



ZADT

ZIMBABWE AGRICULTURAL DEVELOPMENT TRUST

2019 ANNUAL REPORT





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ACRONYMS AND ABBREVIATIONS

ACT	Access to Clean Technology
CAPEX	Capital Expenditure Facility
CEO	Chief Executive Officer
CFIERD	Centre for Impact Evaluation and Research Design
CNFA	Cultivating New Frontiers in Agriculture
CSA	Climate Smart Agriculture
DANIDA	Danish International Development Agency
DfID	Department for International Development
Hivos	Humanistic Institute for Cooperation with Developing Countries
ICT	Information and Communication Technology
MFI	Micro Finance Institution
M&E	Monitoring and Evaluation
MT	Metric Tonne
OMIR	Old Mutual Implied Rate
RBZ	Reserve Bank of Zimbabwe
RTGS	Real Time Gross Settlement
SNV	Stichting Nederlandse Vrijwilligers (Netherlands Development Organisation)
SME	Small to Medium Enterprises
USD	United States Dollars
VCA's	Value Chain Actors
ZADT	Zimbabwe Agricultural Development Trust
ZEA	Zimbabwe Evaluation Society
ZIMVAC	Zimbabwe Vulnerability Assessment Committee
ZWL	Zimbabwe Dollar

1. EXECUTIVE SUMMARY

This 2019 Annual report presents a synopsis of the Trust's activities during the financial year in the context of the operating environment. It also gives a highlight of the impact of national policy changes that were enacted during the year on ZADT operations in response to the ever changing macro-economic environment.

The Government introduced financial sector reforms which saw the introduction of the Zimbabwe dollar to trade along with the other currencies under the multicurrency regime. The use of multi-currencies was subsequently outlawed with all transactions being done using the local currency. The continued shortage of the foreign currency in the market resulted in the devaluation of the local currency triggering increases in prices of goods and services which were literally being pegged at the US dollar parallel market rate equivalent. Inflation rose to levels which were above lending (interest) rates and this created a mismatch between income and expenditures for ZADT. Under the transactional financing model, risk averse partner banks were reluctant to disburse new loans due to the poor lending economics. The operating model therefore became non-sustainable.

ZADT then adopted a new financing model at the end of Quarter 3 in 2019. The new model involves ZADT engaging and financing agribusinesses directly and not through financial institutions as before. The Trust started financing the agribusinesses directly through Co-Investments and equity. By removing the financial institutions as intermediaries from the model this translated to cheaper cost of funds for targeted beneficiaries. The Trust was then able to charge a more sustainable rate of return on investments. ZADT is now entirely responsible for all business development and identifying eligible clients for investing in, as well as conducting the necessary due diligence which financial institutions used to play a major role.

Loan disbursements for the period to end of Quarter 3 of 2019 when the transactional financing model was stopped stood at ZWL\$4.8 million compared to ZWL\$14.1 million during the same period in 2018. Disbursements under the new business model constituted 60% of total projects investments book outstanding as at 31 December 2019 and utilization of available funds was more than 95%.

Disbursements under both the old and new business models financed the production of mushroom, beef, poultry, sugarcane, chillies, horticulture and goats value chains. The total number of smallholder farmers who benefitted from the Fund disbursements in 2019 was 83,789.

ZADT hosted two events during the year. The first was a Round Table Discussion event which focused on the impacts of the drought on agriculture, mitigation, lessons learnt from the past and way forward. Participants were drawn from various organizations which included smallholder farmer representatives, agricultural researchers and academia, industry and commerce, practitioners in the seed, fertilizers, commodity processing, manufacturing and value addition business entities. ZADT also held a workshop to review its results measurement framework in the light of the new disbursement model. Participants came from several institutions in the development sector. A revised Monitoring and Evaluation Procedure Manual was presented and approved by the ZADT Board.

2. CHAIRPERSON'S REMARKS

The ZADT Fund continues to be a relevant facility in offering low cost capital to smallholder farmers and agribusinesses supporting these farmers. The Trust reviews its financing model every year to ensure greater access to finance to target beneficiaries. Such reviews normally include the relevance of the model as well as product offering and the attendant terms and conditions.

The year 2019 was characterised by a challenging operating environment for most businesses. ZADT was not spared. Financial sector reforms hit hard on the ZADT Fund as the Trust battled to preserve value and maintain sustainability in the face of a hyper-inflationary environment. To continue with its developmental objective of offering low cost finance for the benefit of smallholder agriculture the Trust had to review its financing model. The new model where ZADT interfaces directly with the agribusinesses offers a better bargain for agribusinesses as they can access both working capital and capital expenditure finance with ZADT sharing on the risk.

Demand for ZADT support under the new model has reconfirmed that the ZADT Fund is still relevant in the Zimbabwean Economy. In just one Quarter of deploying Funds under the new model the Trust managed to invest 55% of available Funds through the new business model. The Trust is currently engaging several eligible agribusinesses who want to access the ZADT funds through Co-Investments.

The Trust will continue to explore financing options which brings convenience and value to agribusinesses. One of the Trust's objective in 2020 is to raise additional financial resources since the existing Fund has been eroded and of the available resources, 95% had been utilized by 31 December 2019. On this note the Trust will continue engaging with the Reserve Bank of Zimbabwe to restore value to its Fund through registration of its ZWL\$8 million legacy debt on a 1:1 basis with the USD. Given the hyper inflationary environment the Trust will also continue to ensure the Fund is preserved through its investments, balancing this with the need to be sustainable, as well as offer affordable finance to smallholder agriculture.

The Board through its three Committees provided the necessary oversight to the Secretariat. All the Committees except the Credit and Loans Committee (now renamed the Investments Committee) managed to meet quarterly throughout the year. The Investments Committee, following the strategic shift from loan financing to Co-Investments, met more often during the year as they had to consider and approve funding proposals presented by the Secretariat.

The current capital constituting the ZADT Fund was contributed from three development 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. The Royal Netherlands Embassy and Australian Aid (AusAID) contributed to the initial seed capital used to establish the Trust and deserve special mention. The Board is forever grateful to these development partners because without their contributions ZADT would not have been able to impact on the livelihoods of thousands of smallholder farmers. On behalf of the Board I would therefore like to sincerely thank these partners for supporting such a worthy cause.



2019 Annual Report

May I take this singular opportunity to thank all the members of the ZADT Board of Trustees who served in 2019. Special mention goes to members whose tenures came to an end during the year. These are Mikkel Klim, Naa-Aku Acquaye Baddoo and Dr. Benedict Gilbert Moyo. Mr Kumbirayi Katsande, the Board Chairperson, resigned to take up a Board appointment at the Reserve Bank of Zimbabwe. Last but not least I would like to thank Management and staff for all the effort put in 2019 despite the difficult operating environment. As we continue to put our hands to the spindle to improve the livelihoods of smallholder farmers in Zimbabwe, I wish continued success to the ZADT family and all its partners.



Leif Reeckmann
Acting Chairperson

3. MESSAGE FROM THE CEO

Despite the difficult economic environment which prevailed in 2019 ZADT managed to disburse its funding to support smallholder farmers as well as agribusinesses supporting them. The first part of the year saw the Trust pushing its support through partner financial institutions. The total disbursements were significantly lower than levels reached in previous years because the partner financial institutions were also feeling the pinch and slowed down in their lending activities. The Trust began to explore all possible ways to first of all preserve the Capital Fund whilst at the same time renegotiating with partner banks and microfinance institutions on interest rates on running facilities. In order to manage the rising costs of expenditures ZADT had to streamline some of the activities which had been scheduled to be done during the year. This then compromised on our ability to deliver services. This also affected our reach to the targeted smallholder farmer beneficiaries as some of the disbursements which were largely meant to preserve the Fund did not always coincide with desired impact.



I would like to appreciate the Board for approving a change of financing model for the Trust because we started experiencing increased demand for finance from agribusinesses. During the last quarter of 2019, which is the period when the Trust implemented the new model, the new disbursements constituted 60% of the outstanding book at 31 December 2019. Fund utilization was more than 95%. The Trust had greater flexibility in structuring investment deals which ensured sustainable returns whilst still offering low priced capital. The Trust managed to invest in agribusinesses involved in fertilizer, dairy, Chia and beef. At the end of the year the Trust had a growing pipeline of businesses interested in accessing ZADT financial support through co-investments. ZADT has actually stepped-up fund-raising efforts to boost its capital. Actually, one of the approved products under the new model is on risk sharing with partner commercial banks supporting eligible agribusinesses which import raw materials. The product will be rolled out once sufficient capital has been raised. Discussions are under way with several organizations to collaborate in providing better and affordable access to finance through partnerships.

Notwithstanding the good performance brought by the new model towards the end of the year, the Trust incurred a deficit from its funding activities during the year. The total inflation adjusted income received in 2019 amounted to ZWL\$9,249,564 against total costs of ZWL\$193,523,224 resulting in a deficit of ZWL\$184,273,660. The Operational Self Sufficiency (OSS) Ratio for 2019 using inflation adjusted figures therefore decreased to 0.05 from 1.34 in 2018. From our implementation of the new model in Quarter 4 of 2019 there has been optimism from agribusinesses. We believe this model will result in mutual benefits between the Trust and the agribusinesses including the linked smallholder farmers.

I would like to express my gratitude to the Board of Trustees for the oversight and guidance provided in 2019. I would also like to thank the Staff for the effort put in during the year against all the odds and wish them the best in 2020.

Chief Executive Officer

4. BACKGROUND

4.1 Introduction

This report covers the Trust's activities for the period January to December 2019. The report is prepared primarily for ZADT's key stakeholders. It presents a synopsis of the Trust's activities during the financial year in the context of the operating environment. The report also gives a summary of policy changes that were enacted during the year in response to the everchanging macro-economic environment. The Trust audited financial results are presented as well at the end of the report.

4.2 Performance of the 2019 Agricultural Season

The ZADT financial year runs from January to December whilst the country's agricultural season runs from October to March. This Annual Report therefore covers portions of two agricultural seasons. The period January to March represents the second and final half of the previous agricultural season, whilst the period October to December constitutes the first half of the coming agricultural season. This means the 2019 report presents the outturn of the 2018/2019 agricultural season whilst presenting an insight into the 2019/2020 season whose harvest is realized in 2020.

The 2018/2019 season was characterized by late on-set of rains across the country and false start in the southern and south-eastern parts of the country which affected the crop establishment. Long dry spells in January and February 2019 negatively affected the planted crop. Cyclone Idai, which hit the country in mid-February, caused severe damage to crops and agriculture infrastructure in Manicaland and Masvingo provinces. However, the rains improved crop condition in Mashonaland East and Mashonaland Central. The 2018/2019 season maize production stood at 776 635 MT which was 54% less than the 1 700 702 MT obtained during the 2017/18 season. Sorghum and millet production for the 2018/19 season was estimated at 75 209 MT. The combined small grains production decreased by 44% compared to 2017/2018. Several dry spells experienced during the season affected the regions where significant areas were put under small grains. Cereal production was 851 844 MT against a national cereal requirement of 1 754 225 MT for human consumption. Cereal requirement for livestock is estimated at 350 000Mt.

