

ZADT

Zimbabwe Agricultural
Development Trust



2016

ANNUAL REPORT

OUR VISION

To be the most preferred and innovative financial partner for sustainable development of smallholder agriculture and rural economies.

OUR MISSION

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

2016 VERSUS 2015 BY THE NUMBERS



Value of new loans disbursed

2016

US\$ 20.5 Million

2015

US\$ 13.9 Million



Financial institutions disbursing the CREATE FUND

11

10



Smallholder farmers benefitting through linked VCAs

48,458

42,709

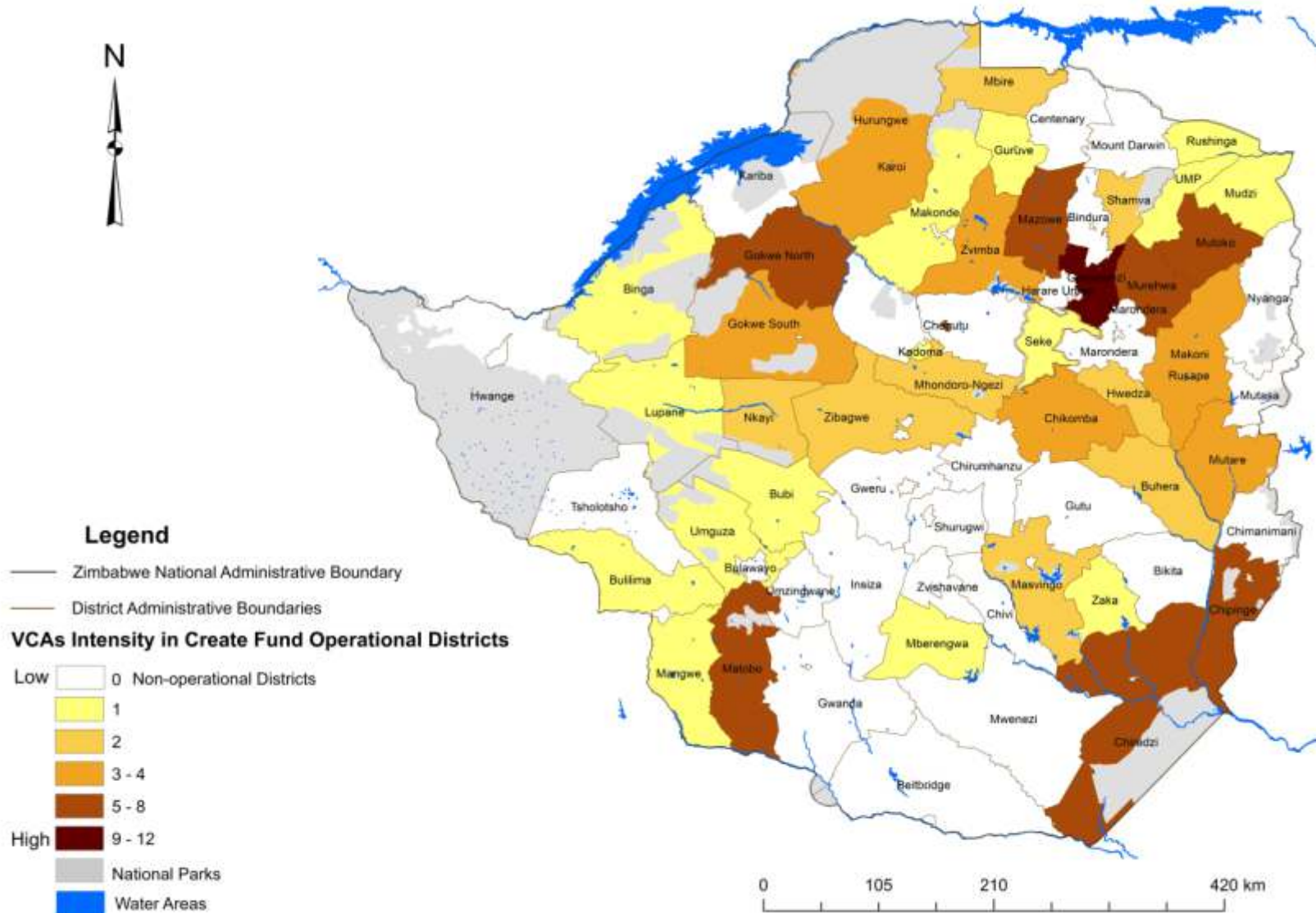


Value chains supported during the year

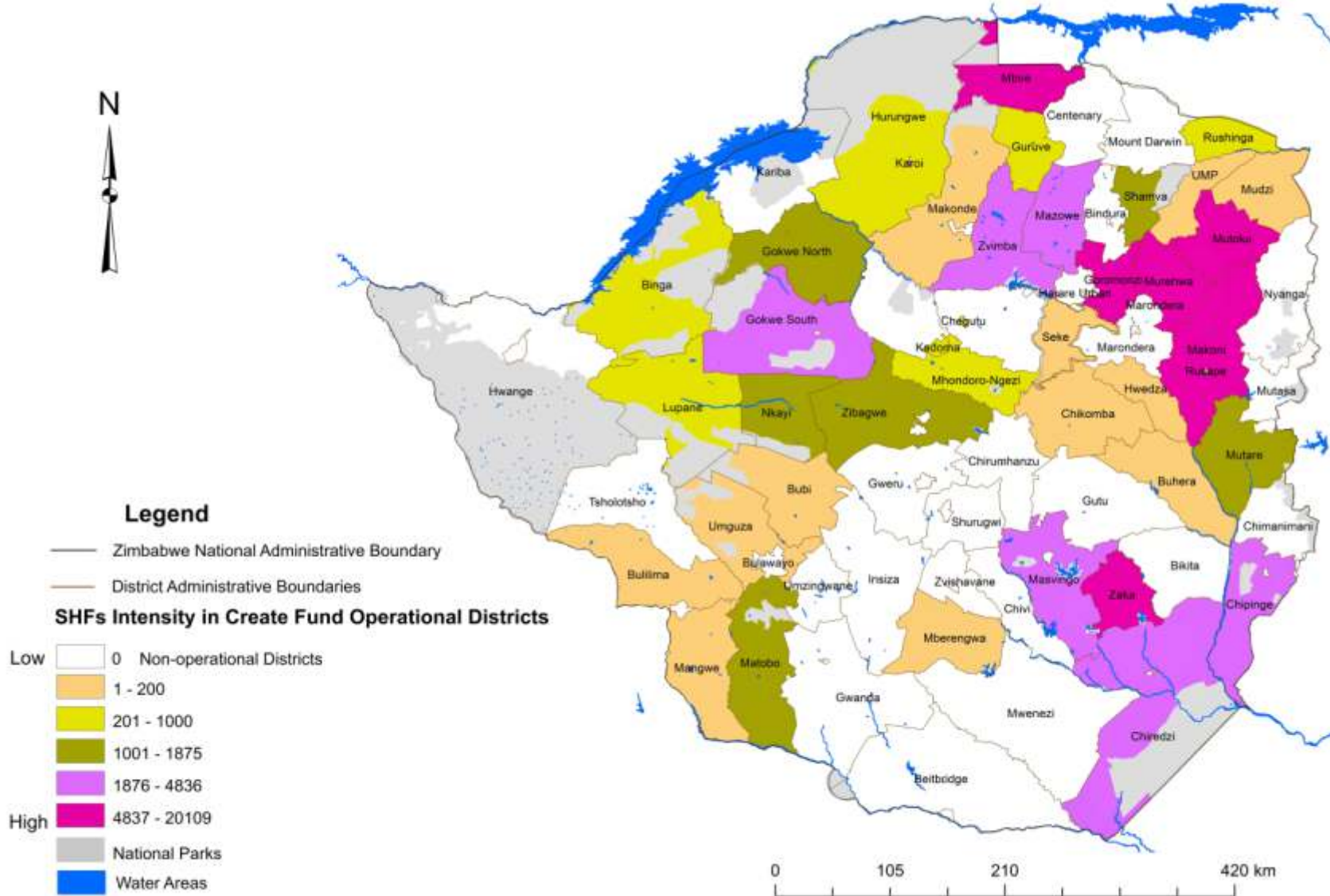
13 Value chains

11 Value chains

INTENSITY OF BORROWING INTERMEDIARIES IN CREATE FUND OPERATIONAL DISTRICTS



CREATE FUND SMALLHOLDER FARMER BENEFICIARIES IN OPERATIONAL DISTRICTS



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ACRONYMS/ABBREVIATIONS

| | |
|-------------------|--|
| CAPEX | Capital expenditure facility |
| CEO | Chief Executive Officer |
| CREATE | Credit for Agricultural Trade and Expansion |
| DANIDA | Danish International Development Agency |
| DfID | Department for International Development |
| Hivos | Humanistic Institute for Cooperation with Developing Countries |
| MFI | Microfinance institution |
| NPL | Non - performing loans |
| PPG | Pro poor growth |
| RBZ | Reserve Bank of Zimbabwe |
| SNV | SNV Netherlands Development Organisation |
| VCAs | Value chain actors |
| ZADT/Trust | Zimbabwe Agricultural Development Trust |
| ZIMVAC | Zimbabwe Vulnerability Assessment Study Committee |

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EXECUTIVE SUMMARY

The Zimbabwe Agricultural Development Trust continued to work with their founding and funding partners in order to ensure achievement of its developmental objectives. Fund size has remained at US\$37 million from an initial capital of US\$3.8 million at inception in 2010. Access to the Fund continues to be through local financial institutions of which as at 31 December 2016 these stood at eleven (11) comprising of eight (8) commercial banks and three (3) Microfinance institutions. The Fund has largely been accessed as working capital or capital expenditure loans each with a different tenure. MFIs have been offering the Fund through a compendium of products offered directly to smallholder farmers such as micro-leasing, youth entrepreneurship, green finance and others.

In 2016, ZADT experienced significant performance growth. There was a progression in loan uptake with total disbursements for the year amounting to US\$20.5 million compared to US\$13.9 million that was disbursed in 2015. Over 35 value chain actors accessed loans of which 46% were new borrowers while the rest were rollovers and renewals. Cumulatively, the number of VCAs accessing the CREATE Fund stands at 180. The main value chains which were supported during the year were stock feeds, beef, maize, poultry and horticulture.

In terms of financial performance, total income for 2016 amounted to US\$1,305,369 against total costs of US\$797,577 resulting in a surplus of US\$507,792, an increase of 40% compared to the same position in 2015. This gives an indication of the Trust's position as a self-sustainable entity. As at 31 December 2016, there were no significant defaults by participating banks to the ZADT. This implies that the Trust has been able to preserve the Fund to a greater extent.

During the year 2016, over 43,000 smallholder farmers were linked to the CREATE Fund through VCAs which borrowed from the banks. Almost 5,000 smallholder farmers also benefitted from direct loans issued through

at 31 December 2016. ZADT is pursuing initiatives to develop more financial products that are targeted for women. In terms of geographical coverage, the CREATE Fund has reached out to smallholder farmers in over 70% of the country's communal farming areas.

