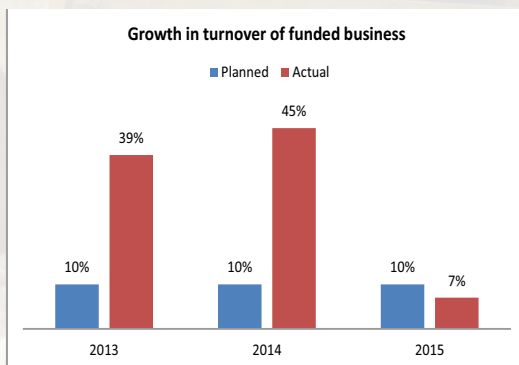




6.1 Impact on Value Chain Actors

The average growth rate in turnover for businesses which accessed the fund in 2015 was 7% against a target of 10%, see Figure 12. There was negative growth for businesses in all value chain categories save for processors. Reasons for the poor performance included the general economic conditions which were prevailing in the country.

Figure 12: Growth in turnover of funded businesses



6.2 Impact on smallholder farmers

In 2013 a total of 15 sentinel sites out of a possible 89 were chosen for the household survey. A sentinel site is the borrowing intermediary serving a selected group of SHFs within defined geographical locations. Selected farmers doing business with the intermediary were referred to as sentinel site participants. In 2014, 16 sentinel sites participated in the survey. Two sites were dropped in the 2014 survey whilst three new sites were added. In the 2015 survey, a total of 16 sentinel sites (11 from 2014 and five new ones) participated. Five sites from 2014 survey were dropped based on recommendations from the 2014 sentinel survey. Thus, out of the first 15 sites that participated in the 2013 survey, a total of 8 sites (53.3%) participated in all the three rounds of the surveys. Despite the

high attrition this was still considered a significant sample to establish the programme's impacts and draw lessons for future programming. From the First Round of the Sentinel Survey, the sites were selected on the basis of a four point criteria i.e.:

- i) The borrowing intermediary had to have a long working relationship with the same small holder farmers (for at least 3 years).
- ii) The borrowing intermediary was supposed to have a direct relationship with smallholder farmers e.g. through direct purchase of farmer's produce
- iii) The smallholder farmers relationship with the borrowing intermediary formed a significant part of the farmers' livelihood strategy
- iv) The sentinel site was supposed to be a fair representation of the value chain and ecological region of Zimbabwe.

Crop Productivity

Table 4 shows productivity levels (yield per hectare) for selected crops grown by SHFs over the three year period up to 2015.

Table 4: Productivity trends of selected value chains

Crop	Productivity by Period (kg/ha)		
	2013	2014	2015
Banana	14,977.2	7,807.7	11,407.1
Tomatoes	9,861.1	6,450.0	4,957.0
Maize	2,963.1	2,114.0	2,295.86
Groundnuts	1,250.0	1,700.9	1,354.84
Sugar Beans	1,616.9	5,422.0	1,338.37
Sesame	-	414.0	634.42

Crop productivity is a function of several factors which include rainfall, input use as well as management (agronomic practices). Crop productivity per hectare has been variable over the three year period for most of the crops. Despite an initial drop in yields from 2013 to 2014 there has been an improvement in maize, sesame and banana productivity per hectare from 2014 to 2015. Productivity of beans, tomatoes and groundnuts per hectare was also low compared to results recorded in the 2014.

Figure 13: Smallholder farmers growing Sesame

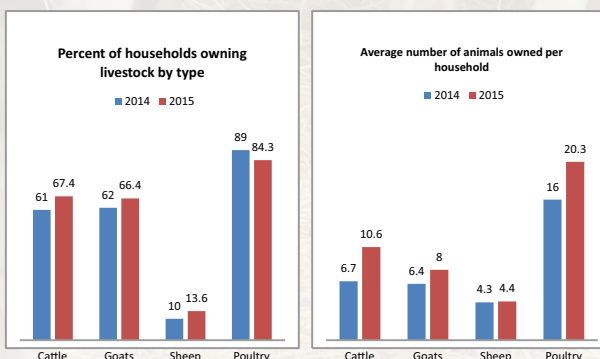


A smallholder farmer and his wife pose in front of their Sesame crop during a field day in Chiredzi in April 2015

Household Assets

Accumulation or disposal of household assets normally reflects changes in household livelihood conditions or wellbeing.

Figure 14: Livestock ownership by smallholder farmers linked to funded intermediaries



The proportion of households owning cattle and goats as well as the average number of animals increased from the 2014 levels, see Figure 14.

Whilst the proportion of households purchasing productive or non-productive assets has been declining since 2013, in 2015 the proportion of households purchasing productive assets rose from 19.1% in 2014 to 21% in 2015. The average value of productive assets purchased has been increasing since 2013 whilst the value of non-productive assets purchased has been decreasing. The trend demonstrates farmers' propensity to invest in productive capacity.

Cattle Trading

The average numbers of cattle sold by traders over the years have been on a decreasing trend. This was attributed to changing cattle marketing conditions where trading is now predominantly done through Rural District Council facilities. When traders buy directly from farmers they offer low prices due to poor bargaining skills of the smallholder farmers. But, when they go to Cattle Auctions they bid against other buyers and farmers generally get better returns for their animals. The average income realised by traders was on a declining trend since 2013 with one intermediary reporting that they had reduced the buying price from \$1.90/kg in 2013 to \$1.50/kg in 2015.

Average Household Income

Comparison of household incomes for farmers involved in different farming activities showed that some activities with high capital requirements also generate higher incomes. For example sugarcane farmers had the highest average income of \$16,877.51 per annum which was more than two times the second ranked activity, livestock trading.

Figure 15: Smallholder farmers growing Paprika under contract in Hurungwe communal area



Table 5: Average household income by Agricultural Activity in 2015

Type of Farming/Value Chain	Mean SHF Household Income per annum (USD)
Sugarcane	16,877.51
Livestock Trading	6,722.00
Bananas	2,125.22
Other Field Crops (cowpeas, potatoes, etc.)	982.48
Horticulture	629.59
Paprika Contract Farming	532.73
Sesame	457.00
Maize Contract Farming	376.26
Tea	222.75
Sugar Beans	144.83
Maize	120.13
Sorghum Contract Farming	88.06
Groundnuts	40.07

Banana farmers ranked third in terms of average income. Despite erratic rainfall patterns experienced during the 2014/15 season, farmers growing maize under contract arrangements realized more than double average incomes when compared to farmers growing the crop without contract. This was largely due to increased access to inputs that boosted production for contracted farmers.