In terms of livestock generally, the body condition for all livestock classes ranged from fair to good in all districts. Grazing was available to last up to eight months in most districts, except in some districts in Matabeleland North, Matabeleland South and Masvingo where grazing was expected to last for up to 3 months. Water for livestock was available in most districts as a result of Cyclone Idai induced rains which improved the water situation in most water bodies in Mashonaland provinces, Manicaland and parts of Masvingo and Midlands provinces. Dipping was generally erratic due to a critical shortage of dipping chemicals with priority in the allocation of the chemicals being given to areas that were severely affected by the outbreak of Theileriosis (January Disease) with over 50 000 cattle deaths reported in areas such as Goromonzi, Chivhu, Bindura, Buhera, Hwedza, Gutu, and Mhondoro-Ngezi. The national calving rates remained very low and were ranging from 38% in communal areas to 45% in the large-scale commercial sector against a national target of 60%.

The 2019/20 seasonal rainfall was below average during the planting period in November and December 2019 in the main producing provinces, hampering planting operations. A poor economic environment, including high inflation rates and sustained currency weakness, hindered access to agricultural inputs and increased production costs. The combination of these factors resulted in contraction in the area planted of the 2020 maize crop. Maize is the main cereal grown in the country. Precipitation improved in January and February 2020, reducing seasonal rainfall deficits in some areas, but soil moisture levels still remained inadequate in most provinces. In the northeastern Mashonaland provinces, which produce about 50 percent of the national maize output, seasonal rainfall amounts until February 2020 were approximately 25 percent below the average, causing stressed crop conditions. In minor producing southern parts of the country, rainfall deficits were even larger, resulting in permanent wilting of cereal crops in localized areas.

5. OVERVIEW OF THE ZADT FUND

The ZADT Fund is a revolving fund which supports smallholder agriculture in Zimbabwe. The Fund was setup from contributions from development institutions which were operating in the country. Since inception the Fund was accessed through local financial institutions in Zimbabwe comprising of commercial banks and microfinance institutions (MFIs). The participating Commercial Banks and MFIs in the disbursement of the ZADT Fund are as listed in Appendices II and III. These financial institutions disbursed the ZADT Fund directly to smallholder farmers and/or agribusinesses whose operations benefitted smallholder farmers. Figure 1 presents the Disbursement Model which was in operation between 2017 and 30 September 2019

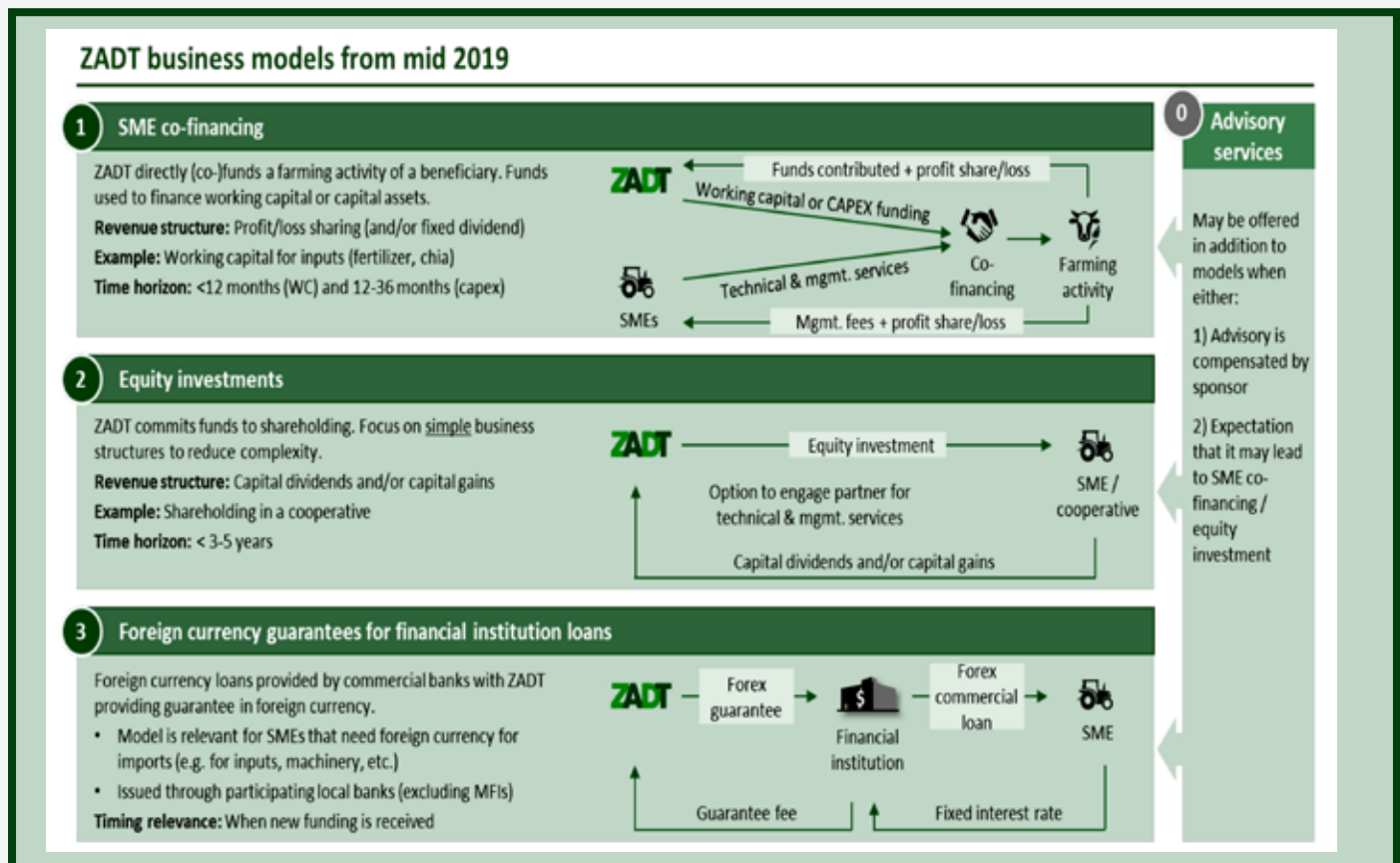


Figure 1: ZADT Fund Disbursement Model since 2017 to September 2019

The Funds were accessed through a cocktail of products through the financial institutions. The products offered were under two broad loan categories of working capital or capital expenditure. ZADT and the participating financial institutions collaborated in the development of suitable financial products for the benefit of the agribusinesses and smallholder farmers. The products which were developed and were on offer during the financial year included Climate Smart Agriculture (CSA), Access to Clean Technology (ACT), Asset Financing and Microloans. ZADT also offered a risk sharing product to the commercial Banks where they would have financed using their own funds to eligible beneficiaries but without sufficient collateral to support their borrowings.

6. FINANCIAL SECTOR REFORMS AND THE ZADT FUND

The introduction of a litany of financial sector reforms by the Government triggered operating conditions which impacted negatively on the way ZADT was doing business. The Government introduced a new currency referred to as RTGS dollars comprising of bond notes and RTGS (electronic money) to become one of the multi-currencies officially in use in the country. The Government then went on to direct that banking accounts for RTGS dollars be separated from United States dollar accounts. Initially the RTGS dollar value was at par with the US dollar. When the ZADT Fund was set up it was in United States Dollars. All contributions into the Fund and disbursements from the Fund since 2012 to the time of the reforms were in United States dollars (US\$). The size of the Fund at the time of the reforms stood at US\$38.5 million. For all the money which had been disbursed to clients from the ZADT Fund RBZ said it could no longer be treated as US dollars as the clients would not be able to pay in that currency. The RBZ could only consider the balance of the undisbursed funds amounting to \$8 million as US dollars. ZADT subsequently made an application to the Central Bank for that balance to be considered under blocked funds.

After the separation of RTGS and Nostro Accounts demand for US dollars continued to rise and this gave rise to parallel market activities for foreign exchange. The Government then introduced an interbank foreign currency market which effectively led to a formal or official exchange rate between the new currency and the US dollar. With demand for foreign currency continuing to outstrip supply the RTGS started losing value against the US dollar. The value of the ZADT Fund, now in RTGS, started falling. Figure 2 presents the trend in the exchange during the period.

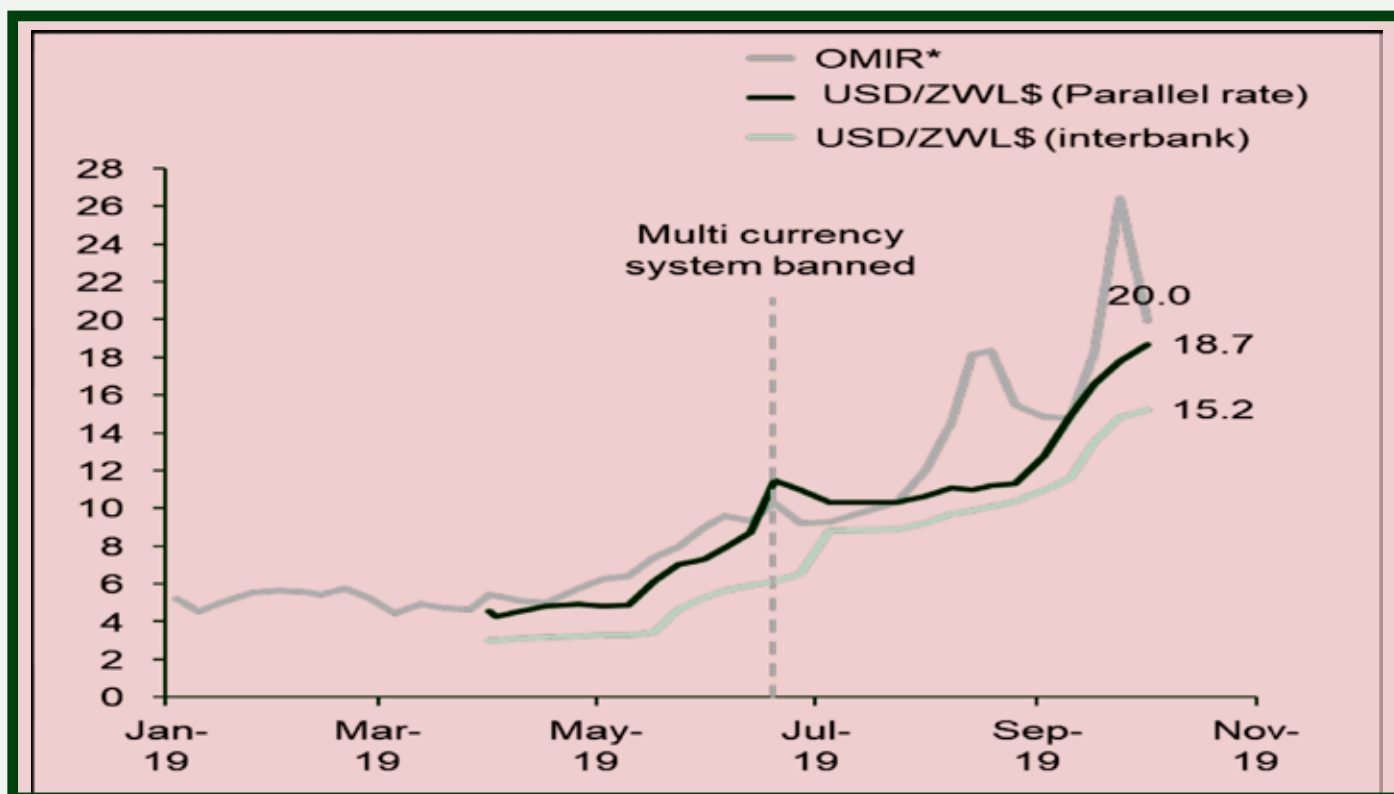


Figure 2: ZWL\$ Depreciation against the US\$

The Zimbabwe's RTGS dollar officially floats against other international currencies on the Interbank Foreign Exchange Market, on a willing seller-willing-buyer basis. However, a significant amount of transactions take place outside the official (Interbank) market, at an unofficial (parallel) exchange rate. One of the few gauges of the local currency against other currencies especially the US Dollar was the so-called 'Old Mutual Implied Rate (OMIR)', a comparison of the price of shares of insurer Old Mutual Limited in London and Harare.