Due to logistical constraints in 2016, the Annual Sentinel Survey was not conducted. However, findings from routine monitoring and beneficiary profiling exercises were used as proxy to estimate the impact of the Fund at smallholder farmer levels. Results of the turnover survey for borrowing value chain actors whose facilities matured in 2016 showed that average growth for business turnover was 24%. This represented a significant improvement from the 2015 position where growth stood at 7%. However, a significant number of surveyed companies recorded negative growth mainly attributed to prevailing difficult economic conditions in Zimbabwe and other factors. The survey also showed that there was an improvement in capacity utilization from an average of 65% at time of disbursement to 71% at time of loan maturity. A profiling exercise was also conducted in order to establish how smallholder farmers were benefitting from the activities of the funded value chain actors.

The ZADT hosted a stakeholders briefing event during the year which was attended by over 100 stakeholders from various organizations. Exhibition stands were also set where ZADT's key partners displayed their products. The Guest Speaker for the event was Mr. Norman Mataruka from the Reserve Bank of Zimbabwe. The ZADT Board Chairperson, Mr. Mbekezeli Mthunzi and the Chief Executive Officer, Mr. Godfrey Chinoera also delivered speeches highlighting, among other things, the Trust's performance and fundamental contribution to sustainable development and poverty reduction.

There were some changes in the ZADT Board during 2016 due to retirement of one of the founding Trustees, Soneni Ncube. The Board has since appointed a new member, Leif Reeckmann, for this position. The Royal Danish

maintained their presence in the Board by appointing a member, Mikkel Klim, who will represent their interests. In a landmark development in 2016, the ZADT acquired its own property from where the Secretariat is now operating from.

In terms of capacity building initiatives, the Secretariat trained over 36 staff from disbursing financial institutions on the CREATE Fund disbursing model. The main categories of staff trained were Relationship Managers, Credit Analysts and Branch Managers who deal with CREATE Fund clients. The Trust also invested in a number of learning programs for its staff. These included participating in local seminars and workshops organized by various stakeholder organizations in the agricultural sector.

GOVERNANCE

THE ZADT BOARD OF TRUSTEES



DOROTHY MUSHAYAVANHU
BOARD MEMBER



NAA-AKU ACQUAE BADDOO
BOARD MEMBER



MBEKEZELI MTHUNZI
BOARD CHAIRPERSON



GODFREY R CHINOERA
EXECUTIVE BOARD MEMBER



MIKKEL KLIM
BOARD MEMBER



DR BENEDICT GILBERT MOYO
BOARD MEMBER



SIGNE SKOVBAKKE WINDING ALJBERG
BOARD MEMBER



NYASHA MAKUVISE
BOARD MEMBER



SONENI NCUBE
BOARD MEMBER



LEIF REECKMANN
BOARD MEMBER

GOVERNANCE

THE ZADT SECRETARIAT



GODFREY R CHINOERA
CHIEF EXECUTIVE OFFICER



FORTUNATE VENGESAI
BUSINESS & MARKET DEVELOPMENT MANAGER



CAROLINE MANGEZI
FINANCE & ADMINISTRATION MANAGER



MORRIS MUDIWA
SENIOR MONITORING & EVALUATION OFFICER



BRIDGET GOMO
LOANS OFFICER



TATENDA MAJONGWE
MONITORING & EVALUATION OFFICER



CAROLINE MUYAMBO
RECEPTIONIST



TAFADZWA MASAMA
ACCOUNTANT



LEONARD MAZIYO
GARDNER



TATENDA MUDANYANGA
ADMINISTRATION OFFICER

MESSAGE FROM THE CHAIRPERSON



Agriculture plays a pivotal role in the Zimbabwean economy and ZADT continues to provide a facilitatory role by availing finance to both smallholder farmers and value chain actors for their businesses. The establishment of the agricultural value chain financing facility was initially done to bridge the funding gap created by the liquidity crunch which was faced by financial institutions at the time. Whilst the economy is still facing challenges, the ZADT continues to explore and avail responsive funding facilities that seek to address the changing needs of smallholder farmers. However, the ZADT continues to find space and relevance in the agricultural sector.

There have been some changes in the ZADT Board during the 2016 financial year. One of the founding trustees and former Chairperson, Soneni Ncube retired from the board with effect from 31 December 2016. Soneni's contribution to the success of the ZADT is invaluable and she shall be

greatly missed. The Board has since appointed Leif Reeckmann a proven entrepreneur and experienced businessman to replace Soneni.

The Royal Danish Embassy closed the Zimbabwean Office in 2016. In December 2016, the Embassy appointed Mr. Mikel Klim to represent the interests of DANIDA on the Board and to replace Signe Winding Albjerg who was the Head of Mission at The Royal Danish Embassy Office in Harare, Mr. Klim also brings along with him a wealth of experience having worked in several African countries such as Tanzania and Uganda where similar funding initiatives have been implemented.

The Board and Board Committees have been meeting quarterly to provide the necessary oversight to the Secretariat. The Credit and Loans Committee has met more often during the year necessitated by the need to consider and approve funding proposals received from participating financial institutions. ZADT continues to review policies that have been put in place to guide programme implementation.

The Board and Secretariat held a strategy review workshop to guide the ZADT's operations for the next three years up to 2019. A Board induction workshop was also held during the year to capacitate members on principles of good governance. In terms of financial performance I am happy to report that total income for 2016 amounted to US\$1,305,369 against total costs of US\$797,577 resulting in a surplus of US\$507,792, an increase of 40% compared to the same position in 2015. This translates into an operational self sufficiency ratio of 1.63 and shows that the Trust is self-sustainable. This performance comes on the back of a year where the loan uptake by lending institutions improved significantly from the 2015 levels. There is still need to further improve the product offering of ZADT to ensure it meets the requirements of both the financial institutions and the ultimate borrowers.

Once again allow me to extend my gratitude to the funding partners namely the Royal Danish Ministry of Foreign Affairs

International Development ("DfID") and the Ford Foundation for the support that they have continued to provide to ZADT. I would also like to express my gratitude on behalf of the ZADT to The Royal Netherlands Embassy and Australian Aid ("AusAID") who provided the seed capital that was used to establish ZADT. ZADT has been able to positively impact on livelihoods of thousands of smallholder farmers and the credit goes to these organizations for their contributions.

Finally I would like to extend my appreciation to my fellow members of the Board of Trustees, management and staff of ZADT for the good work done in driving the business under a difficult operating environment. As we enter into 2017, I would like to wish continued success as we endeavor to make a positive and lasting contribution to livelihoods of smallholder farmers.

Mbekezeli Mthunzi
Board Chairperson

MESSAGE FROM THE CEO



The Zimbabwe economic situation is very dynamic and different challenges continue to evolve at almost every turn. At the inception of the ZADT, the agricultural sector was faced with liquidity challenges at financial institutions level. This was affecting the performance of agribusinesses whose activities directly impacted on the economic welfare of smallholder farming households. The situation has now changed as most financial institutions are now liquid. Whereas the CREATE Fund was then a line of credit of choice, it is slowly becoming a competing line of credit. Its terms and conditions now need to match those of the financial institutions' own resources as well as from other lines of credit. This is despite the fact that financial needs of smallholder farmers have largely remained unchanged.

Due to this dynamism, the Trust had to further review its facility terms and conditions. This time around the review took into account risk categories of borrowers in line with the Reserve Bank of Zimbabwe's guidelines of low,

medium and high risk categories. The pricing of the ZADT's funding facilities therefore now depends on the classification of borrowers by the disbursing financial institution. Dialogue still continues with disbursing financial institutions especially on issues of risk sharing mechanisms so as to make the Fund more attractive to them. This is done cognizant of the developmental focus of the Fund which is biased towards supporting a traditionally risky farming clientele.

Despite the challenges faced there was an improvement in loan uptake for 2016 with total disbursements for the year amounting to US\$20.5 million compared to US\$13.9 million that was disbursed in 2015. These disbursements supported businesses of over 35 value chain actors of which 46% were new borrowers while the rest were rollovers. The main value chains which were supported during the year were stock feeds, beef, maize, poultry and horticulture.

Increased loan uptake was supported by ZADT's increased efforts to develop a suite of financial products that are more responsive to customer needs. Most of these products are likely to be rolled out during 2017. This is expected to lead to the full disbursement of the FUND. The overall Fund size has largely remained unchanged as the priority for the Trust was on product development and subsequent increase in FUND uptake.

The distribution channels comprising of eight commercial banks and two microfinance institutions remained largely unchanged in 2016 with only one microfinance institution being added towards the end of the year. This was due to the notable significant direct reach to smallholder farmers through the MFI distribution channel where over 4,000 smallholder farmers venturing into poultry and horticulture projects in communal areas managed to access funding. The appetite for ZADT funding was seen to be linked to the liquidity levels of the banking institutions with the less liquid banks showing more appetite for the FUND.

ZADT continues to work on evening out the spatial distribution of the FUND across all provinces and has engaged local business development experts to support potential customers within the various provinces. These experts provide

capacity development support services largely in areas where uptake is low. It is pleasing to note that ZADT has reached out to over 43,456 smallholder farmers through funded value chain actors in 2016 as compared to 42,709 in 2015. In the year 2016, over 4,962 smallholder farmers accessed direct funding through disbursing microfinance institutions, an improvement from 1,038 in 2015.

Impact profiling activities during the year have shown that the CREATE Fund has resulted in the improvement of livelihoods of linked smallholder farmers. This is supported by testimonies of farmers improving their ability to fend for their families, acquisition of assets, accessing of health care facilities and supporting their children's education. Value chain actors have also experienced improvements in their turnovers and capacity utilization. For those businesses whose facilities matured in 2016, impact profiling activities have shown that there has been a 24% growth in their turnovers while their capacity utilization increased from 65% in 2015 to 71% in 2016 due to access to ZADT credit facilities.

In a landmark development in 2016, ZADT acquired its own property from which we now operate from.

Future activities in the area of development finance will place more focus on cross cutting issues including gender, access to clean technologies and climate smart approaches to agriculture.

Much gratitude goes to our founding and funding institutions, disbursing financial institutions, supporting development partners, and regulators without whom this growth would not have been possible. We look forward to exciting, affordable, responsive and accessible products in the years ahead that will see our impact in the market growing.

Godfrey R. Chinoera
Chief Executive Officer

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1. BACKGROUND

1.1 INTRODUCTION:

This Annual Report provides highlights of the Trust's performance during the 2016 financial year in line with the general outlook of the operating environment. It presents an update of the CREATE Fund loan portfolio statistics cumulatively from inception as well as for the year under review. The report also presents highlights on Fund impact on both the value chain actors as well as linked smallholder farmers, events hosted by the Trust, development initiatives, external reviews conducted and the audited financial results.

1.2 AGRICULTURAL PERFORMANCE OF THE 2016 SEASON:

Up to the end of February 2016, normal to below normal rains had been received in the country in line with regional and national rainfall forecasts for 2015/16 owing to the El Niño phenomenon. The El Niño induced drought affected most parts of Southern Africa including Zimbabwe. Most of the southern parts of the country that normally receive poor rainfall, received significantly below normal rainfall resulting in wide spread crop failure and subdued grazing.

