

# Annual Report

2017

Zimbabwe |



**microcred**

BAOBAB GROUP



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# Baobab Group

Leader in digital financial inclusion in Africa and in China

## OUR MISSION

Our mission is to unleash the potential of our clients by offering them simple and easy to use financial services.

We offer a wide range of digital and mobile solutions that enable clients to simply, quickly and safely manage their finances. We deliver loans, savings and more.



BAOBAB  
LOANS



BAOBAB  
SAVINGS



BAOBAB  
PAY



BAOBAB  
INSURANCE

OUR CLIENTS  
**703,959**

OUR EMPLOYEES  
**3,917**

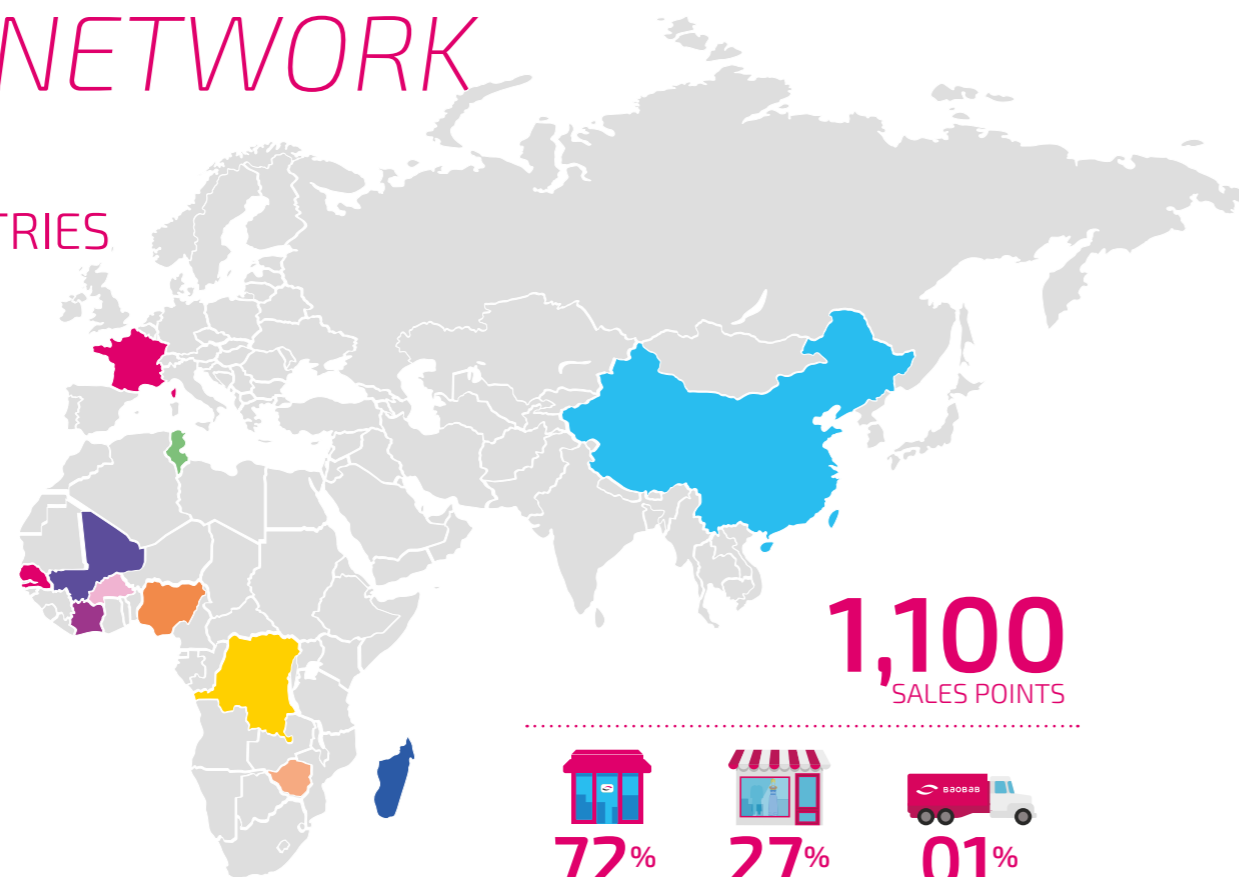
LOANS DISBURSED  
IN 2017 (IN EURO)