By June 2019, the Government re-introduced the local Zimbabwe dollar (ZWL\$) and abolished the multi-currency system restricting all local transactions to be done in ZWL\$. This was done in a bid to enhance affordability of goods & services and increase RBZ's influence on monetary policy. All foreign currency was no longer legal tender. After the banning of the multi-currency there was a seeming temporal fall in demand for US dollars which translated into a fall in the exchange rates (market, interbank and the Old Mutual Implied Rate (OMIR)). Although the use of multi-currency was banned goods were being sold in ZWL\$ at the US dollars parallel market equivalent prices. This then ushered the country into a hyper-inflationary mode where the prices were rising whilst the ZWL\$ was losing value very fast. Figure 3 shows how the ZADT Fund was fast losing value against the US dollar.

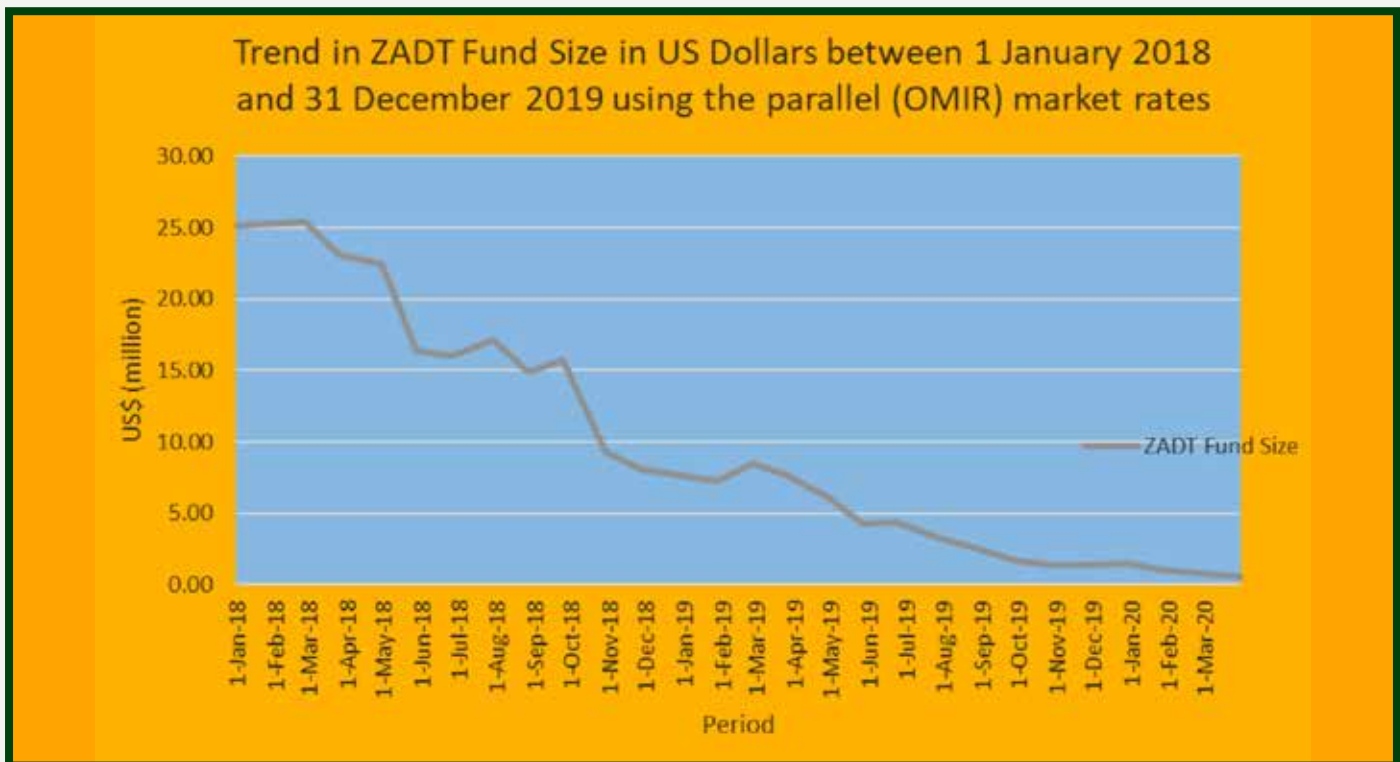


Figure 3: Trend in the estimated ZADT Fund size in US Dollar

It is evident from the graph that the ZADT Fund was fast dwindling in value and the Trust needed to act to restore/preserve the value. As prices of goods and services continued to rise largely in direct response to the devaluation of the ZWL\$, ZADT operational costs escalated. Changes in interest rate earnings from deployed capital did not match the inflationary pressure on the ZADT operational costs, meaning ZADT was under pressure to meet its operational costs from inadequate income realised through the Transactional model. The Trust Transactional Business Model became unsustainable as there was now a mismatch between income and expenditures. Due to the prevailing changes and market uncertainties there was also lower loan disbursements than anticipated (and hence lower interest income). The Government suspended the publication of official inflation figures by the Zimbabwe National Statistics Agency (ZIMSTATS) between February 2019 and February 2020. Figure 4 shows the trend in inflation from the time the reforms were introduced in September 2018 into 2019 using unofficial estimates.

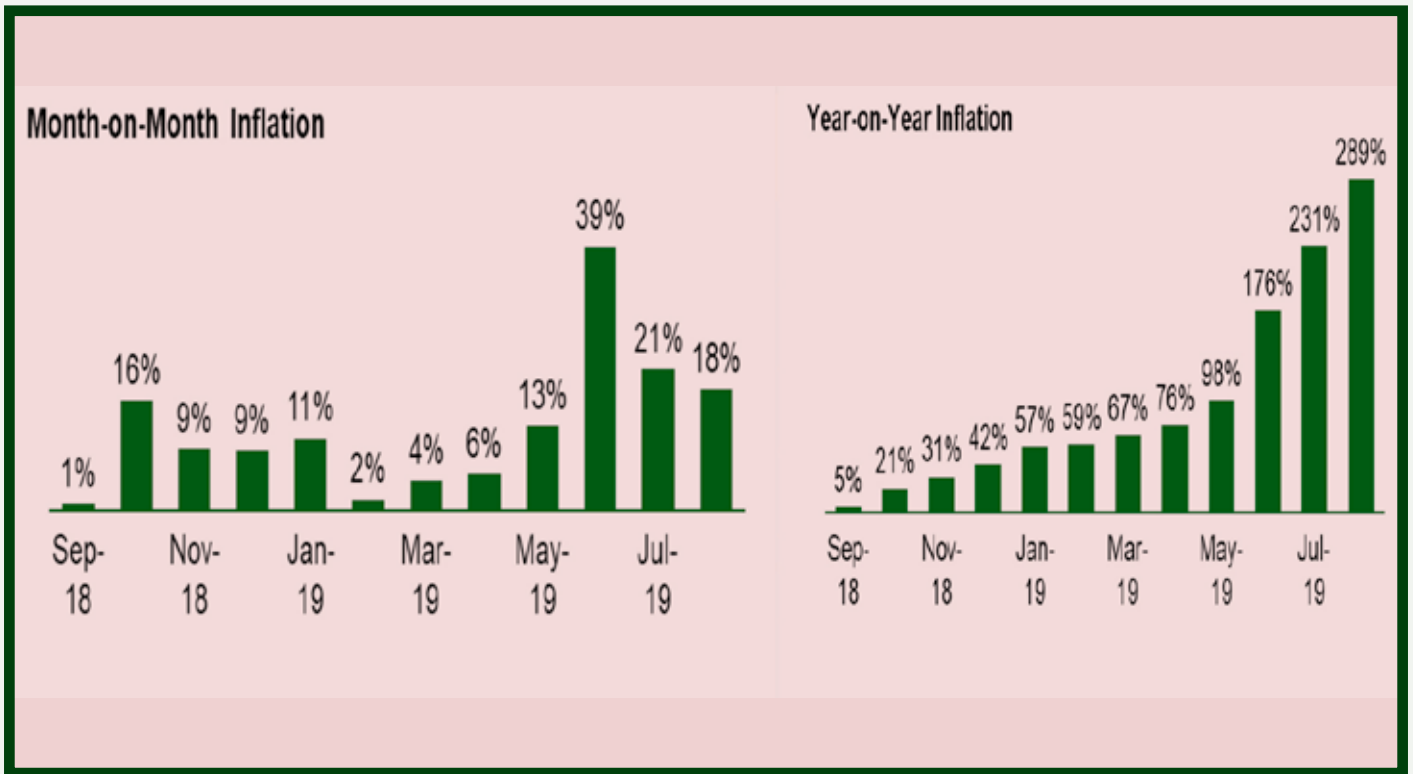


Figure 4: Trend in estimated inflation since the introduction of financial reforms

By Quarter 3 of 2019 unofficial estimates on both month-on-month and year-on-year inflation were over 20% and 230% respectively. The drop-in month-on-month inflation from June to August 2019 was partly in response to the ban on multi-currency.

The operating environment created severe challenges for ZADT, reducing ZADT’s ability to create social impact and operate sustainably. Staff moral fell drastically as purchasing power of their incomes continued to be eroded. By the end of Quarter 3 of 2019, the Trust had lost 20% of its staff.

7. ZADT ADOPTS NEW FUNDING MODEL

Since inception ZADT's financing model was transactional based where lending was done through the financial institutions who were responsible for identification of clients and conducting credit worthiness. Financial institutions would lend largely based on their available financial products. ZADT would disburse funds to the financial institutions at an agreed fee for on-lending to the identified businesses. The financial institutions would put a margin over the interest rate (cost of funds) charged by ZADT. The margin charged by the financial institutions was invariably more than what the Trust charged them. This was because the Trust is not a profit-oriented organization charging only a return enough to cover its operational expenses. This is to ensure low cost finance to smallholder farmers or agribusinesses linked to such farmers.