The late start of rains and a prolonged mid-season dry spell (December 2015 to January 2016) which was compounded by high temperatures affected the season and impacted negatively on crop and livestock production and other livelihood activities for

smallholder farmers. This followed another poor 2014/15 rainfall and agricultural season that left the country with about 650,000MT of cereal deficit. During the 2015/16 season a significant proportion of households were reported to have experienced poor access to crop and livestock inputs partly due to liquidity challenges, high prices and unavailability of particular inputs in some areas. In terms of cereal production, nationally there was a 55% decline in average household cereal production compared to the 2014/2015 season.

In terms of support to production, the Zimbabwe Vulnerability Assessment Committee ("ZIMVAC") Report of 2016 states that in the 14,400 sample of households drawn from all districts, less than one fifth, (19.2%) of the households accessed loans. The majority (61%) of the households which accessed credit got this from friends and relatives. Traders, savings and credit groups and contractors played a significant role as sources of finance with 13%, 11% and 7% respectively. Banks and microfinance institutions were not prominent debt sources among smallholder households.

The second half of 2016 forming part of the 2016/17 agricultural season had been forecasted to receive normal to above normal rains. By the end of December 2016, most areas had received above normal rains and the country harvested more than its cereal requirements although a significant proportion

of planted areas was affected as the crops received too much rains. Many farmers complained about leaching of fertilizers.

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OVERVIEW OF THE CREATE FUND

2. OVERVIEW OF THE CREATE FUND

FIGURE 1: CREATE FUND OVERVIEW

FOUNDING PARTNERS



DISBURSING FINANCIAL INSTITUTIONS



FUNDING PARTNERS



2. OVERVIEW OF THE CREATE FUND

ZADT was founded by two international development oriented organizations namely SNV Netherlands Development Organization and Humanistic Institute for Cooperation with Developing Countries (“Hivos”). This followed realization through the smallholder market linkage activities that were undertaken that there was a financing gap within smallholder agriculture. This constraint was responsible for lack of participation by smallholder farmers in mainstream commercial agricultural activities. With the establishment of the Trust, funding was mobilized and channeled into an Agricultural Value Chain Credit facility known as the CREATE Fund. Funding was received from three (3) main partners namely the Danish International Development Agency, the United Kingdom Department for International Development and the FORD Foundation.

In 2012, the disbursement of the ZADT CREATE Fund commenced through three commercial banks namely; NMB Bank Limited, FBC Bank Limited and Steward Bank Limited (then TN Bank). Currently ZADT is in partnership with a total of eleven (11) financial institutions comprising of eight (8) commercial banks and three (3) microfinance institutions for the disbursement of the CREATE Fund as shown in Figure 1.

2.1 CREATE FUND LOAN PRODUCTS:

TABLE 1 : CREATE FUND LOAN PRODUCTS OFFERED THROUGH BANKS

| LOAN PRODUCTS | | |
|-----------------|---|--|
| | Tenure(Months) | Description |
| Working capital | Up to 12 | loans for financing day to day operations |
| CAPEX | Up to 36 | Loans for financing infrastructure Expansion |
| Group lending | Ranges up to 36 months depending on the purpose of fund | Finance offered directly to SHFs through banks |

As presented in Table 1, since inception the CREATE Fund has been accessed as either working capital or capital expenditure. Demand for the facility has been skewed towards short term funding. Greater value of loans has gone under the working capital facility window and CAPEX requirements have the least share of 14 % since inception.

The CREATE Fund can be disbursed in loan sizes ranging from a minimum of US\$5,000 to a maximum which is negotiable based on requirements. The impact of the Fund on the livelihoods of smallholder farmers is a key consideration for the size of loan that can be granted a beneficiary.

2.2 LOAN PRODUCTS OFFERED TO SMALLHOLDER FARMERS BY CREATE FUND DISBURSING MFIs:

TABLE 2

| Products | Main Components |
|--------------------------|--|
| Micro-leasing | <ul style="list-style-type: none"> ● Finance to purchase capital equipment such as ploughs, irrigation systems, fumigation equipment, and so on. ● Repayments cover both rental and purchase of the equipment, and at end of loan tenor the borrower owns the equipment. |
| Working capital finance | <ul style="list-style-type: none"> ● Typically 12 months long loans offered to agro-based small and medium enterprises (SMEs) at affordable rates. |
| Agriculture value chains | <ul style="list-style-type: none"> ● Financing for input, process, harvesting, and storage costs or transportation to offtakers. |
| Youth entrepreneurship | <ul style="list-style-type: none"> ● Finance for Youth in agriculture at reduced rates. These usually have a bias towards women. |
| Green finance | <ul style="list-style-type: none"> ● Financing for input, process, harvesting, and storage costs or transportation to offtakers. |

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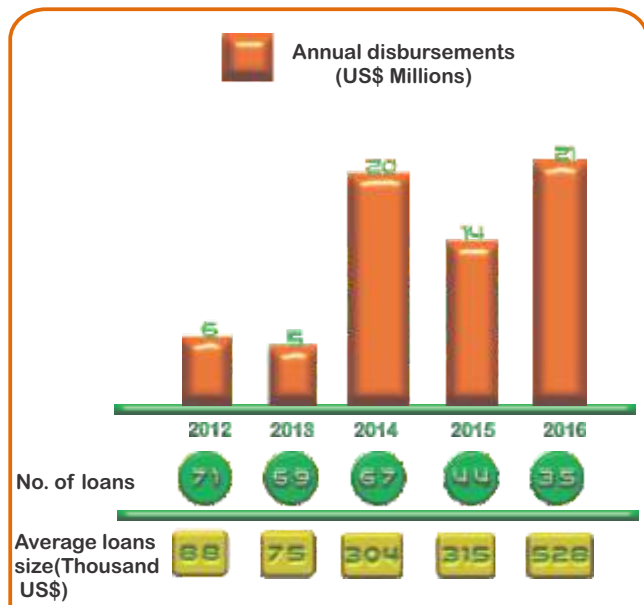
CREATE FUND PORTFOLIO ANALYSIS

3. CREATE FUND PORTFOLIO ANALYSIS

3.1 FUND UPTAKE:

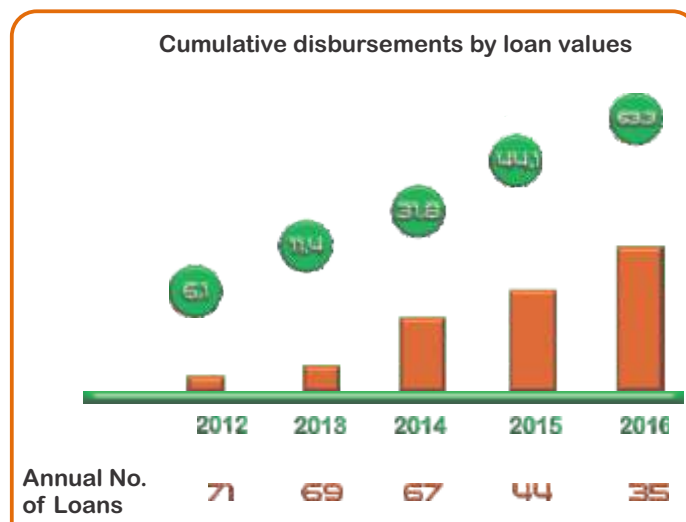
Figure 2 shows that annual disbursements peaked in 2016. Average loan sizes have also increased albeit against a decreasing number of loans. However, for most CREATE Fund disbursing financial institutions; loan sizes have been growing up more as a deliberate strategy to manage costs and returns.

FIGURE 2 :ANNUAL DISBURSEMENTS BY VALUES, NUMBER OF LOANS AND AVERAGE LOAN SIZE



compared to US\$13.9 million issued in 2015. However, the outstanding loan book as at 31 December 2016 stood at US\$21.9 million compared to US\$23.6 million in 2015 which represents a 7.2% reduction. This means the outstanding loan book at the end of the year represented 59% utilization against the available fund of US\$37 million. Most facilities that matured during the year prior to the introduction of bond notes were not rolled over due to the uncertainty in the business operating environment that prevailed.

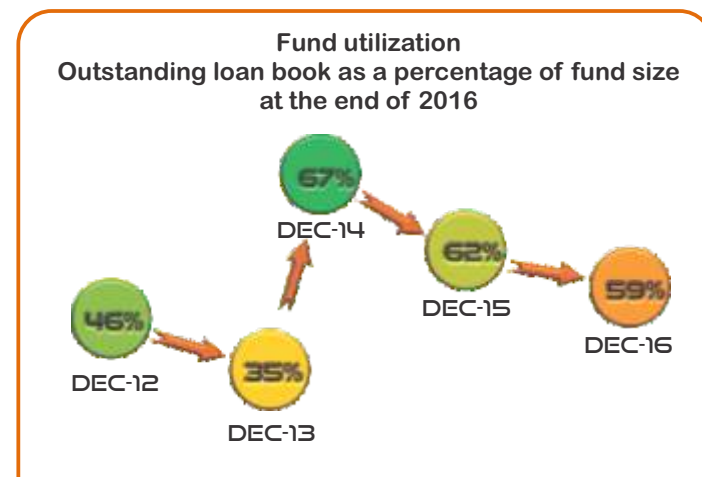
FIGURE 3: CUMULATIVE DISBURSEMENTS BY LOAN VALUES



Since inception to 31 December 2016, cumulative disbursements have been steadily increasing over

the years. CREATE Fund loans worth US\$63.3 million have been disbursed translating to 286 loans across the agricultural sector. Disbursements in 2016 represent 35% of the total cumulative disbursement amount.

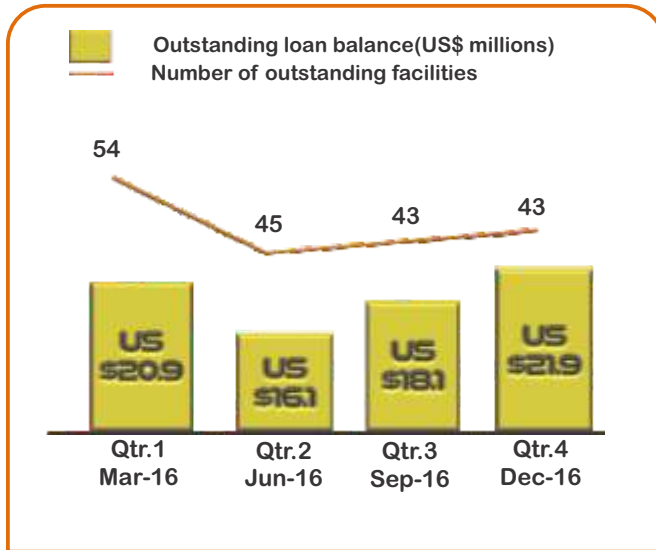
FIGURE 4: OUTSTANDING LOAN BOOK AS A PERCENTAGE OF FUND SIZE



The outstanding loan book increased significantly from 2013 to 2014. However, from 2014 to 2016, outstanding loan book at year end has continuously declined due to a number of challenges which affected loan uptake. Whilst the Fund size has increased over the years, the liquidity of financial institutions has also been slowly improving from the 2012 levels affecting demand for the Fund. The outstanding loan book represents 59% utilization of the total fund.