Figure 16: Banana farmer in Honde Valley



A woman watering yams in front of their banana crop in Honde Valley

Table 6 shows average household incomes for the different respondent categories over the three year period as reported in the annual sentinel surveys. The 2015 survey showed a significant increase from the 2014 survey in average household incomes for all respondent categories, see Table 6.

Table 6: Average household incomes by category of farmers

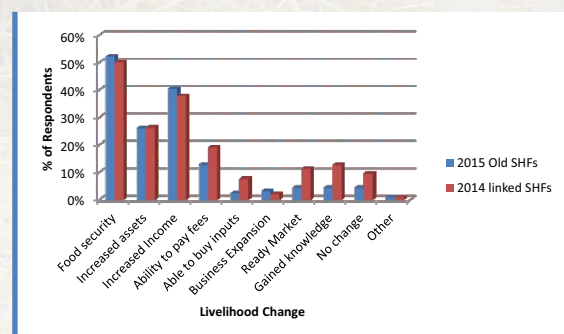
Respondent Category	Period	Mean Income (USD)
All Respondents	2015	\$3,940.8
	2014	\$3,266.98
	2013	\$7,718.00
Crop Farmers (Excluding Agrodealers & Livestock traders)	2015	\$2,254.47
	2014	\$1,887.39
	2013	\$3,411.80
Agro-dealers & Livestock Traders	2015	\$6,722.00
	2014	\$6,369.68
	2013	\$13,938.01
New Households interviewed in 2015	2015	\$4,909.69
Final Adjusted Annual Average HH Income for SHFs	2015	\$2,254.47
	2014	\$1,887.39

The adjusted households' average income for 2015 was 19.4% higher than that for 2014. In 2014 livestock traders and agro-dealers had significantly higher incomes compared to farmers involved in horticulture and field crop production.

6.3 Key Changes in Smallholder Farmer Livelihoods

Figure 17 shows a comparison of key livelihood changes for the periods 2014 and 2015 for linked farmers that participated in both surveys.

Figure 17: Comparison of livelihood changes of smallholder farmers between 2014 and 2015



CAPACITY BUILDING



7.1 Training of participating bank staff on the CREATE Fund

A total of 73 staff (22 females and 51 men) from five disbursing banks were trained during the year ended 31 December 2015. These banks are FBC Bank, BancABC, Ecobank, MBCA Bank and CABS. Training sessions were conducted at the premises of the banks. Together with the 122 who were trained in 2014 this brings the cumulative total to 195. The objective of the training sessions was to capacitate bank staff so that they can effectively market the fund. The training sessions were conducted at the following branches:- Harare, Mutare, Chinhoyi and Bindura. Pre and post-training assessments revealed that bank staff were not conversant about the CREATE Fund and after the trainings they were functionally conversant including understanding the fund's terms and conditions.

7.2 Training of Banks on other capacity needs

Apart from the training on the CREATE Fund which was conducted by the Trust to relevant staff of all partner financial institutions even to some country branches there was no other specialised training organised for banks. This was because of budgetary constraints. In 2015 about 30 bank staff from Ecobank and BancABC was trained in SME Banking through Euro money.

7.3 Pre and post-disbursement capacity building for intermediaries

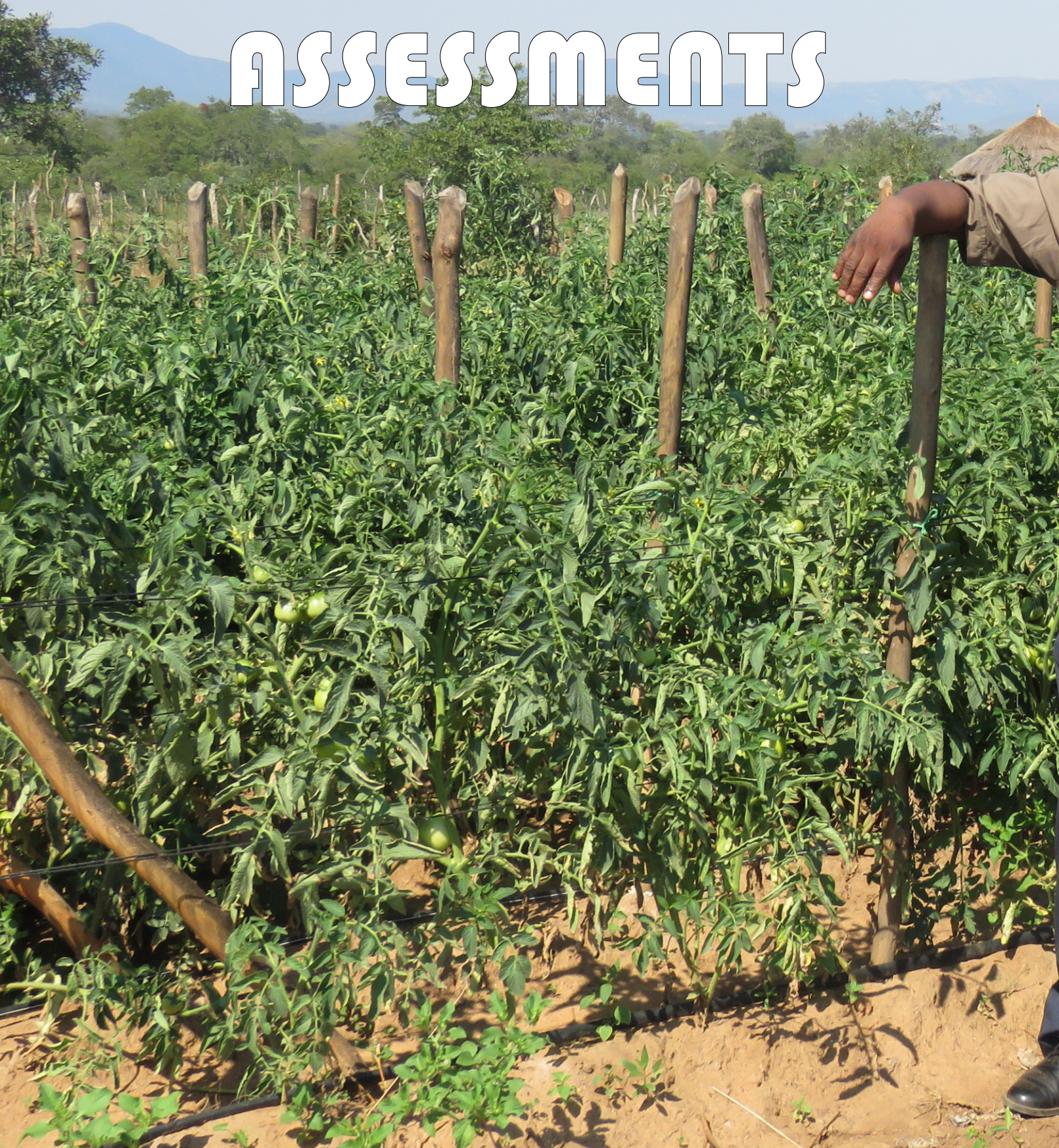
About 30% of the businesses which were assisted with capacity building services by Business Development Consultants to