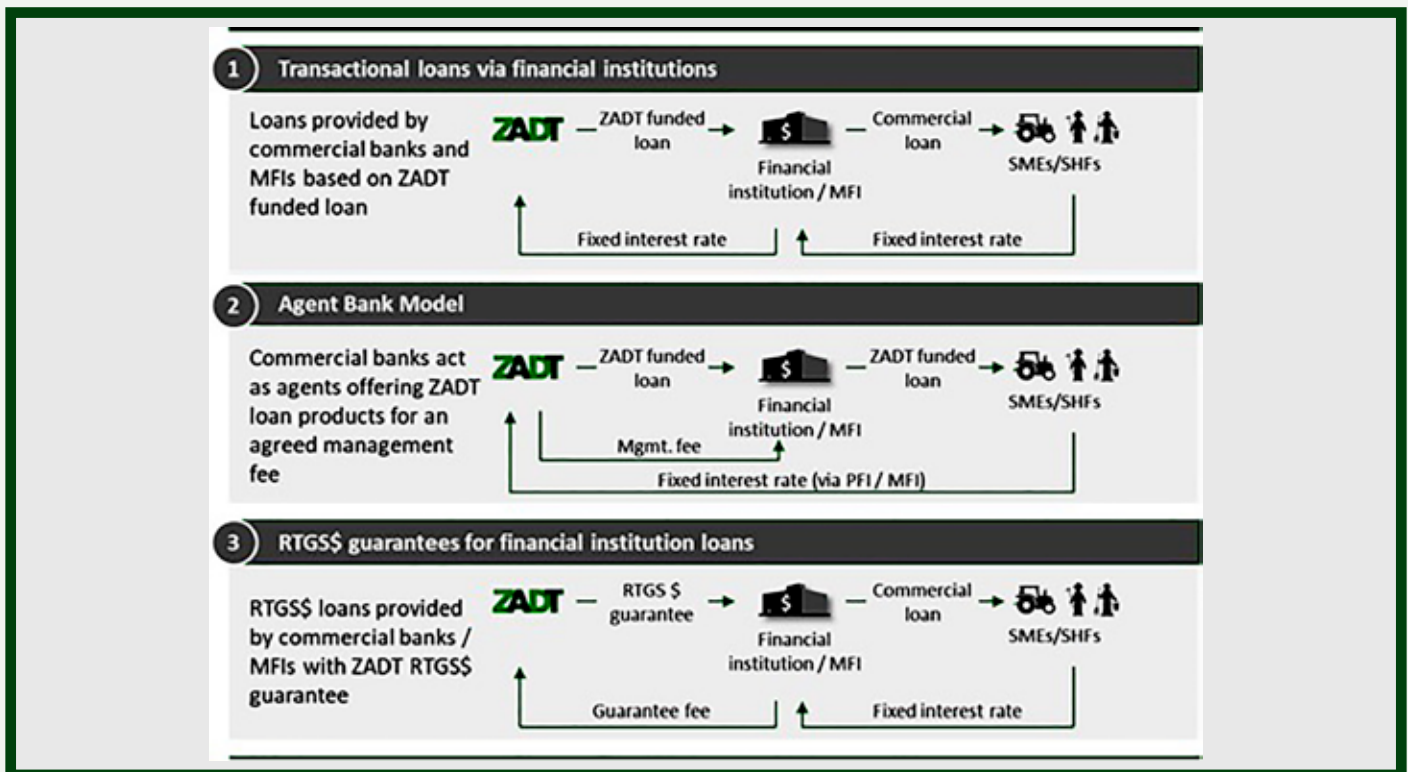


Figure 5: The New ZADT financing model

Given the prevailing operating environment characterized by inflation rates which were above viable interest rates, creating a mismatch between income and expenditures for ZADT, the Trust had to review the way it does its business. There was low product demand as risk averse partner banks were not willing to disburse new loans due to the poor lending economics. The operating model therefore became non-sustainable. A new financing model was adopted. This new model involves ZADT engaging and financing agribusinesses directly and not through financial institutions. By removing the financial institutions from the model this translated into cheaper cost of funds to target beneficiaries whilst the Trust would still be able to charge a more sustainable return. ZADT is now responsible for identification of eligible clients as well as conducting the necessary due diligence which used to be done by the partner financial institutions. Figure 5 presents the new financing model adopted at the end of September 2019 in response to the prevailing operating environment.

8. ZADT FUND PORTFOLIO ANALYSIS

The ZADT Fund size stood at ZWL\$38,150,859 as at 31 December 2019. However, funds available for investment into projects in 2019 was ZWL\$24.5 due to some investments in fixed property and on the stock market which were done as fund preservation initiatives. A total of US\$8 million was under consideration by the Reserve Bank of Zimbabwe for Legacy Debt registration and was therefore not available for deployment in the normal course of the Trust’s business. New funding mechanisms which ensure preservation of Fund and sustainable returns were adopted.

8.1 Fund Uptake

The transactional lending model where ZADT was disbursing through partner financial institutions comprising of commercial banks and microfinance institutions was discontinued at the end of Quarter 3 2019. Loan disbursements for the period year to end of Quarter 3 of 2019 stood at ZWL\$4.8 million compared to ZWL\$14.1 million during the same period in 2018. Only a few agribusinesses were supported through banks through the disbursements done year to that period. These were covering mushroom, beef and poultry value chains. Disbursements were made also to five Microfinance Institutions mainly through roll over of existing facilities for on lending to farmers engaged in sugarcane, beef, chillies, horticulture, goats and poultry projects.

Following the adoption of a new business model by the Trust during the last quarter of 2019, the loan book grew down significantly as all loan maturities were deployed into investments under the new model. Disbursements under the new business model constituted 60% of total projects investments book outstanding as at 31 December 2019. Utilization of available funds was more than 95% as at 31 December 2019. Figure 6 presents a comparative analysis of the portfolio positions of the Fund at the end of September 2019 when the Trust was beginning to implement the new strategy and 31 December 2019.

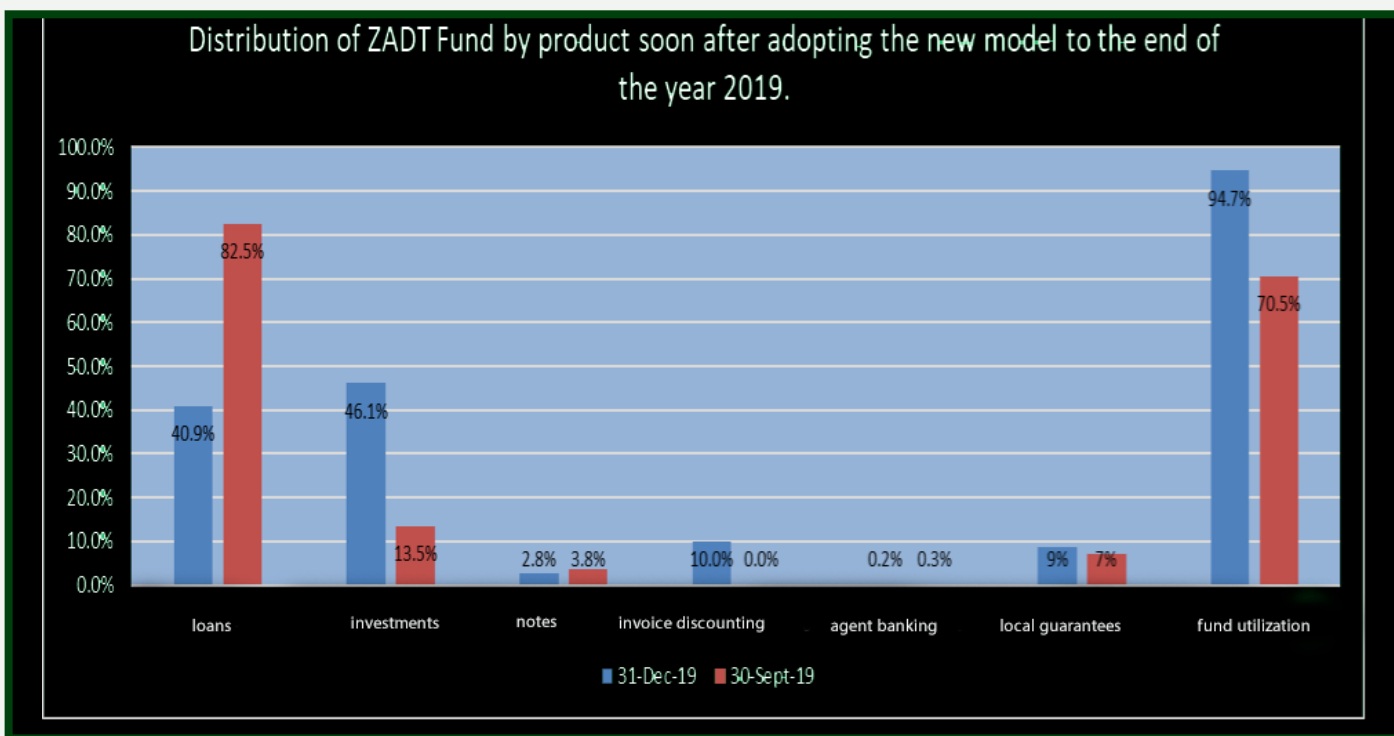


Figure 6: Distribution of the ZADT Fund by product after adopting the new model

It is evident from Figure 6 that there was a significant drop in the proportion of the Fund which was in loans complimented by an increase in the proportion which went into investments under the new Business Model. Disbursements under the new Business Model were premised on preserving of the fund and sustainable earnings. The end of year outstanding funds position represented a 95% utilization of available funds.

8.2 Cumulative Disbursements

Cumulative disbursements since inception to 31 December 2019 have increased significantly over the years from ZWL\$6 million to ZWL\$94.3 million. These were disbursed largely through loans (up to end of Quarter 3, 2019) and Co-Investments.

8.3 Agricultural value chains supported

The ZADT Fund has supported most agricultural commodities where smallholder farmers are involved. These have ranged from perennial to annual crops such as sugarcane. Tobacco and cotton remained excluded as per the policy of the Trust. Commodities supported in 2019 included beef, poultry, mushroom, chilies, fertilizer, sugarcane, sorghum and dairy. These were value chains covered from disbursements during the year as well as from running facilities from previous years. Poultry, beef and dairy are part of the special strategic value chains that the Trust is focusing on namely Poultry, Beef, Stock feeds, Dairy, Horticulture and Goats. Some Agro-dealers were also supported who specialize in stocking agricultural inputs for the benefit of rural smallholder farmers. Some MFIs with outstanding facilities managed to support farmers engaged in horticulture crops.

8.4 Smallholder farmer beneficiaries

Target ultimate beneficiaries from the ZADT Fund are smallholder farmers mainly from the communal, old resettlement, small-scale commercial and peri-urban farming sectors. Smallholder farmers in A1 resettlement sectors were also covered where there were no contestations between the former owners and farmers.

The total number of smallholder farmers who benefitted from the Fund disbursements in 2019 was 83,789. This was a 22% decline from the 107,086 reported in 2018. The decline was largely due to the fact that the main objective in the disbursements, given the operating environment during the year, was fund preservation and some investments had lower impact in terms of benefit to many smallholder farmers. The majority of the smallholder farmers linked to disbursements in 2019 were through an Agro-dealing entity as well as a stock feed company. Of the total number of smallholder farmers reported about 9% (7 620) benefitted directly through MFIs of which 26% (1 955) were women. It is important to also note that about 5% (4 152) of the outreach figure were farmers who were linked to agribusinesses who were funded under the new funding model of co-investments.

8.5 Impact of ZADT Funding on funded businesses

Whilst the ZADT Fund is mainly focussed on improving the welfare of smallholder farmers directly or through funded agribusinesses the Trust also assesses the impact of the Fund on the agribusinesses themselves. Most of the agribusinesses which access the Fund will be facing challenges in their operations. ZADT conducts assessments to determine how the Fund will have contributed to improvements in the operations of the agribusinesses. An assessment was therefore done to establish the impact of the ZADT Fund on the performance of funded agribusinesses. The assessment focussed only on businesses whose facilities matured in 2019 and the indicators for measuring the impact were annual turnover, capacity utilization and employment levels. The changes in these parameters were measured between the period when the facilities were disbursed and when they matured.

A total of 14 funded agribusinesses had facilities which matured in 2019. These were funded through five commercial banks covering seven value chains namely sorghum, fertilizer, sugarcane, stock

feeds and mung beans. Others were involved in grain trading, tillage services and agro-dealing. Loan amounts ranged from ZWL\$25 000 to ZWL\$3.5 million. Tenures of the facilities ranged from 12 months to 36 months although the majority were 12 months. Only one agribusiness was liquidated. Table 1 presents the results of the assessment.