3. CREATE FUND PORTFOLIO ANALYSIS.

FIGURE 5: QUARTERLY TREND ANALYSIS FOR OUTSTANDING LOAN BOOK IN 2016



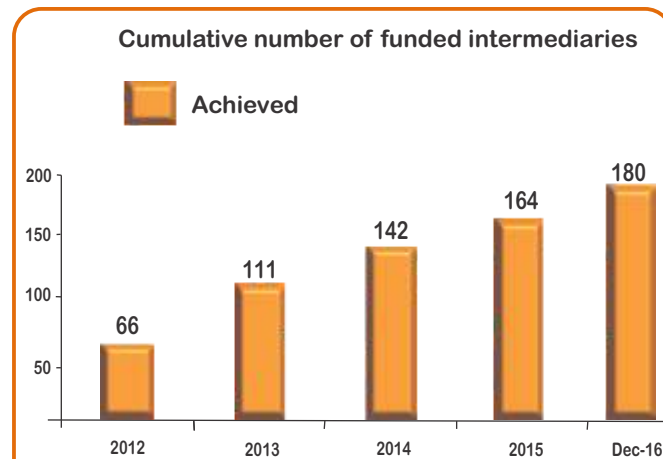
Outstanding loan book and number of loans throughout 2016 has been changing. Opening balance for 2016 stood at US\$20.9 million. However, there was a significant drop by end of Quarter 2 due to maturing facilities that were not renewed as a result of uncertainties in the market. Disbursements only started to pick up in Quarter 3 2016.

3.2 ACCESS TO FINANCE BY VALUE CHAIN ACTORS:

During the year, US\$20.5 million worth of loans

were disbursed to 35 value chain actors. This included 19 VCAs who rolled over or renewed their facilities and 16 who accessed loans for the first time. Cumulatively, the number of VCAs accessing the CREATE Fund stands at 180. Figure 6 shows the cumulative position of number of VCAs who accessed finance from the CREATE Fund from inception to December 2016.

FIGURE 6: DISTRIBUTION OF CUMULATIVE NUMBER OF INTERMEDIARIES BORROWING THE CREATE FUND



Analysis of categories of businesses accessing the Fund showed that manufacturers and processors by far constituted the major share of the outstanding

Smallholder farmers linked to this category benefitted in terms of financial support mainly in kind through provision of inputs, whilst capacity building services were also provided. In 2016 about 24.6% of farmers linked to funded intermediaries accessed credit through the intermediaries in the form of inputs. There has not been meaningful demand for loans from transporters on the CREATE Fund. However, distribution of borrowing VCAs by number of loans per value chain category indicates a fairly balanced position.

Access to finance from smallholder farmers through commercial banks has remained very poor due to the perceived risk. However there has been increasing number of smallholder farmers accessing credit through MFIs.

FIGURE 7: DISTRIBUTION OF OUTSTANDING LOAN BOOK BY VALUE CHAIN CATEGORY

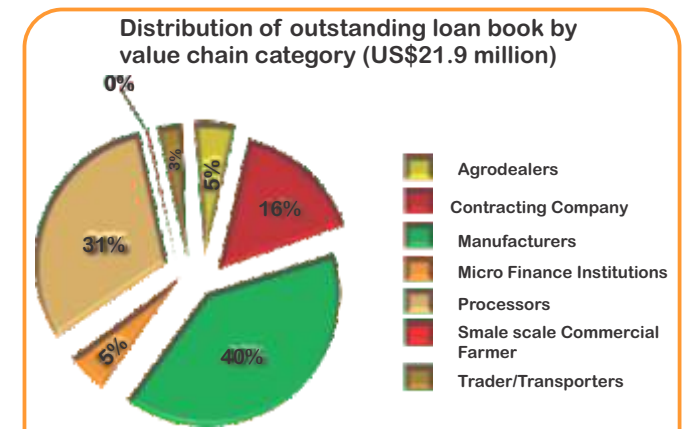
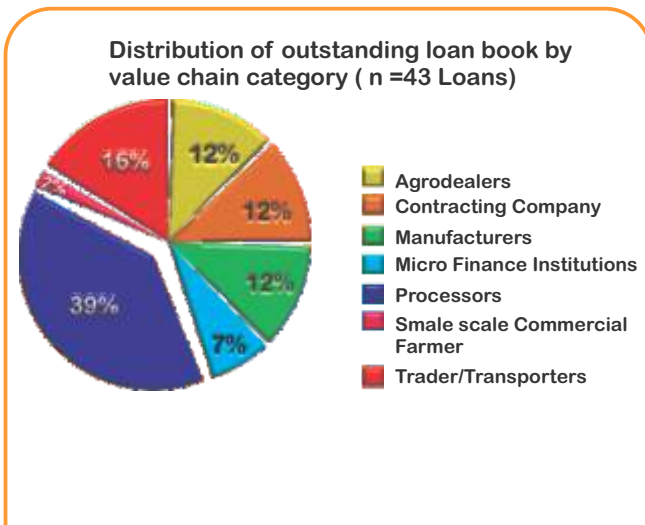


FIGURE 7: DISTRIBUTION OF OUTSTANDING LOAN BOOK BY VALUE CHAIN CATEGORY

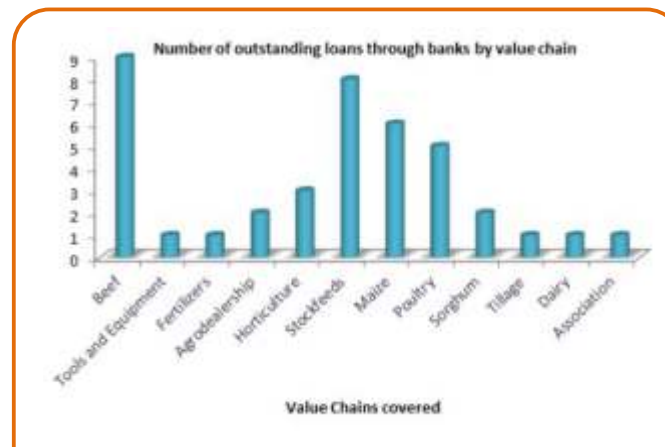


3.3 VALUE CHAINS SUPPORTED THROUGH CREATE FACILITY

About 56% of the outstanding loans fell within the livestock sector namely (beef, dairy, poultry, and stock feeds) of which beef constituted the largest percentage of 38%. Beef processors were buying animals from smallholder farmers providing the smallholder farmers with a market and source of income during times of need. The majority of smallholder farmers only sell their animals, particularly bigger stock such as cattle, to

feed processors provided an input market for farmers in the value chain. It is also important to note that most processing companies supported were into poultry feeds. Many smallholder farmers, particularly women are involved in poultry especially broilers and layers. This is because there are a few entry barriers into this value chain and the production cycle is relatively short.

FIGURE 8: OUTSTANDING LOAN BOOK BY VALUE CHAINS AS AT 31 DECEMBER 2016



Support to the dairy value chain and tillage services was very insignificant both in terms of number of facilities and value. In the crop sector there was considerable activity on the maize value chain both in terms of number of actors and

sector where they mainly bought produce grown by smallholder farmers.

FIGURE 9 : OUTSTANDING LOAN BOOK THROUGH MFIs BY VALUE CHAINS AS AT 31 DECEMBER 2016

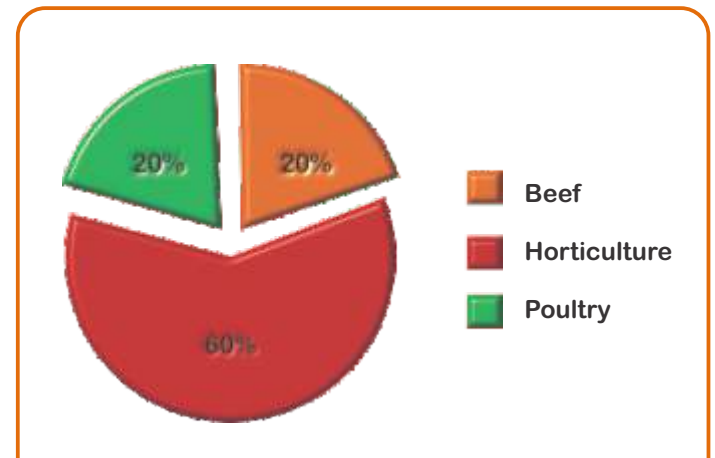


Figure 9 shows distribution of loans by value chains through three CREATE Fund disbursing microfinance institutions namely; Inclusive Financial Services (“IFS”), Success microfinance bank (formerly Collarhedge Finance) and UNTU microfinance. As at end of December 2016, the three MFIs were mainly active in horticulture, poultry and beef value chains. MFIs have been focusing on supporting the horticultural value chain through provision of group loans in communal smallholder irrigation schemes. Some support has also gone into small scale poultry and

3.4 SPATIAL DISTRIBUTION OF DISBURSEMENTS:

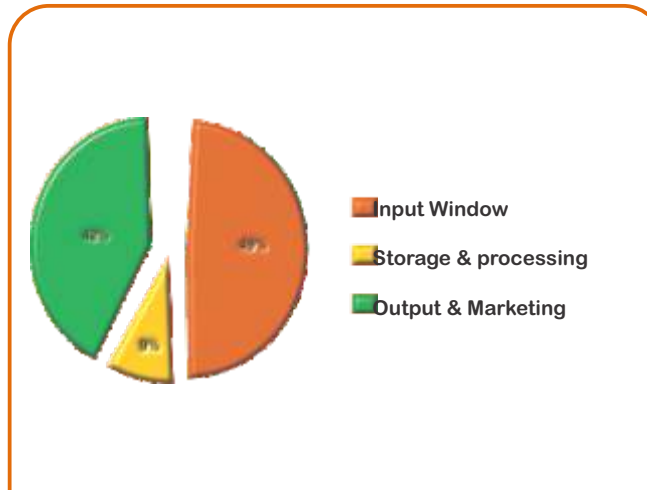
The CREATE Fund is an inclusive facility in terms of geographic outreach as it targets agribusinesses and smallholder farmers across all regions in Zimbabwe.

OPERATIONAL PROVINCES OF VALUE CHAIN ACTORS UNDER THE OUTSTANDING LOAN BOOK

Geographic spread by VCA operational provinces in the outstanding loan book showed a fair spread across the country. However, distribution of funded VCAs by company headquarters as per application forms showed skewedness towards main cities particularly Harare. The maps on pages iii and v show the distribution of borrowing value chain actors and linked smallholder farmers by operational districts.