prepare and submit applications to the CREATE Fund were successful. In 2014 the figure was 41%. In 2015 the capacity building budget from DfID was expended in Quarter 1 and there was no support during Quarter 2. The Trust managed to allocate some funds which were used to engage capacity builders from Quarter 3. At the end of December 2015 a significant number of submitted applications were still under consideration by banks. However, the funds set aside were not adequate to cover post disbursement support to intermediaries.

7.4 Capacity building for the ZADT Staff

Three members of staff successfully attended training courses for six months at the University of Zimbabwe. One attended a course in Credit Risk Management whilst the other two attended a course in Project Monitoring and Evaluation.

ASSESSMENTS





8.1 DANIDA Reviews

Two review missions were commissioned by DANIDA in May and November 2015. They were both undertaken by the J.SR Consultants from Uganda. The overall objective of the May mission was to assess and review the progress in maturing the ZADT as a solid financial institution with appropriate systems and procedures in place. The review was in preparation for a new three year DANIDA country programme which was being planned for the period 2016-2018. The programme was later cancelled due to a change in the Danish Policy on Foreign Assistance Programmes.

The objective of the second technical review was to assess the sustainability and continuity of the ZADT against the background of DANIDA's phased exit from Zimbabwe which was slated to be completed during the first half of 2016. The technical review also sought to provide strategic advice to the Danish Embassy Office, outlining the legal and policy related steps that DANIDA would need to take in order to secure an orderly and final exit from the ZADT.

In both missions the review team managed to discuss with the various partners of the ZADT. They sampled and interviewed participating financial institutions and borrowing intermediaries. They also visited some smallholder farmers who are linked to some of the funded intermediaries. Reports with the findings and recommendations were shared with the ZADT. Key areas for improvement mentioned in the report include the re-arrangement of the Board Audit Committee ("BAC") so that the Board Chairperson is not a member of the BAC. The report also recommended that the

BAC Chairperson should be an independent trustee. An opportunity for the Board Credit Committee ("BCC") to reduce the frequency of its meetings once an Enterprise Risk Management ("ERM") framework is implemented was pointed out. This recommendation was made in light of the lean structure of the ZADT and the fact that there is a lot of background work involved in BCC meetings, including several monitoring and evaluation activities. The ERM would then help in the proactive management of opportunities and threats, as well as the efficient allocation of scarce resources (time and money), reduction of loss exposures and increased confidence from stakeholders. Recommendations from both reviews are being incorporated by the Trust.

8.2 DFID review

DFID carried out its annual review of its Pro Poor Growth ("PPG") Programme. Part of the CREATE Fund capital came from DfID under this programme. Three other organizations were funded by DFID under the Programme. These are Agro Initiative Zimbabwe ("AIZ"), Zimbabwe Microfinance Fund ("ZMF") and the Africa Enterprise Challenge Fund ("AECF"). The assessment was done between July and September 2015.

Just like the J.SR Consulting Team, the DFID programme review team managed to discuss with the various partners of the ZADT which included a sample of participating financial institutions and borrowing intermediaries. They also visited some project sites in Matabeleland, Midlands and Masvingo where they met and interviewed smallholder farmers linked to the funded intermediaries. A report with findings

and recommendations was produced and shared with the Trust. The report pointed out that the ZADT cumulative disbursement and support for agribusinesses was on target – although not all of the available funds had been deployed. It also commended the ZADT for having commissioned a fund absorption study to understand the dynamics of the financial sector in Zimbabwe and possible ways forward. The review team highlighted that following the study, the Trust had created greater financial incentives which led to increased number of intermediaries borrowing from the Trust and the corresponding improvement in disbursement of the funds.

Noting that the ZADT had improved its performance by developing a dedicated Secretariat rather than relying on an outsourced Fund Manager the report recommended the need for clarity on ZADT's business model. On the ZADT's plans to engage the microfinance sector as well as exploring equity and guarantee products to increase fund uptake the report commented that working in the microfinance sector could overlap with Zimbabwe Microfinance Fund ("ZMF") whilst equity and guarantee products are an entirely new business line which requires new institutional capabilities and processes.

On the issue of Inclusion of climate finance the report highlighted that the ZADT had good potential for delivery of climate finance programming via a green agribusiness window under the existing CREATE Fund. The Trust is incorporating the recommendations from the review.

8.3 Internal Audit

An Internal Audit was conducted by KFM Consultants. The Consultant prepared

and issued their report to the Board of Trustees in October 2015. In the opinion of KFM Consultants, the controls at the ZADT were considered satisfactory.



FINANCIAL PERFORMANCE



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IRVINE'S Poultry Solutions
Notice To Our Valued Customers
REPLACEMENT OF CHICKS
Please acknowledge that the following are the requirements for replacement of chicks:
1. Record from a qualified registered Veterinary Surgeon
2. Photographs of original drawing with all conditions, names and other details highlighted.
3. Photograph of identity card matching the name on the receipt.
4. Total number of chicks purchased.
5. Daily mortality from day 1 to day 7.
6. Customer contact telephone number.
7. Customer to specify preferred date and place of collection.
Note: chick cost to be less than 1/4 of age from date of receipt of claim by Irvine's Distribution.
Irvine's Distribution reserves the right to change collection date, collection place and number of chicks to be replaced.
If any of the above conditions are not met, the claim shall be rejected.



PROfeeds
phase feeding programme

Do you slaughter at 5 weeks?
Our customers do.



... is what they



Interest Income

Interest income is charged upfront at 5% per annum on loan amounts issued to borrowers. There was a 41% decline in interest income from US\$1,365,116 in 2014 to US\$966,340 in interest generated and collected in 2015. This was attributable to a reduction in interest rates from 6.5% to 5% in April 2015. Total new loans issued during the year to 31 December 2015 totalled US\$13,853,489.09 giving a decline of 47% relative to loans of US\$20.3 million issued in 2014.