**850,000,000**

## OUR NETWORK

**11** COUNTRIES

- FRANCE
- BURKINA FASO
- CHINA
- IVORY COAST
- MADAGASCAR
- MALI
- NIGERIA
- DR CONGO
- SENEGAL
- TUNISIA
- ZIMBABWE



**1,100**  
SALES POINTS



**72%**  
BAOBAB  
POINTS

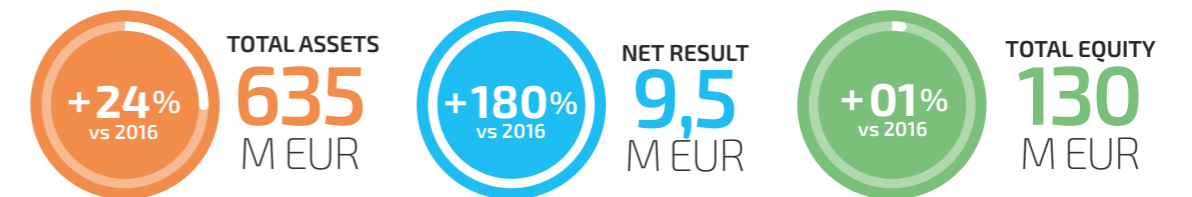
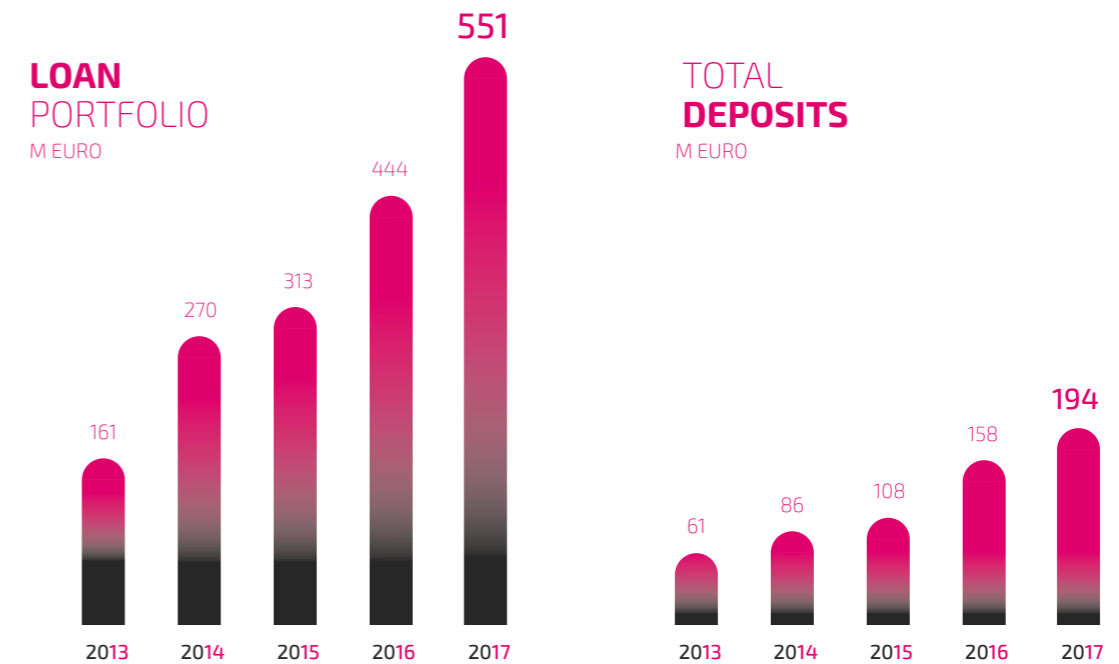