3.5 DISBURSEMENTS BY LENDING WINDOWS

FIGURE 11: DISTRIBUTION OF OUTSTANDING FACILITIES BY FINANCING WINDOW



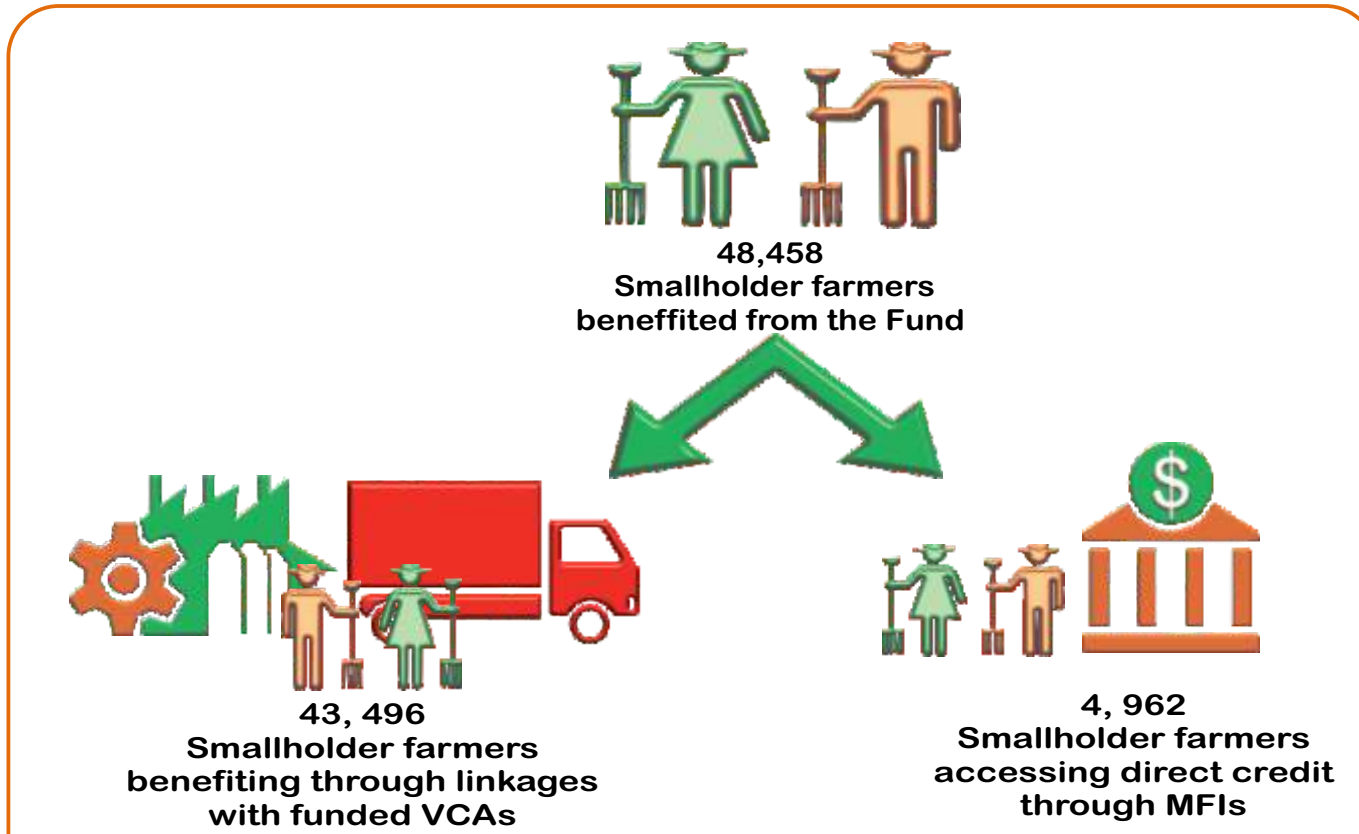
Distribution of outstanding loans in 2016 showed higher demand from actors in the inputs and output marketing windows. Value chain actors who accessed loans through the storage processing window have not been actively participating of late as they represented less than a quarter of the loan book. In a normal agricultural season, demand for loans under the inputs window will be higher towards the onset of the rainy season and the processing window normally picks up after the harvesting period.

3.6 LOAN DEFAULTS:

As at 31 December 2016, there were no defaults by participating banks to ZADT, implying that the Trust has been able to

Fund. Whilst data on default by CREATE Fund borrowers to disbursing financial institutions was not readily available, the Non-Performing Loans rate for the whole sector as at 31 December 2016 stood at 7.87% against an RBZ target of 5%.

3.7 SMALLHOLDER FARMERS LINKED TO FUNDED INTERMEDIARIES
FIGURE 12 : SMALLHOLDER FARMERS BENEFITTING THROUGH VCAS AND



During 2016, the number of smallholder farmers linked to the CREATE Fund through borrowing companies stood at 43,496. Over 4,962 smallholder farmers also benefitted from direct loans issued through microfinance institutions borrowing from the CREATE Fund. This brings

the total of smallholder farmers benefitting in 2016 to 48,458. The cumulative reach to smallholder farmers since inception of the CREATE Fund stands at 129,895 as at 31 December 2016. Out of the total number of smallholder farmers linked through VCAs

funded in 2016, women constituted 17% (8,304). A lesson learnt with regards to this statistic is that this could be an under estimate as much depends on where and when data is captured. If data capture is done at the market, distant for that matter, it will normally be the men who will be recorded. It is common practice that where both husband and wife are resident at the homestead, the husband will be the 'accounting officer' as it were, even for activities which are done by women. The husband is normally responsible for performing the activities which involve strenuous manual labor such as carrying produce to the market and withstanding the exploitative tendencies of traders and middle men at public markets. Sometimes access to public markets may require sleeping over and women would normally not be involved.

ZADT is pursuing initiatives to develop more financial products that are targeted for women. In 2015, 53% of loans which were disbursed by one contracted MFI went to women but the total value of those loans which went to women was only 44% implying that the few men still got higher loans. The average loan size for women was 31% less than that of men. However, from the 4,962 smallholder farmers who accessed funding directly through MFIs in 2016, about 70% of them were women. In 2016 average loan size for women was 34% higher than that for men, whereas in 2015 it was 69% lower than that for men. MFIs therefore are a key distribution channel for ensuring access to finance by women.

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FUND IMPACT

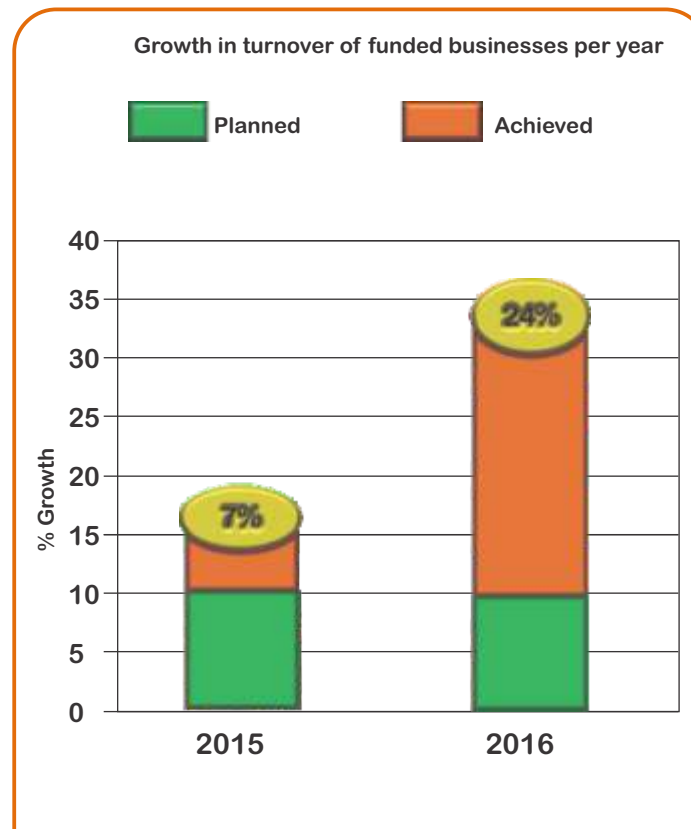
4. FUND IMPACT

ZADT measures impact of the CREATE Fund at two levels which are livelihood improvement for smallholder farmers and growth in businesses of borrowing intermediaries. In order to measure impact at agribusiness level, ZADT conducted a turnover survey for borrowing intermediaries. The traditional annual impact Sentinel Survey was not conducted for 2016. However, findings from routine monitoring and beneficiary profiling exercises were used as proxy at estimating the impact at smallholder farmer level.

4.1 IMPACT OF CREATE FUND ON FUNDED VALUE CHAIN ACTORS

Results of the turnover survey conducted by ZADT Secretariat for facilities which matured in 2016 showed that average growth for value chain actors accessing the Fund stood at 24%. This represented a significant improvement from the 2015 position where growth stood at 7%. However, 40% of companies recorded negative growth mainly attributed to prevailing challenging economic conditions in Zimbabwe.

FIGURE 13: GROWTH IN TURNOVER OF FUNDED BUSINESSES PER YEAR



The survey also showed that there was an improvement in capacity utilization from an average of 65% at time of disbursement to 71% at time of loan maturity. Contracting companies were the most dominant in terms of growth, their

average growth being 69% followed by agro dealers at 58%. This shows that despite the adverse operating environment, the CREATE Fund contributed to the positive growth of the businesses of borrowing intermediaries. However, three companies falling under the same value chain recorded negative growth figures and this was due to various economic and environmental factors that had not been anticipated. This indicates that to some extent, the Fund is overtaken by external factors thereby failing to bring about expected changes in the borrowers' businesses. This therefore calls for continuous review of the operating environment and terms and conditions of the Fund to ensure that any challenges faced by businesses which are in the ability of the ZADT to solve are attended to.

Borrowing value chain actors also noted the various factors surrounding changes to their turnover figures. Main constraints faced are presented in table 3.

TABLE 3

Main challenges faced by borrowing companies in 2016

| | |
|------------------------------------|----------------------------------|
| Effects of El Nino induced drought | Unfavorable weather conditions |
| Cash shortages | Side marketing |
| Outbreak of diseases | Unfavorable economic environment |

4.2 PROFILING OF SMALLHOLDER FARMERS LINKED TO CREATE FUND BORROWERS:

The profiling exercise was aimed at highlighting how smallholder farmers were benefitting from the activities of funded value chain actors. The exercise involved visiting the smallholder farmers in their areas of operation and discussing as well as observing what and how they were performing the activities which linked them to funded value chain actors. In 2016 profiles were captured for smallholder farmers in Chiredzi and Hurungwe. Below are the brief stories as captured from the 2016 profiling exercises;

MR. AND MRS SIMBARASHE



Darlington Simbarashe is a smallholder farmer owning 8 hectares of land in Chikombedzi communal area of Chiredzi District. Before Ingwebu Breweries came into their area, there was no market for sorghum hence the farmers used to utilize only 3 hectares of their land. They had a lot of surplus and would end up feeding livestock with the surplus produce. However, the farmer has realized significant impact to their household welfare due to the relationship with Ingwebu Breweries. Ingwebu supported them with inputs on credit which they repaid at harvest and also provided transport and packaging material to the farmers.

Mr. Simbarashe had this to say;

“We have managed to build a decent house. We now have a herd of 22 cattle and purchased farming assets from sorghum sales. Future plan is to extend farming area and build an urban house as future investment”.

Darlington's wife, Mrs. Eva Simbarashe also testified to having improved her home and nutrition of her family through the sorghum project with Ingwebu.

“Now I'm able to buy sugar, flour and I can pay school fees for all my children. I have also managed to improve my home by purchasing a kitchen display cabinet for utensils such as plates and pots.”

contribute to employment within their community as they hired casual labor to assist them in the field for their sorghum production. The family also collaborated with 3 more farmers under sorghum production to purchase a sorghum threshing machine which can process up to 8 tons per day. The machine was valued at US\$4,500.