The Trust increased the number of participating financial institutions from six (6) to ten (10) comprising of eight banks and two microfinance institutions.

Other income

Other income of US\$99,443 relates to US\$60,170 income realised from repayment income generated from repayment of the Pilot Seeds Facility granted to Agriseeds (Pvt) Ltd for the Smallholder and National Food Security Programme funded by AusAid and the Royal Netherlands Embassy that was initiated in the 2009-2010 summer cropping season. The fund once fully recovered is meant to boost the CREATE Fund capital. This programme informed the design of the ZADT current programme. The balance of the other income related to funds received from partners for capacity building.

Employment costs

Total employment costs for the year totalled US\$285,466, an increase of 25% from US\$228,710 in 2014. This was attributable to right sizing the review of the remuneration structures within the Trust. The staff cost to income ratio stood at 30% which was within the targeted ratio of 32%.

Administration expenses

The total Administration costs for 2015 totalled US\$416,508, an increase of 26% from US\$330,193 in 2014. This was mainly attributable to consultancy work on product

development as well as consultancy on the gender audit. There was also a loan write off of US\$65,500. The administration cost to income ratio was 43% which was within the targeted ratio of 54%.

Value for Money (VFM)

The main indicator for VFM is the cost to income ratio which stood at 66% as at 31 December 2015. This was an increase of 26% in comparison to 2014 where the cost to income ratio stood at 40%. The increase was attributable to reduced interest income in the year under review.

Operating Self Sufficiency (OSS)

The extent to which the ZADT's operating expenses are covered by its operating income and is able to function independent of grant support is measured by the OSS ratio which stood at 1.5 as at 31 December 2015. This is a good indication that the ZADT is currently self-sustainable as a ratio of 1 and above is an indication of self-sufficiency.

Working Capital

The Trust's cash at bank available for lending as 31 December 2015 was US\$12,924,810.91 whilst the cash balance in the revenue account for operations stood at US\$1,157,899.11

Summary of financial position

The Trust had total income of US\$1,065,783 in 2015 against total costs of US\$701,974 resulting in a surplus of US\$363,809.00, a decrease of 128% in comparison to the 2014 surplus of US\$829,238. This was mainly attributable to a reduction in interest income following rates decline from 6.5% to 5% effective 1 April 2015.

INSTITUTIONAL DEVELOPMENT





Boardroom

ZACT

10.1 The ZADT Organizational Structure

The ZADT is comprised of the Board of Trustees which has seven members. Within the Board of Trustees are three Committees namely Credit and Loans Committee, the Human Resources and Nominations Committee and the Audit Committee. The ZADT's day to day operations are run by the Secretariat, headed by a Chief Executive Officer. The Organogram for the organization is presented in Figure 18.

Figure 18: ZADT Organogram



10.2 The ZADT Board

The Board of Trustees is the steward of the Trust acting as the focal point and custodian of corporate governance and is responsible for ensuring the continued success of the Trust. Its role, composition and responsibilities are set out in the Board Charter.

In order to facilitate efficient decision-making and the discharge of the Board's responsibilities the Board set up three committees which have separate responsibilities to provide guidance in specific areas. These are:

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

The Board considered and approved three main policies which had been referred from the Committees. These were the Enterprise Risk Management Framework; the ZADT Gender Policy and the Credit & Operational Policy and Procedures Manual.

Audit Committee

The duties and responsibilities of the Audit Committee are clearly detailed in the terms of reference. In summary the Audit Committee is responsible for issues of financial policy; financial and narrative reporting; treasury management; external audit; internal control framework; internal audit; anti-bribery, anti-money-laundering, whistle blowing and anti-fraud policy and risk management. The Committee meets at least 4 times a year or as and when it is required to meet. During the year the Committee deliberated on the Enterprise Risk Management Framework and recommended it to the main Board for approval.

Credit and Loans Committee

The Credit and Loans Committee, just like the Audit Committee has its duties and responsibilities clearly spelt out in the terms of reference. With a membership of three the Committee is responsible for overseeing the credit function of the ZADT.

Specifically the Committee provides oversight of lending process and risk assessments and updates the Board on the Trust's lending risks; Monitors lending portfolio quality; Recommends to the Trust Board for approval and inclusion within policy amendments to exposure limits, new lending products and markets in accordance with the Notarial Trust Deed; Monitors lending for alignment to the Trust Board risk appetite and adherence to the Trust Deed; and annually reviews the Credit Policy of the Trust and present to the Trust Board for approval. The committee meets at least once a month and in 2015 they met 11 times. During the year the Committee considered the Credit and Operational Policy and Procedures Manual which they recommended to the main Board for Approval.

Human Resources and Nominations Committee

With a membership of three this Committee meets quarterly with the primary objectives of assisting the Board in the nomination, appointment and assessment of the Chief Executive Officer and his/her Senior Management employees reporting directly to the him/her; and to provide an independent and objective body that will make recommendations on policies and practices as well as on remuneration and other relevant human resources matters, for the ZADT Chief Executive and his staff. Among some of the issues which the Committee deliberated on in 2015 was the ZADT Gender Policy which was referred to the Board for approval. The Committee also approved in 2015 the carrying out of a gender audit, development of a training manual and the subsequent training of ZADT staff and Trustees on gender.

the Board for approval. The Committee also approved in 2015 the carrying out of a gender audit, development of a training manual and the subsequent training of ZADT staff and Trustees on gender.

Meetings held by the Board and its Committees in 2015

Table 7 presents the number of meetings that were held by the different Committees during the year.

Table 7 : Number of meetings held by the Board in 2015

Committee	Number of meetings held
Board of Trustees	4
Credit & Loans Committee	11
Audit Committee	4
Human Resources & Nominations Committee	4



Soneni Ncube

Soneni Ncube was the first Chairperson of the ZADT. She is currently a Programme Officer Green Entrepreneurship with the Hivos Regional Office for Southern Africa and has 25 years experience as a development practitioner and has extensive knowledge of the Southern African region. Prior to that she was an Ecologist with the Department of Natural Resources. Soneni served as a Board member of Hivos Zambia and South Africa. She holds a BA (Hons) in Development Studies , a Post graduate Diploma in Rural and Ecology Survey and Master of Business Administration (MBA) Degree.