Borrower Identity	Capacity Utilization (%)			Employment (No of employees)		
	At Disbursement	At Maturity	Growth (%)	At Disbursement	At Maturity	Growth (%)
Company A	42%	70%	67%	35	60	71%
Company B	63%	79%	25%	507	534	5%
Company C	40%	70%	75%	60	80	33%
Company D	70%	100%	43%	100	136	36%
Company E	60%	100%	67%	10	11	10%
Company F	30%	70%	133%	8	15	88%
Company G	35%	75%	114%	11	28	155%
Mean	49%	81%	66%	104	123	18%

Table 1: Contribution of ZADT Fund to performance of funded Agribusinesses

Out of the 14 companies whose facilities matured in 2019 eight (57%) responded to the postal questionnaire. Results presented were only for capacity utilization and employment indicators as changes in turnover figures at maturity of facilities were caused more by inflation.

On capacity utilization the average at time of disbursement was 49% whilst that at maturity was 81% representing a 66% growth. Growth in employment was 18% implying that the increase in capacity utilization resulted in more people getting employed. One can therefore commend that the ZADT Fund contributed to better performance of funded agribusinesses as measured by the two indicators.

9. EVENTS

9.1 ZADT Round Table Discussion on the 2018/19 Drought

ZADT hosted a Round Table Discussion event on the 27th of March 2019 at the CABS Auditorium in Borrowdale, Harare. The event was focusing on the impacts of the drought on agriculture, mitigation, lessons learnt from the past and way forward. The participants included smallholder farmer representatives, agricultural researchers and academia, industry and commerce, practitioners in the seed, fertilizers, commodity processing, manufacturing and value addition business entities as well as regulatory authorities and weather information gathering and dissemination institutions. The banking, development and non-governmental organizations (NGOs) were represented as well.

A key note address was presented by the Minister of Lands, Agriculture, Water and Rural Resettlement who was represented by Mr. Joseph Gondo, the Principal Director in the Ministry. Presentations were also made by key panelists working in the Agricultural sector. Participants identified and suggested significant and appropriate improvements in the drought mitigation initiatives and measures for smallholder agriculture covering wide areas which included policy and collaborative development issues. The issues included the following;

- Development of a drought policy in view of increased occurrence of drought situations in Zimbabwe;
- Resuscitation/strengthening and capacitation of the national early warning system to embrace information communication technology (ICT) and collaborations with the private sector to ensure proper packaging, coordination and communication of information and action plans to mitigate national disasters such as droughts, veld fires, diseases, floods etc;
- Establishment of a targeted insurance scheme, National Farm Irrigation Fund and/or Drought Relief Fund;
- Build and ensure resilience capacity in landscape management within the changing climate environment by developing and adopting appropriate technology for mechanization and conservation agriculture;
- Funding and supporting agricultural research and development;
- Capacity building of extension services to support smallholder agriculture diversification and sustainability as a business;
- Establishment of Special Agricultural Economic Zones to support specific ecosystems or value chains for comparative and/or competitive smallholder production initiatives instead of controls; and,
- Government, NGO, Private and development sector collaborative efforts to restore the dignity and mindset change to farmer identification and commercialization of smallholder agriculture;

A report summarizing the main points, suggestions and recommendations that were proffered for consideration by Government as well as other stakeholders was prepared by the Trust and shared with all participants.

9.2 Review of the ZADT Results Measurement Framework

ZADT held a one-day workshop to review its results measurement framework to improve the way it accounts for its developmental impact. The workshop was held at the ZADT Offices. Practitioners who participated in the review came from several institutions which include Centre for Impact Evaluation and Research Design (CFIERD), CNFA, Feed the Future Zimbabwe, Zimbabwe Microfinance Fund, Zimbabwe Open University and the Zimbabwe Evaluation Association (ZEA). A draft framework was prepared and presented to a team of M&E practitioners for their comments. The comments from the workshop were incorporated to produce a Monitoring and Evaluation Procedure

Manual which was approved by the ZADT Board.

9.3 Review of the ZADT Funding Model

ZADT enlisted the services of a Danish Management Consulting Firm called QVARTZ in September 2019 to assist in the review its Business Model in September 2019 and to develop a framework on resource mobilisation. This was in response to the changed operating conditions which resulted in a mismatch between the Trust's earnings from the existing model and its ability to meet its expenses. Specifically, the Consultants from QVARTZ focussed on two main issues which are i) crafting a business model(s) which ZADT should pursue in the short and medium term to deliver highest possible social impact while maintaining a sustainable organization and ii) looking at how ZADT could secure funding in both short and long term to sustain its activities. As part of the approach the Consultants looked at the macro economic trends and the current status of the Trust. They interviewed several stakeholders in the ZADT Disbursement Model. These included participating financial institutions, value chain actors and smallholder farmers.

The team managed to complete their assignment and present their recommendations to the ZADT Board which led to the adoption of the New Business model at the beginning of Quarter 4, 2019.

10. GOVERNANCE

10.1 ZADT Board of Trustees

The ZADT Board is comprised of seven (7) Trustees, all of whom are non-executive. The role of the Board is mainly to oversee the Trust's operations and ensure that the Secretariat discharges the set mandate in line with laid down policy.

The Board has three (3) committees which provides guidance to the Secretariat in specific areas. These Committees are the Credit and Loans (now Investment) Committee, the Human Resources Committee and Audit Committee. These committees meet quarterly. However, the Investment Committee met more often necessitated by the need to review and approve funding proposals presented by the Secretariat. The Board Charter also makes provision for an Ad-hoc Nominations Committee to deal with Board member nomination issues as the need arises.

During the financial year three (3) Trustees had their tenures come to an end. The Chair of the Board resigned after being appointed to the Board of the Reserve Bank of Zimbabwe. One of the Trustees was from SNV, which holds a permanent seat in the Board as one of the founders of the Trust. SNV managed to appoint another person to the Board. By the end of the financial year the Trust was yet to replace the other three members.

ZADT Board of Trustees as at 30 September 2019



Leif Reeckmann
- Board Member



Julie Graham
- Board Member



Dorothy Mushayavanhu
- Board Member



Benedict G. Moyo
- Board Member



Kumbirayi Katsande
- Board Chairman



Tanja Lubbers
- Board Member



Mikkel Klim
- Board Member



Godfrey R Chinoera
- Chief Executive Officer

10.2 The ZADT Secretariat

The ZADT Secretariat which is headed by a Chief Executive Officer, is an autonomous management body which runs the day to day operations of the Trust. The Secretariat was organised into four main units namely Business Development and Marketing, Finance and Administration, Monitoring and Evaluation and Risk and Compliance under the loans-based disbursement model.

The ZADT Board of Trustees and its Committees provided the necessary oversight and support to the Secretariat in the performance of its functions through the CEO. At the beginning of the financial year the staff compliment of the Secretariat was 13. As the economic conditions continued to deteriorate with staff incomes being eroded daily from the hyperinflation the Secretariat lost four (31%) members of staff

11. FINANCIAL STATEMENTS

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

General Information

Business address	Zimbabwe Agricultural Development Trust 44 The Chase Mt Pleasant Harare
Bankers	Standard Chartered Bank
Auditors	PKF Chartered Accountants (Zimbabwe) 8th Floor Takura House 67 Kwame Nkrumah Avenue Harare
Legal advisors	Gill, Godlonton & Gerrans 7th Floor Beverly Court 100 Nelson Mandela Avenue Harare
Board of Trustees	Leif Reeckmann - Acting Chairperson (Appointed September 2019) Julie Graham Tanja Lubbers Dorothy Mushayavanhu Naa-Aku Acquaye Baddoo - (Term expired January 2019) Kumbirayi Katsande – (Resigned August 2019) Mikkel Klim - (Term expired August 2019) Dr Benedict Gilbert Moyo - (Term expired August 2019)
Secretariat	Ruramai Godfrey Chinoera - Chief Executive Officer Fortunate Vengesai - Investment Manager Morris Mudiwa - Monitoring, Evaluation, Accountability and Learning Officer Tafadzwa Masama - Accountant Josephine Dube - Risk & Compliance Officer
Main Funders	Danish International Development Agency ("DANIDA") Department for International Development ("DFID") Ford Foundation
Trust Deed Number	MA864/2010

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

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Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Board of Trustees' Responsibilities and Approval

INTRODUCTION

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 Danish International Development Agency ("DANIDA"), The United Kingdom's Department for International Development ("DFID") and Ford Foundation. The Trust's objective is to promote growth in primary agriculture and related value chains with the main aim of improving food security and incomes for rural communities through provision of funding for agricultural activities.

STATEMENT OF THE BOARD OF TRUSTEES' RESPONSIBILITIES

The Board of Trustees is responsible for the preparation, presentation and integrity of the financial statements and all the information contained in the report. The information contained in these financial statements has been prepared in accordance with the accounting policies described in note 1 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, 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 Board of 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 external auditors are responsible for independently auditing and reporting on the Trust's financial statements. The financial statements have been examined by the Trust's external auditors and their report is presented on pages 26 to 28.

The financial statements set out on pages 29 to 49, which have been prepared on the going concern basis, were approved by the Board of Trustees on 22 September 2020 and were signed on their behalf by:



Leif Reeckmann
Acting Chairperson



Ruramai Godfrey Chinoera
Chief Executive Officer

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Board of Trustees Report and Governance Report

1. Board of Trustees report

ECONOMIC OVERVIEW AND FRAMEWORK

Hyperinflationary Reporting

Following the liberalisation of the exchange rate in February of 2019, there has been a significant depreciation in the exchange rate of the local currency unit against the United States Dollar which in turn resulted in the economy plunging into hyperinflation. In light of this background the Public Accountants and Auditors Board (PAAB) issued a pronouncement on 11 October 2019 confirming that the economy had become hyper-inflationary and consequently financial reporting needed to comply with International Accounting Standard (IAS 29) "Financial Reporting in Hyperinflationary Economies" having noted that the conditions required to apply IAS 29 had materialised. In compliance with this pronouncement the Board of Trustees moved to prepare the financial statements using the hyperinflationary accounting basis to achieve fair presentation at the reporting date of 31 December 2019.

Functional Currency

On 22 February 2019, the Reserve Bank of Zimbabwe (RBZ) issued an Exchange Control Directive, RU 28 of 2019 which established an Interbank foreign exchange market to formalise the buying and selling of foreign currency through the Banks and Bureaux de Change. On the same date, Statutory Instrument 33 (SI 33) of 2019 was also issued and it specified that all assets and liabilities that were in USD immediately before 22 February 2019 were deemed to have been valued in RTGS\$ at a rate of USD/RTGS\$1:1. On 24 June 2019, through Statutory Instrument 142 (SI 142) of 2019, the Government of Zimbabwe discontinued the multicurrency regime which had been in place since February 2009 and introduced the Zimbabwe Dollar (ZWL\$), which was designated as the country's sole legal tender to be used for all local transactions and other purposes. The Board of Trustees, having assessed all these developments, accounted for the change in the Trust's functional currency from USD to RTGS dollars on 22 February 2019, which subsequently changed to Zimbabwe Dollars (ZWL\$) following the issuance of SI 142 of 2019 on 24 June 2019.

Business Model

The original business model of the Trust was a transactional business model where the beneficiaries of the ZADT Fund accessed credit through local banks and microfinance institutions based on agreed criteria between ZADT and the financial institutions. Interest rates were in line with regulatory requirements whilst collateral was based on the credit risk assessments as determined by partner financial institutions.