DAVID NYATHI



David Nyathi has been involved in sorghum farming since 2007. He mentioned that before the relationship with Ingwebu, he faced a lot of challenges in marketing his sorghum produce. He also had to

Ingwebu trained them on good farming practices through their specialized agronomists. Mr. Nyathi mentioned that he was happy with their linkage with Ingwebu Breweries. Ingwebu saves them time as they deliver inputs directly to the farmers' farming areas. They also make payments to farmers in their communal areas and this saves them on time and transport costs. This enables them to concentrate more on their farming activities.

“When I started producing full time for Ingwebu, I managed to buy a tractor, a plough and a solar panel for pumping water. When I realized that the profits improved, I proceeded to buy a sorghum threshing machine. The highest income I received was USD\$35,000 and during that season, I bought a Nissan UDI Truck for US\$15,000 and a bigger tractor than the one I had previously”.

Over time, Mr. Nyathi has also managed to buy a cultivator, disc harrow and built more houses at his homestead. His wife had this to say;

“We used to be very poor that people used to laugh at us, but as soon as we joined Ingwebu project, everything changed for the better. We can now afford to even financially assist our children's families who are based in different towns”.

ROGERS MABULO



Rogers Mabulo is a small scale commercial farmer who has been growing sorghum for Ingwebu Breweries since 2008. His relationship with Ingwebu enabled him to reach the production levels which he always hoped for. He utilizes 50 hectares of land for sorghum production and in the previous season he harvested 68 tons of sorghum which he supplied to Ingwebu Breweries.

“I have achieved a lot through Ingwebu Breweries; I bought a Nissan Sunny car and a tractor that cost about R84,000 in South Africa. I also bought a threshing machine at US\$4,200 and solar panels worth R6,000.”

REVHI MATASHU



Revhi Matashu is a smallholder farmer growing paprika in Kapfunde communal area, Hurungwe District. As a widow, she joined the paprika contract farming programme by Zero One Africa as a way of improving her family's livelihood.

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Zero One Africa provided input credit to contracted small holder farmers which they repaid using their produce. Inputs provided included; seed, fertilisers and herbicides. Zero One Africa provides a market for farmers through buying their produce at fair prices. Smallholder farmers also benefitted from technical assistance offered by Zero One Africa as this allowed them to perform their agricultural activities effectively. Mrs. Matashu had this to say;

“Before I entered into the paprika project, I struggled a lot as a widow to fend for my family. But, for the first harvest supplied to Zero One Africa, I earned US\$3, 000.00. I managed to buy sofas, a television set, two cows and asbestos to finish off roofing my house”.

Mrs. Matashu is grateful to Zero One Africa (CREATE Fund Beneficiary) for availing her family life changing support.

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5. EVENTS

ZADT hosted a stakeholders briefing event on the 4th of August 2016 at its new premises, Number 44 The Chase, Mt. Pleasant, Harare. The event was attended by over 100 stakeholders from various organizations which included ZADT’s founding and funding partners, participating financial institutions in the disbursement of the CREATE Fund, value chain actors, representatives of smallholder farmers linked to the various funded value chain actors and other stakeholders involved in the development of smallholder farmers. The Secretariat also set up exhibition stands where stakeholders were displaying their products. Snapshots from the event are as illustrated in the photos below;



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The Guest Speaker, Mr. Norman Mataruka who is the Reserve Bank of Zimbabwe's ("RBZ") Director for Bank Supervision spoke on the role which financial institutions should play in invigorating and stimulating the growth of the economy through the provision of innovative, accessible and affordable products. He also acknowledged ZADT Fund for contributing to an increase in smallholder farmers' productivity, incomes, employment opportunities and improved livelihoods of poor rural families.

ZADT Board Chairperson, Mr. Mbekezeli Mthunzi reported on the growth of the Fund since 2012 and acknowledged the main funders to the CREATE Fund namely the Danish International Development Agency ("DANIDA"), the United Kingdom Department for International Development ("DfID") and the Ford Foundation.

ZADT Chief Executive Officer, Mr. Godfrey Chinoera gave a chronology of the Trust's performance from inception to date. He also spoke on the fundamental contribution of agricultural finance to sustainable development and poverty reduction. All participating financial institutions were represented on the day and four of them had exhibition stands on the day as shown in the pictures.

Reports about the event were covered by some of the local media companies such as the Financial Gazette, the Daily News and the Zimbabwe Broadcasting Corporation ("ZBC"). The Trust appreciated very much the service provided by these organizations.

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CAPACITY BUILDING

6. CAPACITY BUILDING

6.1 TRAINING OF FINANCIAL INSTITUTIONS:

During the first quarter of 2016, training on the CREATE Fund was conducted for 36 members of staff from six (6) CREATE Fund disbursing financial institutions in Harare and Bulawayo. These were BancABC, CABS, CBZ Bank, Success Microfinance Bank, MBCA Bank and Ecobank. The main categories of staff trained were Relationship Managers, Credit Analysts and Branch Managers who deal with CREATE Fund clients. Training was conducted at respective offices of the financial institutions and focussed on the following topics as shown by Table 4;

Pre and post course assessments were done for the participants and the results showed that the delivery of the training was effective.

TABLE 4: CAPACITY BUILDING OF THE CREATE FUND PARTICIPATING FINANCIAL INSTITUTIONS

| TOPICS FOR FINANCIAL INSTITUTIONS TRAINED BY SECRETARIATS IN 2016 | |
|---|---------------------------------------|
| ZADT and its disbursement models | Value chain actors |
| Objectives of the CREATE FUND | Terms and conditions of the Fund |
| How to access the Fund | Reporting requirement |
| Lending windows | Monitoring and evaluation of the Fund |
| Eligible borrowers | |

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FINANCIAL PERFORMANCE

7. FINANCIAL PERFORMANCE

FIGURE 14: FINANCIAL HIGHLIGHTS

| Revenue and expenditure | 2016 US\$ | 2015 US\$ | Movement |
|-------------------------|--------------|--------------|---|
| Interest income | 1,054,943 | 966,340 |  |
| Other income | 250,426 | 99,443 |  |
| Employment costs | 333,960 | 285,466 |  |
| Administrative costs | 464,617 | 416,509 |  |
| Surplus | 506,792 | 363,808 |  |

| Assets and liabilities | 2016 US\$ | 2015 US\$ | Movement |
|------------------------|--------------|--------------|---|
| Total assets | 38,217,834 | 37,874,451 |  |
| Revolving fund | 37,048,313 | 37,123,374 |  |
| Other liabilities | 59,119 | 147,468 |  |
| Accumulated surplus | 1,111,401 | 603,609 |  |

7.1 INTEREST INCOME

Interest income was charged upfront at 5% per annum on loan amounts issued to borrowers up to 30 April 2016 and 2.5% upfront effective 1 May 2016 with 1.75%, 2.75% and 5.25% being collected monthly for prime borrowers (low risk), moderate risk borrowers and high risk

borrowers respectively. An interest rate of 5% per annum was charged and maintained for participating financial institutions for the year. Interest income was 9% up to US\$1,054,943 in 2016 from US\$966,340 generated and collected in 2015. This was on the back of an increase in new loans issued in 2016 compared to 2015. Total loans issued in 2016 amounted to

compared to US\$13,853,489 issued in 2015. The total number of contracted financial institutions increased to eleven (11) comprising eight (8) banks and three (3) microfinance institutions. There was only one addition during the year, Untu Microfinance, an MFI.

7.2 OTHER INCOME

Other income of US\$250,426 was 152% more compared to US\$99,443 achieved in 2015. This was mainly attributed to the recovery of loan impairments from the revolving fund in addition to interest income generated from money market investments. US\$94,552 related to income realised from repayment income from the Pilot Seeds Facility granted to Agriseeds (Pvt) Ltd for the smallholder and National Food Security Programme funded by AusAid and the Royal Netherlands Embassy that was initiated in the 2009-2010 summer cropping season. The Fund once fully recovered will boost the CREATE Fund capital. The lessons learnt from that initiative informed the design of the ZADT current programme. US\$14,560 related to income received from SNV under the DFID-funded capacity building budget. Total interest earned from short term investments amounted to US\$44,896.

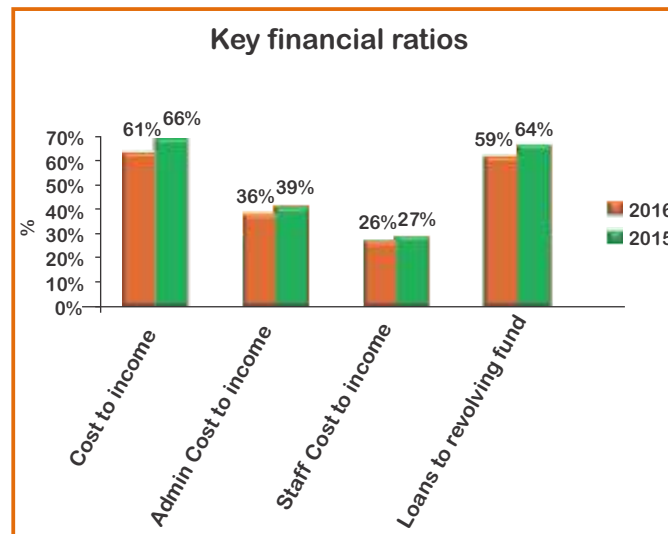
7.3 EMPLOYMENT COSTS

The total employment costs for the year were US\$333,960 compared to US\$285,466 for 2015. The 17% increase was mainly on the back of the increase in employees of the Secretariat from four (4) in 2015 to ten (10) employees in 2016. Staff costs to income ratio stood at 26% which was 6% below the targeted ratio of 32%.

7.4 ADMINISTRATIVE EXPENSES

Total administration costs for the year stood at US\$463,617 compared to US\$416,509 incurred in 2015. The 11% increase was mainly on the back of loan impairments of US\$95,600 in 2016 compared to US\$65,500 of 2015 in addition to equipment write offs of US\$17,425. The administrative cost to income ratio was 36% which was below the targeted ratio of 56%.

FIGURE 15 : KEY FINANCIAL RATIOS



7.5 VALUE FOR MONEY (VFM)

The main indicator for value for money is the

was 5% below the 66% achieved in 2015. The decrease in cost to income ratio was attributable to the increase in other income.

7.6 OPERATING SELF SUFFICIENCY ("OSS")

ZADT is currently self-sustainable as evidenced by OSS ratio which stood at 1.63. This was an improved position compared to 2015 which stood at 1.5.

7.7 WORKING CAPITAL

The Trust's cash at bank available for lending as at 31 December 2016 amounted to US\$4,677,022. Cash for operations in the revenue account stood at US\$354,292.

7.8 SUMMARY OF FINANCIAL POSITION

Total income for 2016 amounted to US\$1,305,369 against total costs of US\$797,577 resulting in a surplus of US\$507,792, an increase of 39% in comparison to 2015. This was mainly attributable to the 151% increase in other income following the recovery of 2016 loan impairments of US\$95,600 from the revolving fund. Total surplus for 2015 amounted to US\$368,808.