10.3 Profiles of the ZADT Board Members



Mbekezeli Mthunzi - Chairperson

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



Ms. Naa-Aku Acquaye Baddoo

Ms. Naa-Aku Acquaye Baddoo is Country Director of SNV Zimbabwe. She has background in Law and Philosophy and over 24 years' experience in the fields of Development Practice, Strategy and organizational Development, Human Resource Development and Learning, in Europe, Africa and Asia. Before taking up her post in Zimbabwe, Naa-Aku was Regional Head of Strategy and Regional Coordinator for seven SNV countries in South East

and South Asia. She also worked as Senior Strategy Advisor in SNV's global office in The Hague for several years.



Dorothy Mushayavanhu

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



Nyasha Makuvishe

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



Signe Skovbakke Winding Albjerg

Signe Winding Albjerg is the acting Head of Mission at the Royal Danish Embassy Office in Harare. Mrs. Albjerg holds a Masters Degree in Political Science from Aarhus University. She is a seasoned diplomat with a strong profile within development policy and cooperation, with experience from various African countries.



Benedict Gilbert Moyo

Benedict Gilbert Moyo holds a PhD (2004) in Epidemiology and an MBA in Strategic Thinking & Change Management (1999) both from the Bristol University in England, B Eng. from Malta. He is an entrepreneur running a horticulture, dairy, and beef farm in Nyamandlovu and Shangani areas both in the Southern region parts of Zimbabwe. He has an excellent understanding of operations and needs for the Small holder farming sector where value addition on their produce is key. He has a wealth of knowledge on cross cutting issues that include gender, renewable energy, HIV & Aids and the general public health issues in the communities.

10.4 The Secretariat

The ZADT Secretariat was established as an autonomous management body for the day to day running of the Trust's operations. The Secretariat has the responsibility to monitor Financial Services Providers ("FSPs") through conducting regular on-site inspections, analyzing and reviewing periodic returns submitted as may be specified from time to time; ensuring the implementation of the Fund as per the specified terms and conditions, and preparing periodic reports for the Board of Trustees on its performance. The Secretariat processes applications for disbursements for the various facilities from FSPs; determines counterpart limits and specifies the rate at which FSPs will lend under the Fund; carries out verification/monitoring of projects under the Fund; builds capacity of stakeholders which includes FSPs and borrowing intermediaries. They also review Fund guidelines as may be necessary from time to time. The ZADT Board of Trustees and its Committees provides the necessary oversight and support to the Secretariat in the performance of its functions.

Heading the Secretariat is the Chief Executive Officer (CEO) who is answerable to the Board of Trustees. Reporting to him directly are heads of three main departments namely Business Development and Marketing, Finance and Administration and Monitoring and Evaluation.

10.5 Management Profiles



Godfrey Chinoera
Chief Executive Officer

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



Fortunate Vengesai
Business & Market
Development Manager

Fortunate is a seasoned Agriculturalist, Development and Corporate banker with vast experience in managing agribusiness

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



Caroline Mangezi
Finance & Administration Manager

Caroline has more than seventeen years' experience in Accounting and Financial Management. She started her Accounting career with Deloitte Chartered Accountants and progressed to various corporate firms and NGOs as Financial Manager. In her role as Finance and Administration Manager, she is responsible for the overall financial management and administration of the ZADT, effective internal control systems, human resources management, communication technology management, budgeting and financial reporting. She holds a Bachelor of Commerce Degree in Accounting and Commercial Law from Rhodes University, South Africa and a Masters Degree in Business Leadership (MBL) from UNISA.



Morris Mudiwa
Senior Monitoring & Evaluation Officer

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



Tatenda C Mudanyanga
Administration Officer

Tatenda C Mudanyanga has vast experience in the field of administration having worked for both the private sector and non-governmental organizations for fifteen years. He has experience in administration, audit and human resources. In his role as the Administration Officer for the ZADT, he provides support for all ZADT's operational activities. He designs and implements administrative policies for the Trust. Tatenda is an Associate Member of the Institute of People Management Zimbabwe (IPMZ)

**Audited
financial
Statements for
the Year Ending
December
2015**

**ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
REFERENCE AND ADMINISTRATION INFORMATION**

BOARD OF TRUSTEES	-Mbekezeli Mthunzi – Board Chairperson -Dr Benedict Gilbert Moyo – Audit Committee Chairperson (appointed 20 May 2015) -Signe Skovbakke Winding Albjerg -Dorothy Mushayavanhu -Nyasha Makuvishe -Naa-Aku Acquaye Baddoo -Soneni Ncube
SECRETARIAT	-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 -Tatenda Mudanyanga – Administration Officer
MAIN FUNDERS	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	PricewaterhouseCoopers Chartered Accountants (Zimbabwe) Building No. 4, Arundel Office Park, Mt Pleasant, Harare

NOTES TO THE FINANCIAL STATEMENTS

44 – 48

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

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016****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 Organisation – Zimbabwe and Hivos – Zimbabwe. It is funded by the Royal Danish Ministry of Foreign Affairs (“DANIDA”) and other International Organisations. The Trust’s objective is to promote growth in primary agriculture and related value chain with the main aim of improving food security and incomes for rural communities through provision of funding for agricultural activities.



STATEMENT OF THE BOARD OF TRUSTEE’S 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 of financial statements and they incorporate full and responsible disclosure to ensure that the information contained therein is both reliable and relevant. The Trust’s independent auditor, PricewaterhouseCoopers Chartered Accountants (Zimbabwe), has audited the financial statements and their report appears on page 3.

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, verify and maintain accountability of assets, and to prevent and detect material misstatements and losses. The systems are implemented and monitored by suitably trained personnel, with an appropriate segregation of authority and duties. Nothing has come to the attention of 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 financial statements set out on pages 41 to 48 were approved by the Board of Trustees on 14 April 2016 and are signed on its behalf by;


Mbekezeli Mthunzi
Board Chairperson
Dr Benedict Gilbert Moyo
Audit Committee Chairperson**14 April 2016**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015****Board of Trustees' Report**

The Zimbabwe Agricultural Development Trust ("the Trust" or "ZADT") is a trust registered in Zimbabwe in October 2010. The main objective of the Trust is promoting smallholder Agriculture Development by facilitating 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 that was set up in 2013 include a Secretariat headed by a Chief Executive Officer who reports directly to the Board of Trustees.