**27%**  
BAOBAB  
BRANCHES



**01%**  
MOBILES  
BRANCHES

## OUR KEY FIGURES



**21%** OF LOANS DISBURSED IN 2017 VIA MOBILE PHONE

**50%** OF OUR CLIENTS IN 2017 ARE YOUNG

## OUR SHAREHOLDERS



**MAJ  
INVEST**





# MEET BAOBAB ZIMBABWE

## 2017 KEY FIGURES

Baobab Group (formerly Microcred Group) acquired, together with AfricInvest Financial Sector Fund Limited, MicroKing Finance in May 2016. The company was rebranded to Microcred Zimbabwe in summer 2016 and will be rebranded Baobab Zimbabwe in 2018. The Institution opened the doors of its first branch in Harare in 2001 and has established a solid track record as one of the leading microfinance institutions in Zimbabwe.

Microcred Zimbabwe is a limited company duly licensed by the Reserve Bank of Zimbabwe as a non-deposit taking microfinance Institution.

As of 31, December 2017, Microcred Zimbabwe has a strong footprint of 9 branches located in Harare, Machipisa, Chitungwiza, Murehwa, Mutare, Masvingo, Bulawayo, Gweru and Chipinge.

Subsidiary of Baobab Group, Microcred Zimbabwe provides financial products and services to people and companies excluded from the formal financial system. Microcred Zimbabwe participates therefore in the improvement of its clients' living conditions and in the economic development of the country.

**23%** OF OUR CLIENTS IN 2017 ARE YOUNG

OUR CLIENTS  
**3,293**

OUR EMPLOYEES  
**109**

**2.3%** PORTFOLIO AT RISK 30 DAYS

**41** PORTFOLIO MANAGERS





A word from  
**RUBEN  
 DIEUDONNÉ**  
 CHAIRMAN'S STATEMENT

Whilst much of the global banking market has seen sluggish growth in recent years, the African banking market has shown significant expansion and is likely to maintain this positive trend into the foreseeable future.

One of the key emerging trends that we are witnessing is the shift from traditional brick & mortar banking infrastructure towards the provision of digital solutions. This shift is being driven primarily by increased levels of mobile phone coverage across the continent enabling the creation of lower priced offerings whilst delivering wider service distribution.

Today, nearly half of Africans prefer to use digital channels to perform their financial transactions and this trend is certain to continue. With this in mind, the Baobab Group has made digital its priority.

My mission as the Chairman of the Supervisory Board is to support Microcred Zimbabwe in this key moment of its development. Therefore, I will be placing all of my expertise in the African financial sector at the service of Baobab and its

management team to deliver this digital vision and assist in making the Microcred Zimbabwe's leading responsible digital financial services provider.

“ **With this in mind, the Baobab Group has made digital its priority.** ”

Whilst it is important to achieve strong results, I believe that this is best done in a way that respects the interests of all stakeholders - employees, customers, regulators and shareholders - in a fair and transparent manner. With

this in mind, the Supervisory Board and I will ensure that Baobab remains a place where all employees have the opportunity to realize their potential, in a stimulating environment that encourages honesty, integrity and respect for the interests of our customers and shareholders.

The commitment and competence of our employees coupled with our capabilities in digital innovation enables Microcred Zimbabwe to approach the future with confidence and determination as we build further on the achievements so far achieved.

We look forward to sharing the journey with you.



A word from  
**LLOYD  
 BORERWE**  
 CHIEF EXECUTIVE OFFICER'S STATEMENT

I begin this letter with a sense of pride about Microcred Zimbabwe. As I look back on last year it is remarkable how much we have accomplished to help our customers and communities in our country. Our institution is a company with an extraordinary mission and a promising future.

In 2017, we have disbursed more than EUR 6 million (USD 7.2 million) of loans to support the development of micro & SMEs.

Our gross loan portfolio grew to approximately EUR 2.8 million (USD 3.4 million), disbursing circa 6,000 loans to customers.