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ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

REFERENCE AND ADMINISTRATION INFORMATION

- BOARD OF TRUSTEES:**
- Mbekezeli Mthunzi – Board Chairperson
 - Dr Benedict Gilbert Moyo
 - Signe Skovbakke Winding Aljberg
 - Dorothy Mushayavanhu
 - Nyasha Makuvise
 - Naa-Aku Acquae Baddoo
 - Soneni Ncube
 - Mikkel Klim
 - Leif Reeckmann

- 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
 - Tafadzwa Masama - Accountant
 - Bridget Gomo - Loans Officer
 - Tatenda Majongwe - Monitoring and Evaluation Officer
 - Caroline Muyambo - Receptionist
 - Leonard Maziyo - Gardener

REGISTERED OFFICE: Zimbabwe Agricultural Development Trust
44 The Chase, Mount Pleasant, Harare, Zimbabwe

MAIN FUNDERS: Royal Danish Ministry of Foreign Affairs (“DANIDA”) Department for International Development (“DFID”) and Ford Foundation

Trust Deed Number: MA864/2010

LEGAL ADVISOR: Gill, Godlonton & Gerrans 7th Floor, Beverly 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

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

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ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

FINANCIAL STATEMENTS FOR THE PERIOD 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 Organization - Zimbabwe and Hivos – Zimbabwe and is funded by The Royal Danish Ministry of Foreign Affairs (“DANIDA”), Department for International Development (“DFID”), Ford Foundation and other International Organizations. The Trust’s objective is to promote growth in primary agriculture and related value chain with the main aim of improving food security and income for rural communities through provision of funding for agricultural activities.

STATEMENT OF THE BOARD OF 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 the financial statements and they incorporate full and responsible disclosure to ensure that the information contained therein is both reliable and relevant.

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

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

The Trustee’s independent auditor, PricewaterhouseCoopers Chartered Accountants (Zimbabwe), has audited the financial statements and their report appears on pages 29 - 30.

The financial statements set out on pages 31 - 42 were approved by the Board of Trustees on 27 April 2017 and are signed on its behalf by:


Mbekizeli Mthunzi
Board Chairperson

27 APRIL 2017


Dr Benedict Gilbert Moyo
Audit Committee Chairperson

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ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

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BOARD OF TRUSTEES' REPORT

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

The ZADT operating structure has a secretariat headed by a Chief Executive Officer who reports directly to the Board of Trustees.

The Secretariat was fully constituted on 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 within ensuring that loan disbursing financial institutions on-lend to agricultural sector intermediaries that benefit small scale-farmers. The funds distribution is done across all defined agricultural value Chain Windows that include Input Window, the Output and Marketing Window, the Storage and Processing Window.

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

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

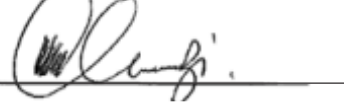
I would like to extend my gratitude to the partners for the support that ZADT has received. DANIDA and DFID supported ZADT with the bulk of the funds for the credit facility.

In addition, I would like to send my appreciation to my fellow Trustees, SNV Netherlands Development Organization – Zimbabwe, Hivos - Zimbabwe for the

I wish to give particular tribute to the Secretariat staff for their spirited commitment and sterling contribution to the Trust during this difficult period and we look forward to a more fruitful partnership in years to come.

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

It is therefore my pleasure to present you the ZADT's audited financial statements for 2016. The report chronicles in more detail ZADT's activities and outputs during the period.



Mbekezeli Mthunzi
Board Chairperson

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Zimbabwe Agricultural Development Trust
ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

OUR OPINION

In our opinion, the financial statements of ZADT for the year ended 31 December 2016 are prepared, in all material respects, in accordance with accounting policies described in note 1 to the financial statements.

WHAT WE HAVE AUDITED

Zimbabwe Agricultural Development Trust's financial statements set on pages 31 – 42 comprise:

- *The statement of financial position as at 31 December 2016;
- *The income and expenditure statement for the year then ended;
- *The statement of cash flows for the year then ended; and
- *The notes to the financial statements, which include a summary of significant accounting policies.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

INDEPENDENCE

We are independent of the Trust in accordance with International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (“IESBA”) (Parts A and B). We have fulfilled our ethical responsibilities in accordance with other ethical requirements applicable to performing audits in Zimbabwe.

EMPHASIS OF MATTER -Basis of accounting and restriction on distribution and use

We draw attention to the note 1 of financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with financial reporting requirements of ZADT. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ZADT and should not be distributed to or used by other parties other than ZADT and any other previously agreed recipients. Our opinion is not modified in respect to this matter.

OTHER INFORMATION

The Board of Trustees is responsible for the other information. The other information comprises the General Overview and Objectives of Trust and Trustee's Report. Other information does not include financial statements and our auditor's report thereon.

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

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

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

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REPORT OF INDEPENDENT AUDITORS (CONTINUED)

RESPONSIBILITIES OF BOARD OF TRUSTEES FOR THE FINANCIAL STATEMENTS

The Board of Trustees is responsible for the preparation and fair presentation of the financial statements in accordance with accounting framework of ZADT, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from financial misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

* Identify and assess the risk of financial misstatement of financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

* Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust cease to continue as a going concern.

* Evaluate the overall presentation, structure and content of financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Clive K Mukondiwa

Registered Public Auditor

Institute of Chartered Accountants of Zimbabwe, public practice certificate number 253168

Public Accountants and Auditors Board, public auditor's certificate number 0439

Partner for and on behalf of

PricewaterCoopers Chartered Accountants (Zimbabwe)

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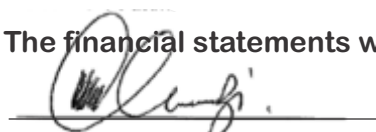
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

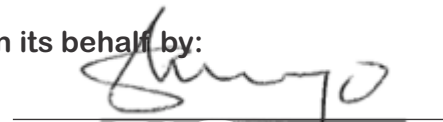
| | Note | 2016 US\$ | 2015 US\$ |
|--|------|-------------------|-------------------|
| ASSETS | | | |
| Cash on hand and at bank | 2 | 15 531 370 | 14 083 708 |
| Receivables | 4 | 245 118 | 56 221 |
| Loans and advances to financial institutions | 5 | 21 924 773 | 23 612 641 |
| Property, plant and equipment | 6 | 516 573 | 121 881 |
| Total assets | | <u>38 217 834</u> | <u>37 874 451</u> |
| LIABILITIES AND ACCUMULATED SURPLUS | | | |
| Accumulated surplus | 7 | <u>1 110 401</u> | <u>603 609</u> |
| Liabilities | | | |
| Revolving fund | 8 | 37 048 313 | 37 123 374 |
| Accounts payable | 9 | <u>59 119</u> | <u>147 468</u> |
| | | <u>37 107 432</u> | <u>37 270 842</u> |
| Total liability and accumulated surplus | | <u>38 217 833</u> | <u>37 874 451</u> |

The notes on page 34 - 42 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

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INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 2016 US\$ | 2015 US\$ |
|--------------------------------|------|-----------------------|-----------------------|
| INCOME | | | |
| Interest on loans | 10 | 1 054 943 | 966 340 |
| Other income | 11 | <u>250 426</u> | <u>99 443</u> |
| | | <u>1 305 369</u> | <u>1 765 783</u> |
| EXPENDITURE | | | |
| Employment expenses | 12 | (333 960) | (285 466) |
| Advertising and marketing | | (29 396) | (40 640) |
| Business development | | (21 446) | (25 386) |
| Legal expenses | | (1 049) | (1 901) |
| Board fees | | (25 934) | (14 896) |
| Loans and advances written off | | (95 600) | (65 500) |
| Consultancy fees | | (10 487) | (61 682) |
| Rent and occupational expenses | | (49 504) | (53 512) |
| Audit fees | 13 | (28 721) | (24 765) |
| Equipment write offs | 6 | (17 425) | (1 987) |
| Travel and accommodation | | (35 567) | (27 323) |
| Other expenses | 14 | <u>(149 489)</u> | <u>(98 917)</u> |
| Total expenditure | | <u>(798 577)</u> | <u>(701 975)</u> |
| Surplus of the year | | <u><u>506 792</u></u> | <u><u>363 808</u></u> |

The notes on page 34 - 42 are an integral part of these financial statements.

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 2016 US\$ | 2015 US\$ |
|---|------|--------------|---------------|
| Cash flows from operating activities | | | |
| Surplus of the year | | 506 792 | 363 808 |
| Adjustments of non-cash flow items: | | | |
| Loans and advances written off | | - | 65 500 |
| Write offs | 6 | 17 425 | 1 987 |
| Depreciation | 6 | 57 442 | 30 726 |
| Operating cash flows before working capital changes | | 581 659 | 462 021 |
| Changes in working capital | | | |
| Decrease in funds received from HIVOS | 3 | - | 7 457 518 |
| (Increase)/decrease in fees receivables | 4 | (238 136) | - |
| (Increase)/decrease in receivables | 4 | 49 239 | (25 094) |
| (Increase)/decrease in loans and advances to financial institutions | 5 | 1 687 869 | (3 298 741) |
| Decrease in accounts payable | 9 | (88 349) | (123 912) |
| Net cash generated from operating activities | | 1 992 282 | 4 471 792 |
| Cash flows from investing activities | | | |
| Purchase of equipment | 6 | (469 559) | (73 298) |
| Net cash flows used in investing activities | | (469 559) | (73 298) |
| Cash flows from financing activities | | | |
| (Decrease)/Increase in revolving fund | 8 | (75 061) | 6 671 410 |
| Net cash flows (used in)/generated from financing activities | | (75 061) | 6 671 410 |
| Net increase in cash and cash equivalents | | 1 447 662 | 1 069 904 |
| Cash and cash equivalents at the beginning of the year | | 14 083 708 | 3 013 804 |
| Cash and cash equivalents at the end of the year | 2 | 15 531 370 | 14 083 708 |

The notes on page 34 - 42 are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies and scope of financial statements

1.1 Scope of financial statements

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

1.2 Basics of accounting and accounting policies

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

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

1.2.1 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 currency gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure account.

1.2.2 Cash and cash equivalents

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

1.2.3 Loans and advances of 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 is only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of a financial asset or a group of financial assets that can be reliably estimated.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of loss is recognized in the income and expenditure account.

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

1.2.4 Revolving fund

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

1.2.5 Revenue

The Trust recognizes revenues 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 recognized upfront when the loan contract has been signed neither rather than when cash is received nor over the term of loan.

Investment income

The Trust recognizes interest earned from the short term money market investments when the investment matures and funds have been received in the ZADT account.

1.2.6 Expenditure

Expenses are recognized using the accrual basis when incurred.

1.2.7 Loan impairments

The Trust recovers loan impairments from the revolving fund recoveries from such write offs being credited to the revolving fund.

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

| | 2016 US\$ | 2015 US\$ |
|---|-------------------|-------------------|
| 2 CASH ON HAND AND AT BANK | | |
| Cash held with local bank (Standard Chartered Bank) | 5 031 314 | 14 082 710 |
| Petty cash | 56 | 998 |
| Money market investments | 10 500 000 | - |
| | <u>15 531 370</u> | <u>14 083 708</u> |

Money market investments relate to money placed at NMB Bank Limited and FBC Bank.