The operating environment in 2019 was characterised by rampant inflation rates which were above interest rates charged to beneficiaries, resulting in a mismatch between income and expenditure for ZADT. The rapid depreciation of the local currency against the United States Dollar also resulted in the ZADT Fund losing value. The original business model therefore became unsustainable resulting in the ZADT adopting a new financing model at the end of Quarter 3, 2019. Under the new model ZADT invests directly into targeted businesses either through shareholding or co-investing into particular projects being undertaken by the business. The main objective of the Trust in adopting the new business model was to ensure fund preservation and the sustainability of the Trust's activities to enable it to continue to play its role in line with the purpose of its establishment.

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

Review of 2019 Activities

Following the adoption of a new business model by the Trust during the last quarter of 2019, there was a deliberate strategic shift which saw the deployment of all fund maturities from loans into investments under the new model. Disbursements under the new business model constituted 60% of total projects investments book outstanding as at 31 December 2019. Utilisation of available funds was more than 95% as at 31 December 2019. The funds available for investment into projects in 2019 was ZWL\$24.5 million of which 95% was utilised as at 31 December 2019. An amount of US\$8 million was under consideration by the Reserve Bank of Zimbabwe for Legacy Debt registration and was therefore not available for deployment in the normal course of the Trust's business.

The total inflation adjusted income received in 2019 amounted to ZWL\$9,249,564 against total costs of ZWL\$193,523,224 resulting in a deficit of ZWL\$184,273,660.

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Board of Trustees Report and Governance Report

Outlook

The implementation of the new business model is going to be intensified in 2020 and the approval of funds under Legacy Debt by the Reserve Bank of Zimbabwe will mitigate the loss in value due to currency depreciation should that be granted. This is expected to unlock further opportunities for the Trust in terms of creating further assets against the amount.

The ZADT will continue to focus on fund preservation and ensuring sustainability. At the same time the Trust will step up its efforts to partner and collaborate with other development institutions in investing and supporting smallholder farmers in agriculture in line with its mandate. As part of fund preservation ZADT will continue to seek opportunities to invest in projects that generate and enable the Trust to earn foreign currency.

Board Changes

The terms of Naa-Aku Acquaye Baddoo, Mikkel Klim and Benedict Gilbert Moyo came to an end in 2019 while former Chairperson, Mr. Kumbirayi Katsande also resigned in 2019 following his appointment to the Board of the Reserve Bank of Zimbabwe. The Board therefore began the process of identifying nominees to replace members who left. The Board of Trustees would like to thank the former Trustees for their invaluable contribution to the Trust over the years of service.

Acknowledgements

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



Leif Reeckmann
Acting Chairperson

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Board of Trustees Report and Governance Report

2. Governance Report

The Board of Trustees recognises the link between governance and sustainable organisational performance to achieve the objectives of the Trust to promote growth in primary agriculture and related value chain actors in the agriculture sector. The Board of Trustees is therefore committed to transparency, accountability and integrity in leading the activities of the Trust.

The Board of Trustees

The size of the Board of Trustees is dictated by the Trust Deed, which permits a maximum of eight members. The three of the members shall be appointees of founders and investors/donors as follows: - one Trustee representing SNV, one Trustee representing Hivos, one Trustee representing Donors/Investors and the CEO of the Trust holding office ex officio. The four Trustees shall comprise independent Zimbabwean Trustees. The founders and investors/donors in the Trust appoint the Chairperson. A Trustee who has served on the Board for a period of six years is not eligible for re-election.

Board meetings are held quarterly and in addition whenever circumstances demand. Trustees are invited to add items to the board meeting agenda.

Board Committees

In accordance with the Trust Deed, the Board has reserved certain matters for its exclusive mandate and has approved delegated authority for specific matters to various committees all of which have formal Terms of Reference which are subject to annual review. Through review and regular reporting by the Committees, the Board is able to receive assurance that inter alia, key risks, opportunity areas, operational, financial and non-financial aspects relevant to the Trust's activities are monitored.

Audit Risk and Compliance Committee

The Audit Risk and Compliance Committee continuously evaluates the Trust's exposure and response to significant risk, reviews the appropriateness and adequacy of the systems of internal financial and operational control. In addition, the Committee reviews and evaluates accounting policies and financial information of the Trust and reviews the performance of the internal and external auditors, recommends the appointment of the external auditors. Furthermore, it recommends their fees to the Board of Trustees for approval.

Investment Committee

The Investment Committee undertakes extensive due diligence research on potential beneficiaries of the ZADT Fund for facilities that exceed management's discretion, assesses Management's recommendations for changes to the investment policies and present to the Trust Board for approval. The Committee also monitors the investments portfolio quality and the underlying default risk arising from adverse internal and external factors impacting on investee businesses, monitors actual and forecast investment exposures against policy limits and risk appetite as well as the overall performance of the ZADT Fund. Where special expertise is required that is not within the Trust, the Committee with the approval of the Board is able to use external resources to assist in the evaluation of investment opportunities

Human Resources Committee

The Human Resources Committee assists the Board in the recruitment of the Chief Executive Officer, assists the Chief Executive Officer in the recruitment process of the Senior Management Team reporting directly to him/her; and provides 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 Chief Executive and his staff.

Independent Auditor's Report

To the directors of Zimbabwe Agricultural Development Trust

Report on the Audit of the Financial Statements

Adverse opinion

We have audited the financial statements of Zimbabwe Agricultural Development Trust (the Trust) set out on pages 29-49, which comprise the statement of financial position as at December 31, 2019, and the income and expenditure statement, accumulated surplus/(deficit) and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the basis for adverse opinion section of our report, the financial statements do not present fairly the financial position of Zimbabwe Agricultural Development Trust as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the Trust's accounting policies.

Basis for adverse opinion

As explained in the basis for preparation note to the financial statements, the financial statements are presented in Zimbabwe Dollars (ZWL). In the prior year the financial statements were presented in United States Dollars in compliance with Statutory Instrument 33. The Board of Trustees have assessed the impact of the change from USD to ZWL and identified some transactions and balances that would not have been appropriate to measure at the legislated exchange rate in the prior year. In the current year, in compliance with the law, up to 22 February 2019, transactions in USD were converted at 1:1 to what has now become the ZWL. Given that the Board of Trustees have not segregated the foreign currency transactions and balances in the comparatives and to the period to 22 February 2019, any impact on the current year has not been adjusted. This constitute a departure from the Trust's accounting framework.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Trust in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Zimbabwe. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

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

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Other information

The Board of Trustees is responsible for the other information. The other information comprises the information included in the document titled "Zimbabwe Agricultural Development Trust financial statements for the year ended December 31, 2019", which includes the Board of Trustees Report and the Board of Trustees statement of responsibilities, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the director for the Financial Statements

The Board of Trustees is responsible for the preparation and fair presentation of the financial statements in accordance with the Trust's accounting policies set out on pages 33 to 40 and the requirements of the Trust Deed, and for such internal control as the Board of Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing of 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 intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Trustees.
- Conclude on the appropriateness of the Board of Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

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

We 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.

PKF

**PKF Chartered Accountants (Zimbabwe)
Registered Chartered Accountants**

**Per: Sydney Bvurere
Engagement Partner
PAAB Practising Number 0209**

22/09/2020

Date

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019


Statement of Financial Position as at December 31, 2019

Figures in Zimbabwe Dollar	Note(s)	Hyperinflation		Historical	
		2019	2018	2019	2018
Assets					
Non-Current Assets					
Property, plant and equipment	2	4,107,409	4,216,548	614,414	489,113
Intangible assets	3	-	2,945	-	331
Investments in associates	5	2,236,024	-	1,000,000	-
Investments in equity	4	20,664,450	8,552,141	7,116,450	1,376,824
Loans	6	3,061,000	20,504,162	3,061,000	3,301,000
Other investments	7	2,000,000	-	2,000,000	-
		32,068,883	33,275,796	13,791,864	5,167,268
Current Assets					
Accounts receivables	8	1,720,777	23,487,241	1,571,987	3,781,251
Loans	6	7,834,000	133,306,138	7,834,000	21,461,183
Other investments	7	18,607,420	14,614,417	18,607,420	2,352,800
Cash and cash equivalents	9	683,791	40,230,612	683,791	6,476,795
		28,845,988	211,638,408	28,697,198	34,072,029
Total Assets		60,914,871	244,914,204	42,489,062	39,239,297
Accumulated Funds and Liabilities					
Accumulated Funds					
Accumulated Surplus/ (Deficit)		(177,455,717)	4,880,377	3,178,117	595,841
Liabilities					
Current Liabilities					
Accounts payables	11	1,160,086	885,878	1,160,086	142,619
Revolving Fund	10	237,210,502	239,147,949	38,150,859	38,500,837
		238,370,588	240,033,827	39,310,945	38,643,456
Total Equity and Liabilities		60,914,871	244,914,204	42,489,062	39,239,297

The financial statements and the notes on pages 29 to 49, were approved by the Board of Trustees on 22 September 2020 and were signed on its behalf by:



Leif Reeckmann
Acting Chairperson



Ruramai Godfrey Chinoera
Chief Executive Officer

The accounting policies on pages 33 to 39 and the notes on pages 40 to 49 form an integral part of the financial statements.

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Income and Expenditure Statement

Figures in Zimbabwe Dollar	Note(s)	Hyperinflation		Historical	
		2019	2018	2019	2018
Income	12	9,249,564	9,304,740	5,015,431	1,497,661
Operating expenses		(6,653,962)	(7,278,356)	(2,783,155)	(1,123,636)
Operating surplus	13	2,595,602	2,026,384	2,232,276	374,025
Monetary adjustment		(186,869,262)	1,476,184	-	-
(Deficit) surplus for the year		(184,273,660)	3,502,568	2,232,276	374,025
Other comprehensive funds		-	-	-	-
Total comprehensive (deficit)/ surplus		(184,273,660)	3,502,568	2,232,276	374,025

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Statement of Cash Flows

Figures in Zimbabwe Dollar	Note(s)	Hyperinflation		Historical	
		2019	2018	2019	2018
Cash flows from operating activities					
Surplus /(Deficit) for the year		(184,273,660)	3,502,567	2,232,278	374,025
Adjustments for:					
Depreciation	13	728,911	814,924	80,413	83,077
Fair value (gains)/loss on equity instruments		(2,744,694)	105,092	(2,744,694)	16,919
Gain on sale of investments in equity	12	(1,864,104)	-	(336,730)	-
Decrease in leave provision	11	(189,340)	-	(6,972)	-
Provision for future expenses	11	214,316	-	214,316	-
Property, plant and equipment write off		322	-	25	-
Net monetary loss/(gain)		186,869,262	(1,476,184)	-	-
Operating cash flows before working capital changes		(1,258,986)	2,946,399	(561,366)	474,021
Changes in working capital:					
Changes in accounts receivables	8	21,766,463	(22,085,193)	2,209,264	(3,555,533)
Changes in account payables	11	239,231	135,821	810,123	21,866
Loans	6	142,915,300	(14,550,749)	13,867,183	(2,342,550)
Other investments	7	(6,993,003)	(14,614,417)	(19,254,620)	(2,352,800)
Cash generated from (used in) operations		156,669,005	(48,168,139)	(2,929,416)	(7,754,996)
Cash flows from investing activities					
Additions property, plant and equipment	2	(266,765)	(708,784)	(205,408)	(89,230)
Movements in investments in equity	4	(6,505,511)	(8,657,235)	(1,658,202)	(1,393,743)
Investments in associate	5	(2,236,024)	-	(1,000,000)	-
Net cash from investing activities		(9,008,300)	(9,366,019)	(2,863,610)	(1,482,973)
Cash flows from financing activities					
Capital fund replenishment and recoveries		119	-	22	-
Net cash from financing activities		119		22	
Total cash movement for the year		147,660,824	(57,534,158)	(5,793,004)	(9,237,969)
Cash at the beginning of the year		40,230,612	97,612,257	6,476,795	15,714,764
Effect of inflation on cash and equivalents		(187,207,645)	152,513		
Total cash at end of the year	8	683,791	40,230,612	683,791	6,476,795