The company now reaches over 3,300 customers through 9 points of presence and is increasingly embracing digital tools to improve its efficiency and serve better its customers.

Looking ahead to 2018 and beyond, Microcred Zimbabwe will continue to focus on its core values of delivering responsible financial inclusion in

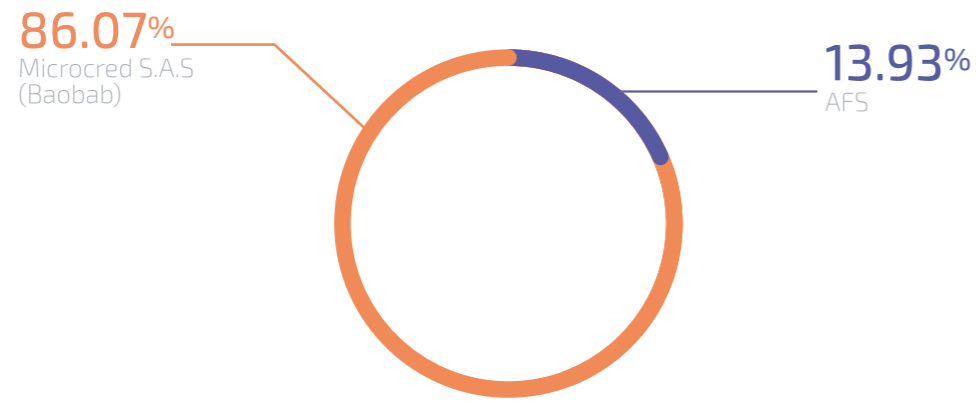
emerging markets. Ever greater emphasis will be placed on delivering digital solutions, either standalone or through partnerships, to deliver seamless and secure financial transaction capabilities to our customers.

Without a highly committed and professional group of employees, the achievements we have seen to date would not be possible and I would like to take this opportunity to thank the entire Microcred team for their efforts. In addition, I would like to extend my thanks to our shareholders, lenders and other partners who have continually demonstrated their strong support for our vision and mission.

“ **In 2017, we have disbursed more than EUR 6 million (USD 7.2 million).** ”

I look forward to continuing the journey with all of you towards becoming Zimbabwe's leading digital financial services group focusing on financial inclusion.

# SHAREHOLDING STRUCTURE



# BOARD OF DIRECTORS



**Ruben DIEUDONNÉ**

CHAIRMAN OF THE BOARD  
CHIEF EXECUTIVE OFFICER  
BAOBAB CÔTE D'IVOIRE



**Florence ZIUMBE**

INDEPENDENT NON EXECUTIVE DIRECTOR  
OWNER, ZIUMBE & MTAMBANENGWE



**Jacqueline MUSITWA**

INTERNATIONAL LAWYER  
FOUNDER, MANAGING PARTNER  
HOJA LAW GROUP



**Julius TICHELAAAR**

PARTNER  
AFRICINVEST - KENYA



*Microcred SAS represented by*  
**Isabelle LEVARD**

DEPUTY CHIEF EXECUTIVE OFFICER  
BAOBAB GROUP



**Lloyd BORERWE**

CHIEF EXECUTIVE OFFICER  
MICROCRED ZIMBABWE



**Charles GILL**

CHIEF OPERATING OFFICER  
BAOBAB GROUP



# ZIMBABWE AT A GLANCE

# MACROECONOMIC CONTEXT

The Zimbabwean economy was under stress throughout 2016 on account of a tight liquidity crunch coupled with a myriad of macro-economic challenges, which culminated in low domestic production across various sectors of the economy, including agriculture, mining, manufacturing, tourism, construction and the service industry.

Zimbabwe market is characterized by a challenging and volatile operating environment characterised by speculative consumer and asset pricing.

Due to these challenges, financial institutions, banks and non banks harnessing accelerated changes in technology to better customer experience and strategy execution at the face of increased competitive pressure.