The Secretariat was fully constituted in October 2013 with the main responsibility of managing the Trust's fund-raising initiatives and promoting uptake of funds by beneficiaries. It is also tasked with ensuring that loan disbursing financial institutions on-lend to agricultural sector intermediaries that benefit small-scale farmers. The fund distribution is done across all defined agricultural value chain Credit Windows that include Input Window., the Output 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 would underwrite the risks associated with lending. However the Secretariat closely monitors the lending institutions to ensure that the commercial lending process does not overshadow the developmental objectives of the ZADT.

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

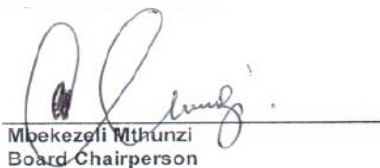
I would like to extend my gratitude to the partners for the support that ZADT has received. DANIDA and DFID support ZADT with the bulk of the funds for the credit facility.

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

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

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

It is therefore my pleasure to present to you the ZADT's audited financial statements for 2015. The report chronicles in more detail ZADT's activities and outputs during the period.



Mbekezeli Mthunzi
Board Chairperson



INDEPENDENT AUDITOR'S REPORT

to the Board of Trustees

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

Report on the financial statements

We have audited the financial statements of Zimbabwe Agricultural Development Trust ("the Trust" or "ZADT") which comprise the statement of financial position as at 31 December 2015, the statements of income and expenditure and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, set out on pages 4 to 11. The financial statements have been prepared by the Secretariat of ZADT in accordance with the accounting policies described in note 1.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements of ZADT for the year ended 31 December 2015 are prepared, in all material respects, in accordance with the accounting policies described in note 1 to the financial statements.

Basis of accounting and restriction on distribution and use

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


PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)

Harare

30 May 2016

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

T: +263 (4) 338362-8, F: +263 (4) 338395, www.pwc.com

T I Rwodzi – Senior Partner

The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' name is available for inspection

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

ASSETS	Note	2015 US\$	Restated 2014 US\$
Cash and bank	2	14 083 707	3 013 804
Offshore investments	2	-	-
Funds receivable from Hivos	3	-	7 457 518
Receivables	4	56 222	31 128
Loans and Advances to Financial institutions	5	23 612 641	20 379 400
Equipment	6	<u>121 881</u>	<u>81 296</u>
Total assets		<u>37 847 451</u>	<u>30 963 146</u>
 LIABILITIES AND ACCUMULATED SURPLUS			
Accumulated surplus	7	<u>603 609</u>	<u>239 800</u>
 Liabilities			
Revolving fund	8	37 123 374	30 451 964
Accounts payable	9	<u>147 468</u>	<u>271 382</u>
		<u>37 270 842</u>	<u>30 723 346</u>
Total liabilities and accumulated surplus		<u>37 874 451</u>	<u>30 963 146</u>

The notes on pages 44 - 48 are an integral part of these financial statements.

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


Mbekezeli Mthunzi
Board Chairperson


Dr Benedict Gilbert Moyo
Audit Committee Chairperson

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

Income	Note	2015 US\$	2014 US\$
Interest on loans		966 340	1 365 116
Other income		<u>99 443</u>	<u>23 025</u>
		<u>1 065 783</u>	<u>1 388 141</u>
 Expenditure			
Employment expenses	10	(285 466)	(228 710)
Legal expenses		(1 901)	(4 852)
Board fees		(14 896)	(6 000)
Loans and advances written off		(65 500)	(130 000)
Fees receivable written off		-	-
Consultancy fees		(61 682)	(40 352)
Rent and occupational expenses		(53 512)	(41 481)
Audit fees	11	(24 765)	(21 265)
Equipment write offs	6	(1 987)	-
Advertising and business development		(66 026)	(21 462)
Travel and accommodation		(27 322)	(7 495)
Other expenses	12	<u>(98 917)</u>	<u>(55 986)</u>
		<u>(701 974)</u>	<u>(558 903)</u>
 Surplus for the year		 <u>363 809</u>	 <u>829 238</u>

The notes on pages 44- 48 are an integral part of these financial statements.

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 US\$	Restated 2014 US\$
Cash flows from operating activities			
Surplus for the year		363 809	829 238
Adjustment for non-cash items:			
Loans and advances written off		65 500	130 000
Fees receivables written off		-	1 300
Write offs	6	1 987	-
Depreciation	6	<u>30 726</u>	<u>14 979</u>
Operating cash flows before working capital changes		462 022	975 517
Changes in working capital:			
Decrease in funds receivable from HIVOS		7 457 518	1 277 277
(Increase)/decrease in receivables		(25 094)	95 937
Increase in loans and advances to financial institutions		(3 298 741)	(15 268 800)
(Decrease)/increase in accounts payable		<u>(123 914)</u>	<u>29 263</u>
Net cash generated from/(used in) operating activities		<u>4 471 791</u>	<u>12 890 806</u>
Cash flows from investing activities			
Purchase of equipment	6	(73 298)	(67 313)
Decrease in offshore investments	2.2	<u>-</u>	<u>7 000 000</u>
Net cash flows (used in)/generated from investing activities		<u>(73 298)</u>	<u>6 932 687</u>
Cash flows from financing activities			
Increase in revolving fund	8	<u>6 671 410</u>	<u>7 223 320</u>
Net cash flows generated from financing activities		<u>6 671 410</u>	<u>7 223 320</u>
Net increase in cash and cash equivalents		11 069 903	1 265 201
Cash and cash equivalents at the beginning of year		<u>3 013 804</u>	<u>1 748 603</u>
Cash and cash equivalents at the end of the year	2	<u>14 083 707</u>	<u>3 013 804</u>

The notes on pages 44- 48 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies and scope of financial statements

1.1 Scope of financial and accounting policies

The financial statements are prepared in accordance with the accounting framework of which is channeled through the secretariat.

1.2 Basis of accounting and accounting policies

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

1.2.1 Cash and cash equivalents

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

1.2.2 Loans and advances to financial institutions

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

Impairment of loans and advances to 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 assets (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets 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 flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of assets is reduced and the amount of the loss is recognised in the income and expenditure account.

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

1.2.3 Revolving Fund

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

1.2.4 Revenue

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

Interest income

Revenue is recognised upfront when the loan contract has been signed rather than when cash is received or over the term of the loan.

1.2.5 Expenditure

Expenditure are recognised using the accruals basis when incurred.