NMB Bank Limited for 90 days at an interest rate of 6.5% per annum

FBC Bank limited for 60 days at an interest rate of 6% per annum

African Banking Corporation of Zimbabwe Limited t/a BancABC for 30 days at an interest rate of 4.5% per annum

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

| | Rating | Agency | | |
|---|--------|--------|-----------|------------|
| Standard Chartered Bank of Zimbabwe Limited | AA- | GCR | 5 031 314 | 14 082 710 |

| | | |
|--------------------------------------|---|-------------|
| 3 FUNDS RECEIVABLE FROM HIVOS | | |
| Opening balance | - | 7 457 518 |
| Contribution from funding partners | | - |
| Transfer to ZADT | | (7 457 518) |
| Closing balance | - | - |

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 receivables | 238 136 | - |
| Prepaid expenses | 6 982 | 56 151 |
| Other receivables | - | 70 |
| | <u>245 118</u> | <u>56 221</u> |

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

| | 2016 US\$ | 2015 US\$ |
|--|-------------------|-------------------|
| 5 LOANS AND ADVANCES TO FINANCIAL INSTITUTIONS | | |
| Balance at 1 January | 23 612 641 | 20 379 400 |
| Loans and advances repaid by financial institutions | (20 827 068) | (9 019 658) |
| Loans and advances rolled over to financial institutions | (1 350 000) | (1 535 090) |
| Loans and advances advanced to financial institutions | 20 584 800 | 13 853 489 |
| Loan assets written off | (95 600) | (65 500) |
| Balance at 31 December | <u>21 924 773</u> | <u>23 612 641</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 already receiving support under various existing out-grower schemes.

These facilities are advanced to meet following objectives:

- Providing soft capital to value chain actors in which smallholder farmers meaningfully benefit directly or indirectly for example contracting companies, processors, traders, transporters, agro-dealers, distributors and service providers.
- Providing soft capital to small and medium enterprises which procure from and sell to and distribute to low income groups and are engaged in other agro-rural economic activities that create rural employment, and
- Providing soft capital to financial services providers that lend to agricultural input and output value chain actors who ultimately benefit small holder farmers.

The financial institution bears 100% (2015: 100%) of the risk of any default on the loans advances.

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5 LOANS AND ADVANCES TO BANKS (continued)

5.2 Analysis of loan tenor

| | 0 to 6 months US\$ | 6 to 12 months US\$ | Over 12 months US\$ | Total US\$ |
|--|--------------------------|---------------------------|---------------------------|-------------------|
| As at 31 December 2016 | | | | |
| FBC Bank Limited | 665 000 | 50 667 | 305 000 | 1 020 667 |
| NMB Bank Limited | 2 000 000 | 1 775 000 | 2 000 000 | 5 775 000 |
| Steward Bank Limited | 1 026 000 | 315 440 | - | 1 341 440 |
| Ecobank Zimbabwe Limited | - | - | 266 667 | 266 667 |
| BancABC Limited | 2 000 000 | 1 000 000 | 4 500 000 | 7 500 000 |
| MBCA Bank Limited | 100 000 | 625 000 | 240 000 | 965 000 |
| Central African Building Society | - | 2 950 000 | - | 2 950 000 |
| CBZ Bank Limited | - | 1 052 000 | 14 000 | 1 066 000 |
| Inclusive Financial Services (Pvt) Ltd | - | - | 400 000 | 400 000 |
| Collarhedge Finance (Pvt) Ltd | 500 000 | - | - | 500 000 |
| Untu Microfinance (Pvt) Ltd | - | 140 000 | - | 140 000 |
| | <u>6 291 000</u> | <u>7 908 107</u> | <u>7 725 667</u> | <u>21 924 774</u> |
| 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 Limited | - | 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 (Pvt) Ltd | - | 165 000 | - | 165 000 |
| | <u>19 400</u> | <u>13 461 089</u> | <u>10 132 152</u> | <u>23 612 641</u> |

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

6 PROPERTY AND EQUIPMENT

| | Land and buildings US\$ | Intangible assets US\$ | Motor vehicles US\$ | Computer and related equipment US\$ | Furniture and fittings US\$ | ICT systems US\$ | Total US\$ |
|--|-------------------------------|------------------------------|---------------------------|--|-----------------------------------|------------------------|---------------|
| 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 | - | - | - | (3 472) | - | - | (3 472) |
| Write offs-accumulated depreciation | - | - | - | 1 755 | - | - | 1 755 |
| Depreciation charge | - | - | (14 367) | (13 467) | (2 892) | - | (30 726) |
| Closing net book amount | - | - | 36 328 | 26 493 | 28 181 | 30 879 | 121 881 |
| AT 31 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 | - | - | 36 328 | 26 493 | 28 181 | 30 879 | 121 881 |
| Year ended 31 December 2015 | | | | | | | |
| Opening net book amount | - | - | 36 328 | 26 493 | 28 181 | 30 879 | 121 881 |
| Additions | 328 830 | 1 553 | 88 719 | 40 193 | 5 889 | 4 375 | 469 559 |
| Write off-cost | - | - | - | (16 296) | (10 531) | - | (26 647) |
| Write offs-accumulated depreciation | - | - | - | 7 728 | 1 494 | - | 9 222 |
| Depreciation charge | (5 222) | (188) | (29 601) | (18 493) | (3 115) | (823) | (57 442) |
| Closing net book amount | 323 608 | 1 365 | 95 446 | 39 625 | 22 098 | 34 431 | 516 573 |

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

6 PROPERTY AND EQUIPMENT (CONTINUED)

| | Land and buildings US\$ | Intangible assets US\$ | Motor vehicles US\$ | Computer and related equipment US\$ | Furniture and fittings US\$ | ICT systems US\$ | Total US\$ |
|-----------------------------|-------------------------------|------------------------------|---------------------------|--|-----------------------------------|------------------------|----------------|
| At 31 December 2016 | | | | | | | |
| Cost | 328 830 | 1 553 | 146 188 | 69 704 | 28 304 | 35 254 | 609 833 |
| Accumulated depreciation | (5 222) | (188) | (50 742) | (30 079) | (6 206) | (823) | (93 260) |
| Closing net book amount | <u>323 608</u> | <u>1 365</u> | <u>95 446</u> | <u>39 626</u> | <u>22 098</u> | <u>34 431</u> | <u>516 573</u> |

Depreciation is provided on the straight line basis on the carrying amount of the asset over its estimated economic useful life.

The Trust estimates economic lives of plant and equipment as follows:

| | Estimated useful life | Depreciation rate per annum |
|--------------------------------|-----------------------|-----------------------------|
| Buildings | 15 years | 2.50% |
| Intangible assets | 3 years | 33% |
| Motor vehicles | 4 years | 25% |
| Computers and office equipment | 3 years | 33% |
| Furniture and fittings | 10 years | 10% |
| ICT systems | 5 years | 33% |

7 ACCUMULATED SURPLUS

| | 2016 US\$ | 2015 US\$ |
|--|------------------|----------------|
| Opening balance as at 1 January | 603 609 | 239 800 |
| Surplus of the year | <u>506 792</u> | <u>363 809</u> |
| Closing balance as at 31 December 2016 | <u>1 110 401</u> | <u>603 609</u> |

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

| | 2016 US\$ | 2015 US\$ |
|---|---------------------|---------------------|
| 8 REVOLVING FUND | | |
| Balance at 1 January | (37 713 374) | (30 451 964) |
| Interest received from Hivos | (13 474) | - |
| Impaired loans written off | 95 600 | - |
| Impaired loans recoveries | (7 065) | - |
| DANIDA funds received through HIVOS | - | (6 671 410) |
| Balance at 31 December | <u>(37 048 313)</u> | <u>(37 123 374)</u> |
| BREAK DOWN OF REVOLVING FUND BY CONTRIBUTION | | |
| The revolving fund contributions are broken down as follows: | | |
| DANIDA funds received through HIVOS | 36 848 313 | (36 923 374) |
| Ford Foundation contribution | <u>(200 000)</u> | <u>(200 000)</u> |
| | <u>37 048 313</u> | <u>(37 123 374)</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 liability as they are maintained in a revolving fund. | | |
| 9 ACCOUNTS PAYABLE | | |
| Audit fees | 28 241 | 20 392 |
| Pay As You Earn and NSSA | - | 11 930 |
| Pension and leave pay provision | 9 315 | 51 817 |
| Other payables | 21 563 | 63 329 |
| | <u>59 119</u> | <u>147 468</u> |
| Payable are non interest bearing and are generally on 7- 90 days' terms. | | |
| 10 INTEREST ON LOANS | | |
| Interest received | 816 807 | 966 340 |
| Accrued interest income | 238 136 | - |
| | <u>1 054 943</u> | <u>966 340</u> |

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| | 2016 US\$ | 2015 US\$ |
|---|----------------|----------------|
| 11 OTHER INCOME | | |
| Interest from short term investments | 44 896 | - |
| Impaired loans recoveries | 95600 | - |
| SNV Netherlands Development Organization – Zimbabwe Subsidy | 14 560 | - |
| Agriseeds loan recoveries | 94 552 | 99 443 |
| Interest charges on contract delays | 818 | - |
| | <u>250 426</u> | <u>99 443</u> |
| 12 EMPLOYMENT EXPENSES | | |
| Basic salaries | 254 700 | 213 198 |
| Bonus | 20 133 | 14 967 |
| Medical aid | 19 690 | 19 385 |
| NSSA | 2 520 | 2 027 |
| WCIF-NSSA | 3 184 | 2 578 |
| Staff training and development | 996 | 1 212 |
| Provident fund | 31 425 | 25 785 |
| Leave pay | 1 312 | 6 314 |
| | <u>333 960</u> | <u>285 466</u> |
| 13 AUDIT FEES | | |
| External audit fees | 28 721 | 21 265 |
| Internal audit fees | - | 3 500 |
| | <u>28 721</u> | <u>24 765</u> |

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| | 2016 US\$ | 2015 US\$ |
|---------------------------|-----------------------|----------------------|
| 14 OTHER EXPENSES | | |
| Key stakeholders meetings | 8 997 | - |
| Bank charges | 9 992 | 7 189 |
| Depreciation | 57 442 | 30 727 |
| Insurance | 11 075 | 5 451 |
| IT consultancy costs | 7 752 | 10 215 |
| Cleaning and teas | 2 087 | 5 613 |
| Printing and stationery | 13 240 | 13 159 |
| Repairs and maintenance | 16 374 | 11 489 |
| Telephone and tax | 5 383 | 5 221 |
| General expenses | <u>17 147</u> | <u>9 853</u> |
| | <u><u>149 489</u></u> | <u><u>98 917</u></u> |

15 TAXATION

The income earned by non-profit making organization of a public character is exempt from corporate tax as provided for by the Income Tax Act (Chapter 23:06), Section 14, Third Schedule sub-paragraph 2L. ZADT being a non-profit making organization has not provided for corporate tax on this basis.

16 SUBSEQUENT EVENTS

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



Zimbabwe Agricultural
Development Trust

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THE CHASE

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