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Statement of Accumulated Funds

Figures in Zimbabwe Dollar	Accumulated Surplus/ (Deficit)	Total Funds
Hyperinflation		
Balance at January 1, 2018	6,951,531	6,951,531
Surplus	3,502,568	3,502,568
Other comprehensive funds	-	-
Total comprehensive surplus for the year	3,502,568	3,502,568
Transfer from revolving fund	(5,573,722)	(5,573,722)
Total contributions	(5,573,722)	(5,573,722)
Balance at January 1, 2019	4,880,377	4,880,377
Deficit	(184,273,660)	(184,273,660)
Other comprehensive funds	-	-
Total comprehensive Deficit for the year	(184,273,660)	(184,273,660)
Transfer from revolving fund	1,937,566	1,937,566
Total contributions	1,937,566	1,937,566
Balance at December 31, 2019	(177,455,717)	(177,455,717)
Historical		
Balance at January 1, 2018	1,119,139	1,119,139
Surplus	374,025	374,025
Other comprehensive funds	-	-
Total comprehensive surplus for the year	374,025	374,025
Transfer between reserves	(897,323)	(897,323)
Total contributions	(897,323)	(897,323)
Balance at January 1, 2019	595,841	595,841
Surplus	2,232,276	2,232,276
Other comprehensive funds	-	-
Total comprehensive surplus for the year	2,232,276	2,232,276
Transfer from revolving fund	350,000	350,000
Total contributions	350,000	350,000
Balance at December 31, 2019	3,178,117	3,178,117

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with the Trust's accounting policies set out below and are for use of members and management

The financial statements have been prepared on the historical cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Zimbabwe Dollars, which is the Trust's functional currency. The Trust changed its currency during the year to Zimbabwe Dollars from United States Dollars.

The financial statements are for use by members and management.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

Key sources of estimation uncertainty

Impairment testing

The Trust reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property, plant and equipment

Board of Trustees assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on Trust's replacement policies for the various assets.

The residual value attached to the assets has been estimated to be nil (2018-nil).

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

1.3 Investment in associate

An associate is defined as an entity that the Trust has significant influence over.

The investment in an associate is initially recognised at cost (fair value) and subsequently accounted for using the equity accounting method.

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the Trust holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Trust, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Accounting Policies

14 Property, plant and equipment (continued)

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Trust and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Trust. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	40 Years
Furniture and fittings	Straight line	10 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	3 Years
ICT Systems	Straight line	5 years
Land is not depreciated.		

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

15 Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Accounting Policies

15 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Intangible assets	Straight line	2 years

1.6 Financial instruments

Financial instruments held by the Trust are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Trust, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortised cost; or

Financial instruments and risk management presents the financial instruments held by the Trust based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Trust are presented below:

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Accounting Policies

16 Financial instruments (continued)

Accounts receivables

Classification

Accounts receivables and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Trust 's business model is to collect the contractual cash flows on accounts receivables.

Recognition and measurement

Accounts receivables are recognised when the Trust becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounts payables

Classification

Accounts payables and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Trust becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

17 Impairment of assets

The Trust assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Trust estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Trust also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Accounting Policies

18 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

19 Provision and contingencies

Provisions are recognised when:

- the Trust has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Accounting Policies

1.10 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Zimbabwe Dollars, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the Trust receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Trust initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, the Trust determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Zimbabwe Dollars by applying to the foreign currency amount the exchange rate between the Zimbabwe Dollar and the foreign currency at the date of the cash flow.

1.11 Co-investments

The Trust uses the cost method in valuing its Co-investments, increases in fair value are not recognised. The cost method is very conservative meaning that only declines in the asset's fair value (called Impairment) are recognised in the financial statements. That occurs when fair market value falls below historical cost. Income/Dividends from such investments are recognised under operating income.

1.12 Revolving fund

The Revolving fund comprises funds that have been received from the funding partners for the purposes of onward investing.

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Accounting Policies

1.13 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 not over the term of the loan

Investment Income

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

Guarantee Fees

The Trust initially recognises income earned from guarantee fees. When the fees have been received in the ZADT account. The Trust accrues for outstanding fees as per the guarantee loan agreement

1.14 Expenditure

Expenses are recognised using the accrual basis

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Hyperinflation		Historical	
	2019	2018	2019	2018

2. Property, plant and equipment

Summary of property, plant and equipment - Hyperinflation

Hyperinflation	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	3,287,100	(282,248)	3,004,852	3,287,100	(200,927)	3,086,173
Furniture and fittings	466,881	(158,391)	308,490	422,219	(119,767)	302,452
Motor vehicles	1,359,639	(1,247,347)	112,292	1,359,639	(1,048,751)	310,888
Office equipment	1,582,751	(1,017,881)	564,870	1,085,185	(706,780)	378,405
ICT Systems	310,368	(193,463)	116,905	310,368	(171,738)	138,630
Total	7,006,739	(2,899,330)	4,107,409	6,464,511	(2,247,963)	4,216,548

Historical	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	373,424	(32,063)	341,361	373,424	(22,727)	350,697
Furniture and fittings	52,802	(18,129)	34,673	48,243	(12,951)	35,292
Motor vehicles	154,436	(141,682)	12,754	154,437	(117,440)	36,997
Office equipment	328,851	(116,504)	212,347	126,684	(80,886)	45,798
ICT Systems	35,254	(21,975)	13,279	35,253	(14,924)	20,329
Total	944,767	(330,353)	614,414	738,041	(248,928)	489,113

3. Intangible assets

Hyperinflation	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Other intangible assets	13,668	(13,668)	-	13,668	(10,723)	2,945

Historical	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Other intangible assets	1,553	(1,553)	-	1,553	(1,222)	331

Reconciliation of intangible assets - Hyperinflation - 2019

	Opening balance	Amortisation	Total
Other intangible assets	2,945	(2,945)	-

Reconciliation of intangible assets - Hyperinflation - 2018

	Opening balance	Amortisation	Total
Other intangible assets	5,890	(2,945)	2,945

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Hyperinflation		Historical	
	2019	2018	2019	2018
3. Intangible assets (continued)				
Reconciliation of intangible assets - Historical - 2019				
		Opening balance	Amortisation	Total
Other intangible assets		331	(331)	-
Reconciliation of intangible assets - Historical - 2018				
		Opening balance	Amortisation	Total
Other intangible assets		662	(331)	331
4. Investments in equities				
Equity investments	20,664,450	8,552,141	7,116,450	1,376,824
Equity investments				
Listed shares	4,116,450	8,552,141	4,116,450	1,376,824
Unlisted shares	16,548,000	-	3,000,000	-
	20,664,450	8,552,141	7,116,450	1,376,824
Listed shares				
Old Mutual Zimbabwe	2,903,078	3,045,082	2,903,078	490,233
Delta Corporation Limited	-	1,842,213	-	296,581
Padenga Holdings Limited	458,826	1,221,616	458,826	196,670
Innsco Africa Limited	198,300	1,221,616	198,300	196,670
Econet Wireless Zimbabwe	320,931	1,221,616	320,931	196,670
Cassava Smartech	235,315	-	235,315	-
Unlisted shares				
Smart Suburb (Private) Limited	16,548,000	-	3,000,000	-
	20,664,450	8,552,143	7,116,450	1,376,824
5. Investments in associates				
The following table lists all of the associates in the Trust:				
Hyperinflation				
		Carrying amount 2019	Carrying amount 2018	
Marirangwe Investments		2,236,024	-	
Historical				
		Carrying amount 2019	Carrying amount 2018	
Marirangwe Investments		1,000,000	-	

The following table lists all of the associates in the Trust:

Hyperinflation

	Carrying amount 2019	Carrying amount 2018
Marirangwe Investments	2,236,024	-

Historical

	Carrying amount 2019	Carrying amount 2018
Marirangwe Investments	1,000,000	-

The Trust during the year acquired a 49% shareholding in Marirangwe United Bush Dairy Co-operative Society Limited.

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Hyperinflation		Historical	
	2019	2018	2019	2018
6. Loans				
Opening balance 1 January	24,762,183	139,259,551	24,762,183	22,419,633
Loans and advances repaid by financial institutions	(16,233,183)	(54,246,893)	(16,233,183)	(8,733,300)
Loans and advances rolled over to financial institutions	(3,100,000)	(53,543,130)	(3,100,000)	(8,620,000)
Loan and advances to financial institutions	5,466,000	122,340,772	5,466,000	19,695,850
	10,895,000	153,810,300	10,895,000	24,762,183
As at 31 December 2019	0 to 6 months	6 to 12 months	Over 12 months	Total
NMB Bank Limited	35,000	-	40,000	75,000
Banc ABC African Banking Corporation of Zimbabwe Limited	2,150,000	-	-	2,150,000
CBZ Bank Limited	-	146,000	-	146,000
Inclusive Financial Services (Private) Limited	900,000	600,000	-	1,500,000
Success Microfinance	500,000	500,000	500,000	1,500,000
Oakfin Finance	980,000	120,000	-	1,100,000
Untu Microfinance	450,000	-	370,000	820,000
MOB Capital (Private) Limited	200,000	-	-	200,000
Viri Rural & Social Financial Services	88,000	100,000	100,000	288,000
Getbucks Financial Services (Private) Limited	500,000	500,000	500,000	1,500,000
Wintron Financial Services (Private) Limited	-	65,000	51,000	116,000
Nurture Finance (Private) Limited	-	-	1,500,000	1,500,000
	5,803,000	2,031,000	3,061,000	10,895,000
As at 31 December 2018	0 to 6 months	6 to 12 months	Over 12 months	Total
FBC Bank Limited	101,000	600,000	-	701,000
NMB Bank Limited	2,000,000	-	-	2,000,000
Steward Bank Limited	600,000	2,250,000	-	2,850,000
BancABC African Banking Corporation of Zimbabwe Limited	2,000,000	9,000,000	-	11,000,000
CBZ Bank Limited	870,000	61,333	341,000	1,272,333
Inclusive Financial Services (Private) Limited	-	1,100,000	400,000	1,500,000
Success Microfinance	500,000	-	500,000	1,000,000
MOB Capital (Private) Limited	-	200,000	-	200,000
Untu Microfinance	285,850	-	700,000	985,850
Oakfin Finance	300,000	820,000	160,000	1,280,000
Viri Rural & Social Financial Services	208,000	-	200,000	408,000
Getbucks Financial Services (Private) Limited	500,000	-	-	500,000
Wintron Financial Services (Private) Limited	65,000	-	-	65,000
Nurture Finance (Private) Limited	-	-	1,000,000	1,000,000
	7,429,850	14,031,333	3,301,000	24,762,183

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Hyperinflation		Historical	
	2019	2018	2019	2018
7. Other investments				
Long Term Investments				
Co-investments	2,000,000	-	2,000,000	-
Short term Investments				
Co-investments	4,057,420	-	4,057,420	-
Agent banking	50,000	-	50,000	-
Invoice discounting	2,500,000	-	2,500,000	-
Investments with participating financial institutions	4,000,000	-	4,000,000	-
Money markets investments	8,000,000	14,614,417	8,000,000	2,352,800
Total	20,607,420	14,614,417	20,607,420	2,352,800

7.1 Co-investments

Co-investments relate to specific projects in which ZADT invests jointly with targeted businesses under agreed terms and conditions. The investments can either be on long-term or short-term basis.