1.2.6 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure account.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

	2015 US\$	RESTATED 2014 US\$
2. CASH AND BANK		
Cash held with local bank (Standard Chartered Bank)	<u>14 083 707</u>	<u>3 013 804</u>
2.1 The financial institution holding cash and cash equivalents of the Trust has the following credit rating:		
Rating Agency		
Standard Chartered Bank Zimbabwe AA-	<u>14 083 707</u>	<u>3 013 804</u>
GCR		
2.2 Offshore Investments		
Cash invested offshore (Hivos)	-	-
Capital funds for ZADT are channeled by funding partners to an offshore account maintained by Hivos, who upon request will transfer the funds to ZADT for on-lending. During 2013, loan uptake was below expectation and the Trustees resolved to invest US\$7 million with HIVOS. In 2014, the money was recalled when the loan uptake had improved.		
3 FUNDS RECEIVABLE FROM HIVOS		
Opening balance, as previously stated	7 457 518	8 734 795
Prior year adjustment	<u>-</u>	<u>(226 576)</u>
Opening balance, as restated	7 457 518	8 508 219
Contribution from Funding partners	-	7 457 518
Transfer to ZADT	<u>(7 457 518)</u>	<u>(8 506 219)</u>
Closing Balance	<u>-</u>	<u>7 457 518</u>
The above funds relate to contributions for ZADT by DANIDA and related funders Transferred to Hivos offshore account. ZADT calls for these funds from HIVOS when They are required for on-lending to agricultural value chain actors.		
4 RECEIVABLES		
Fees receivable	-	17 901
Prepaid expenses	56 152	10 400
Other receivables	<u>70</u>	<u>2 827</u>
	<u>56 222</u>	<u>31 128</u>
5 LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS		
Opening Balance	20 379 400	5241 900
Gross loans and advances to financial institutions	<u>3 298 741</u>	<u>15 267 500</u>
	23 678 141	20 509 400
Loan assets written off	<u>(65 500)</u>	<u>(130 000)</u>
	<u>23 612 641</u>	<u>20 379 400</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**
5 LOANS ADVANCES TO BANK (continued)

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

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

ZADT shall assume a proportion of the risk of on-lending with the unrecovered amounts being netted off against any payments still due by the banks.

In the current year clients with a loan value of US\$65 500 (2014 – US\$130 000) were having difficulties in repaying their loans. The trust therefore impaired the entire amount as recoverability is doubtful.

5.2 Analysis of loan tenor

	0 to 6 months US\$	6 to 12 months US\$	Over 12 months US\$	Total US\$
As at 31 December 2015				
FBC Bank Limited	-	1 382 000	485 167	1 867 167
NMB Bank Limited	-	2 585 000	-	2 585 000
Steward Bank Limited	19 400	2 104 089	1 096 985	3 220 474
Ecobank Zimbabwe Limited	-	5 100 000	400 000	5 500 000
BancABC Africa Banking Corporation of Zimbabwe	-	725 000	8 000 000	8 725 000
MBCA BANK Limited	-	550 000	-	550 000
Central African Building Society	-	850 000	150 000	1 000 000
Inclusive Financial Services (Private) Limited	-	165 000	-	165 000
	<u>19 400</u>	<u>13 461 089</u>	<u>10 132 152</u>	<u>23 612 641</u>
As at 31 December 2014				
FBC Bank Limited	430 000	412 600	276 000	1 118 600
NMB Bank Limited	2 005 000	500 000	-	2 505 000
Steward Bank Limited	3 081 800	2 600 000	3 074 000	8 755 800
BancABC Africa Banking Corporation of Zimbabwe Limited	-	-	8 000 000	8 000 000
	<u>5 516 800</u>	<u>3 512 600</u>	<u>11 350 000</u>	<u>20 379 400</u>

6 EQUIPMENT

	Motor Vehicles US\$	Computer equipment US\$	Furniture and fittings US\$	Software US\$	Total US\$
Year ended 31 December 2014					
Opening net book amount	-	15 581	13 381	-	28 962
Additions	57 469	7 581	2 263	-	67 313
Depreciation charge	(6 774)	(6 740)	(1 465)	-	(14 979)
Closing net book amount	<u>50 695</u>	<u>16 422</u>	<u>14 179</u>	<u>-</u>	<u>81 296</u>
At 31 December 2014					
Cost	57 469	24 025	15 871	-	97 365
Accumulated depreciation	(6 774)	(7 603)	(1 692)	-	(16 069)
Closing net book amount	<u>50 695</u>	<u>16 422</u>	<u>14 179</u>	<u>-</u>	<u>81 296</u>
Year ended 31 December 2015					
Opening net book amount	50 695	16 422	14 179	-	81 296
Additions	-	25 525	16 894	30 879	73 298
Write offs – cost	-	(3 742)	-	-	(3 742)
Write Offs –accumulated depreciation	-	1 755	-	-	1 755
Depreciation charge	(14 367)	(13 467)	(2 892)	-	(30 726)
Closing net book amount	<u>36 328</u>	<u>26 493</u>	<u>28 181</u>	<u>30 879</u>	<u>121 881</u>
As at December 2015					
Cost	57 469	45 808	32 765	30 879	166 921
Accumulated depreciation	(21 141)	(19 315)	(4 584)	-	(45 040)
Closing net book amount	<u>36 328</u>	<u>26 493</u>	<u>28 181</u>	<u>30 879</u>	<u>121 881</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**
6 EQUIPMENT (continued)

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

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

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

7 ACCUMULATED SURPLUS(DEFICIT)

	2015 US\$	2014 US\$
Opening balance as at 1 January	239 800	(589 438)
Surplus for the year	<u>363 809</u>	<u>829 238</u>
Closing balance as at 31 December	<u>603 609</u>	<u>239 800</u>

8 REVOLVING FUND

	2015 US\$	2014 US\$ Restated
Opening balance as previously stated	(30 451 964)	(23 228 644)
Less prior year adjustment	-	226 576
Opening balance, as restated	(30 451 964)	(23 002 068)
DANIDA funds received through HIVOS	<u>(6 671 410)</u>	<u>(7 449 896)</u>
	<u>(37 123 374)</u>	<u>(30 451 964)</u>

Adjustments relates to prior year receivable confirmed by HIVOS in error

8.1 Breakdown of revolving fund by contribution

The revolving fund contribution are broken down as follows:

DANIDA funds received through HIVOS	(36 923 374)	(30 251 964)
Ford Foundation Contribution	<u>(200 000)</u>	<u>(200 000)</u>
	<u>(37 123 374)</u>	<u>(30 451 964)</u>

The funds are received for the purpose 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 and the duration of the contract runs until 2015

9 ACCOUNTS PAYABLE

SNV Netherlands Development Organisation - Zimbabwe	-	100 455
HIVOS	-	104 320
Audit fees	20 392	20 000
Pay as you Earn and NSSA	11 930	3 347
Pension and leave pay provision	51 817	32 434
Other payables	<u>63 329</u>	<u>10 836</u>
	<u>147 468</u>	<u>271 382</u>

Payables are non-interest bearing and are generally on 7-90 days' terms

10 EMPLOYMENT EXPENSES

Basic Salaries	213 199	158 825
13th Cheque	14 967	12 913
Medical Aid	19 385	19 490
NSSA	2 027	1 470
WCIF-NSSA	2 578	1 908
Staff Training & Development	1 213	1 584
Provident Fund	25 785	23 116
Leave Pay	<u>6 314</u>	<u>9 404</u>
	<u>285 466</u>	<u>228 710</u>

11 AUDIT FEES

External audit fees	21 265	21 265
Internal audit fees	<u>3 500</u>	-
	<u>24 765</u>	<u>21 265</u>

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

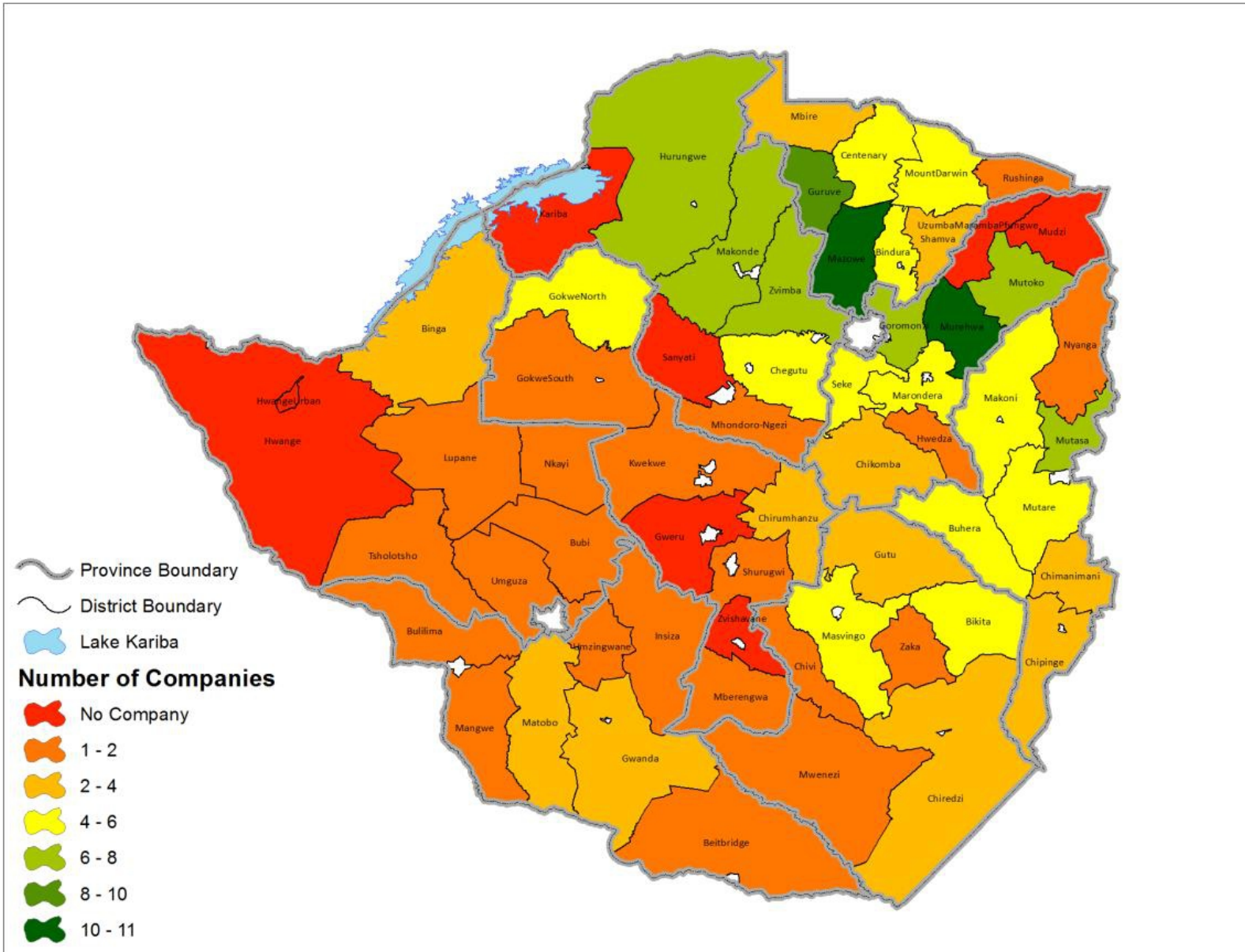
		2015	2014
		US\$	US\$
12	OTHER EXPENSES		
	Bank charges	7 189	6 106
	Depreciation	30 727	14 979
	Insurance	5 451	2 244
	IT consultancy costs	10 215	6 092
	Cleaning and teas	5 613	4 400
	Printing and stationery	13 159	4 256
	Repairs and maintenance	11 490	5 763
	Telephone and fax	5 222	4 007
	General expenses	<u>9 852</u>	<u>8 139</u>
		<u>98 917</u>	<u>55 986</u>
13	CORRECTION OF PRIOR ERROR		
	Funds receivable from HIVOS were incorrectly accounted for in the statement of financial position for the year ended 31 December 2014. This error has been corrected retrospectively and comparative figures have been appropriately restated. The effect of the correction of the error on the results for 2014 is as follows;		
	Decrease in funds receivable from HIVOS	-	(8 734 795)
	Decrease in revolving fund	-	(7 457 518)

14 TAXATION

The income earned by a non-profit making organisation of a public character is exempt from corporate tax as provided for by the income Tax Act (Chapter 23:06), Section 14, Third Schedule sub-paragraph 2L. ZADT being a non-profit making organisation has not provided for corporate tax on this basis. A tax exemption application was made to Zimbabwe Revenue Authority ("ZIMRA") in December 2014 for confirmation of this status and ZIMRA made a determination on this tax exemption application during the first quarter of 2016.

MAP OF ZIMBABWE

Districts where funded intermediaries were operating in 2015



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