7.2 Money markets investments

Money market investments relate to funds placed with local banks on a short-term basis. Short term investments of ZWL 8,000,000 relate to funds earmarked for the Reserve Bank of Zimbabwe Legacy Debt application whilst ZWL 2,352,800 related to the cover earmarked for loan guarantees issued during that period.

	Interest rate/annum	Tenure (days)				
NMB Bank Limited	3.50 %	91	-	4,658,625	-	750,000
NMB Bank Limited	3.50 %	90	-	4,969,200	-	800,000
NMB Bank Limited	4.00 %	90	-	4,986,592	-	802,800
Money market investments	7.00 %	360	8,000,000	-	8,000,000	-
			8,000,000	14,614,417	8,000,000	2,352,800

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Hyperinflation		Historical	
	2019	2018	2019	2018
8. Accounts receivables				
Receivables	1,720,777	23,487,241	1,571,987	3,781,251
Total accounts receivables	1,720,777	23,487,241	1,571,987	3,781,251
Components of accounts receivables				
Income receivable	1,361,129	761,095	1,361,132	122,530
Prepayments	356,918	19,106,947	208,125	3,076,060
Other receivables	2,730	-	2,730	-
MMC Capital	-	3,619,199	-	582,661
	1,720,777	23,487,241	1,571,987	3,781,251
9. Cash and cashequivalents				
Cash and cash equivalents consist of:				
Bank balances	683,791	40,230,612	683,791	6,476,795
Standard Chartered bank	260,342	40,073,703	260,342	6,451,534
Cash on hand	423,193	157,493	423,193	25,355
Banc ABC current investment account	-	(609)	-	(98)
Petty cash - Ecocash	224	-	224	-
Petty cash account	32	25	32	4
	683,791	40,230,612	683,791	6,476,795
10. Revolving fund				
Opening balance as previously stated	239,147,949	233,574,227	38,500,837	37,603,514
Capital fund replenishment	-	3,475,769	-	559,570
Agriseeds recovery	119	2,097,953	22	337,753
Capital fund drawdown	(1,937,566)	-	(350,000)	-
	237,210,502	239,147,949	38,150,859	38,500,837
11. Accounts payables				
Payables	1,160,086	885,878	1,160,086	142,619
Components of accounts payables				
Audit fees	144,516	326,557	144,516	50,963
Pay As You Earn and NSSA	-	56,376	-	9,076
Pension and leave pay provision	28,020	217,359	28,020	34,993
Suppliers	770,684	130,839	770,684	21,064
Monitoring and evaluation costs	-	111,136	-	17,892
Provision for future expenses	214,316	-	214,316	-
Travel and accommodation payable	2,550	-	2,550	-
Other payables	-	53,611	-	8,631
	1,160,086	895,878	1,160,086	142,619

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Hyperinflation		Historical	
	2019	2018	2019	2018
12. Operating income				
Income	3,377,058	7,200,532	1,347,553	1,158,901
Other income	3,016,671	2,104,208	812,043	338,760
Foreign exchange gain	111,141	-	111,141	-
Fair value gain on Equity instruments	2,744,694	-	2,744,694	-
	9,249,564	9,304,740	5,015,431	1,497,661
Income				
Interest Income	2,762,085	6,500,465	901,825	1,046,196
Interest on Note Issuance	224,984	-	55,739	-
Accrued Interest Income	389,989	700,067	389,989	112,705
	3,377,058	7,200,532	1,347,553	1,158,901
Other Income				
Interest from short term investments	893,786	1,314,987	414,705	211,702
Guarantee fees	258,781	291,015	60,608	46,851
Gain on sale of equity instruments	1,864,104	-	336,730	-
Sundry income	-	2,087	-	336
Agriseeds loan recoveries	-	496,119	-	79,871
	3,016,671	2,104,208	812,043	338,760
13. Operating surplus (deficit)				
Operating surplus for the year is stated after charging (crediting) the following, amongst others:				
External audit fees	340,030	319,551	144,081	51,445

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Hyperinflation		Historical	
	2019	2018	2019	2018
13. Operating surplus (deficit) (continued)				
Employee costs				
Total employee costs	3,221,828	3,096,538	1,425,588	498,517
Components of employee costs				
Basic Salaries	906,140	2,138,048	400,947	344,208
Bonus	227,236	176,730	100,547	28,452
Medical Aid	96,285	146,405	42,604	23,570
Staff allowances	224,172	371,851	99,191	59,865
NSSA	9,505	22,914	4,206	3,689
WCIF-NSSA	11,219	26,169	4,964	4,213
Staff training & development	-	37,611	-	6,055
Provident fund	75,089	188,488	33,225	30,345
Hardship allowance	1,654,045	-	731,878	-
Leave pay	18,137	(11,678)	8,025	(1,880)
	3,221,828	3,096,538	1,425,587	498,517
Other expenses				
Key Stakeholders Meetings	-	152,269	-	24,514
Bank Charges	33,025	249,069	13,994	40,098
Money Transfer Tax	511,387	-	216,689	-
Depreciation	728,911	814,924	80,413	83,077
Insurance	190,374	146,293	80,667	23,552
IT Consultancy	98,350	70,699	41,674	11,382
Cleaning and teas	38,513	36,014	16,319	5,798
Printing and stationery	66,360	140,281	28,119	22,584
Repairs and maintenance	108,682	81,911	46,652	13,187
Telephone and fax	34,264	36,356	14,518	5,853
General expenses	2,530	140,262	1,072	22,581
Team building	-	72,282	-	11,637
Contingencies	15,848	-	6,715	-
Subscriptions -other	(7,469)	-	(3,165)	-
Newspapers and magazines	6,441	-	2,729	-
Computer network and internet expenses	65,268	-	27,656	-
Motor vehicle expenses	147,956	-	62,693	-
Courier and postage	3,794	-	1,608	-
	2,044,234	1,940,360	638,353	264,263
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.				
15. Contingencies				
Loan Guarantees				
Steward Bank	1,500,000	-	1,500,000	-
Nedbank	160,000	8,092,082	160,000	1,302,800
CBZ Bank	-	821,910	-	132,325
CABS	650,000	4,658,475	650,000	750,000
	2,310,000	13,572,467	2,310,000	2,185,125

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Hyperinflation		Historical	
	2019	2018	2019	2018

16. Going concern

The Trustees have assessed the ability of the organisation to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Board of Trustees believe that under the current economic environment, a continuous assessment of the ability of ZADT to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in preparation of these financial statements

17. Significant events during the year

In February 2019, through statutory instruments, the Government introduced the interbank at a maiden rate of 2.5:1 between the ZWL and the USD. In June 2019, through the statutory instrument 142, the country moved into mono currency and hence the multi-currency was removed. The Public Accountants and Auditors Board issued guidelines on the need for all Zimbabwean entities reporting in ZWL to apply the requirements of IAS 29: Financial reporting in hyperinflationary economies with effect from 1 July 2019. Hence these financial statements have been prepared in compliance with IAS 29. All figures in the current and prior year were restated to the prices prevailing at the reporting date using the Consumer Price Index obtained from the Reserve Bank of Zimbabwe website which are asfollows:

	December 2019	December 2018	December 2017
Consumer Price Index	552	89	63

The reliability of the indices is critical in the fair presentation of these financial statements. Should the indices not be reliable, this would materially affect the financial statements. The directors have provided both the historical and inflation adjusted numbers as well as the indices used to restate the financial statements.

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Notes to the Financial Statements

Figures in Zimbabwe Dollar	Hyperinflation		Historical	
	2019	2018	2019	2018

18. Events after the reporting period

ZADT applied in 2019 to register unutilised funds amounting to US\$8,000,000 as a legacy debt with the central bank as a way to restore value on part of the funds received from donors as USD value and this was approved in 2020.

The ZWL continued to depreciate against the USD and as at the time of reporting it was over 80.1:1 from the maiden rate of 2.5:1 on 22 February 2019. Inflation continued on a high note and at the date of reporting was in excess of 700% per annum

The Covid 19 was declared a pandemic by World Health Organisation (WHO) in January 2020. It has had significant impact socially and economically to a number of countries. A number of countries have subsequent to year end responded with some form of lockdowns which have meant reduced productivity, movement of people and goods and closure of non-essential entities and other activities. Zimbabwe has not been spared and had its first main lock down commencing 30 March 2020 for a three-week period and was extended by two weeks followed by a level 2 lockdown (lock down with some relaxations) which is still in place at the time of reporting.

The Board of Trustees are of the view that the depreciation of the ZWL against the USD and the inflationary pressures on the Fund will be minimised due to the implementation of the new business models of co- investments and equity investments.

As for Covid 19, the Board of Trustees have in the interim responded by:

1. Coming up with a business continuity plan to ensure the greatest extend possible for the continuity of its operations
2. Putting in place a robust "work from home" protocol for staff in addition to adhering to the WHO and Ministry of Health and Child Welfare protocols.
3. Use of virtual platforms for meeting and considering remote monitoring using drones for assessment of investments
4. As they opened, they have put in place various measures to enable:
 - a. Social distancing.
 - b. Compliance with Masks wearing.
 - c. Sanitised work areas.

The Board of Trustees is continuously reviewing the impact of Covid 19 as some of the effects have not yet crystallised and will only be responded to as they do.

Zimbabwe Agricultural Development Trust

Financial Statements for the year ended December 31, 2019

Expenditure Statement

Figures in Zimbabwe Dollar	Note(s)	Hyperinflation		Historical	
		2019	2018	2019	2018
Operating expenses					
Advertising		(2,006)	(144,740)	(850)	(23,302)
Audit fees	13	(340,030)	(319,551)	(144,081)	(51,445)
Commission paid		(106,243)	(251,659)	(45,018)	(40,515)
Board fees		(69,406)	(102,266)	(29,409)	(16,464)
Consulting fees		(38,455)	(128,230)	(16,294)	(20,644)
Legal fees		(176,301)	(53,189)	(74,704)	(8,563)
Depreciation		(728,911)	(814,924)	(80,413)	(83,077)
Employee costs		(3,221,828)	(3,096,538)	(1,425,588)	(498,517)
Provision for Loan Impairment		(200,000)	-	(200,000)	-
Business development, monitoring and evaluation		(106,020)	(799,407)	(53,545)	(128,698)
Guarantees fees		(52,870)	(148,796)	(26,702)	(23,955)
Other programme expenses		(44,967)	(56,202)	(22,711)	(9,048)
Fair value loss		39,929	-	16,919	-
Occupational expenses		(238,793)	(173,897)	(101,184)	(27,996)
Equipment write off		(322)	-	(25)	-
Other expenses		(1,315,323)	(1,125,438)	(557,340)	(181,186)
Travel - local		(52,416)	(63,519)	(22,210)	(10,226)
		(6,653,962)	(7,278,356)	(2,783,155)	(1,123,636)

Appendix I: Founding and Funding Partners



Appendix II: Participating Commercial Banks



Appendix III: Participating Micro Finance Institutions





CONTACT DETAILS

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