Cash shortages and inadequate foreign currency reserves unabated and represent major challenge for the banking sector. Foreign payments gridlocks now stretching 12 months (RBZ), Listed Companies failing to remit dividends

Introduction of alternative payment solutions has had significant impact in facilitating settlement of local payments. National Payments System (NPS) is dominated by mobile payments at 89%. By value Real Time Gross Settlement (RTGS) system accounts for 70% against 23% for Mobile.

Inflation continues to rise unabated. Year on year inflation bullish and singled out as one of the key threats to fiscal & monetary stability. Food Inflation surged from -0.30% in January 2017 to 5.65% in November 2017, before accelerating further to 6.60% in December 2017.

# THE BANKING SYSTEM

The financial sector in Zimbabwe is made up of various players offering a wide spectrum of financial products and services. As 31 December 2017, there were 19 banking institutions with 13 commercial banks and other players. The financial institutions had over 5,000 branches and access points, including sub-branches, agencies, high net-worth centres, and ATMs.

The MFIs sector is highly concentrated with the top 20 MFIs controlling over 90% of total MFI sector loans as at 31 December 2017, adding the majority of the players in the sector have loan books of less than USD 1 million.

The number of licensed MFIs improved to 191 (including deposit taking) at the end of December 2017.

Sixty five percent (65%) of the Zimbabwean population live in the rural areas. The age distribution shows that 40% are aged between 18 and 30 years whilst 48% of the population is in the 31-60 years age group and 12% are over 60 years. The majority of the people are in the economically active range of 18 – 60 years and in need of financial services.

**BUSINESS  
INSIGHTS**



# HIGHLIGHTS OF 2017

The year 2017 was the first full year of operation of Microcred Zimbabwe after the acquisition of Microking Finance by Microcred Group and AfricInvest. Microcred Zimbabwe started lending to clients in August 2016 after receiving its licence from the regulator, the Reserve Bank of Zimbabwe. After a successful rebranding to create customer awareness and drive the new brand into the market, Microcred Zimbabwe started seeing it's monthly disbursements improving and client demand increasing.

However, the macroeconomic environment in Zimbabwe has been extremely challenging with widespread cash shortages and unfavourable foreign exchange restrictions. This has resulted in a general aversion to assuming financial risk amongst Development Financial Institutions, international lenders and local banks and hence it has been difficult for Microcred to source sufficient funds to develop the business as envisaged at the time of acquisition.

As a direct consequence of this, Microcred Zimbabwe has not been able to generate the financial results it had expected. However, in late 2017 and early 2018, the company embarked on a significant right sizing of its operations to enable it to consolidate and build for the future. This process is now complete and the company is confident that it can now grow more consistently and make an even greater positive economic contribution to Zimbabwe and its people.

The company has also been able to source additional capital to help deliver a higher loan portfolio and help more individuals and SMEs with their financing needs.

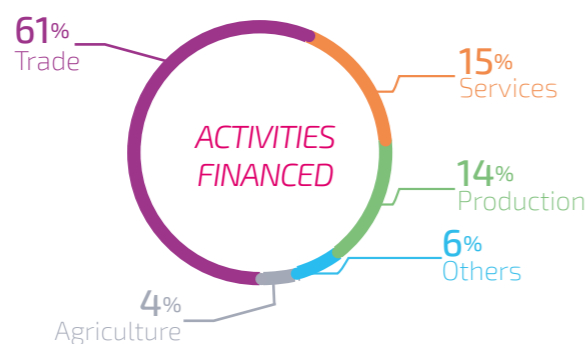
The company has also introduced a number of digital initiatives aimed at delivering secure and seamless financial services to existing and new customers.

In 2017, Microcred Zimbabwe was awarded MFI of the Year by the Zimbabwe Investment Authority, an achievement of which the entire team can be very proud.

# OUR CLIENTS

At the end of 2017, Microcred Zimbabwe had approximately 3,300 clients, mostly micro entrepreneurs and SME businesses.

The outstanding Gross Loan Portfolio was USD 3,300,000 at the year end, with 3,300 active loans. The average loan disbursed during the year was for USD 1,200 and the average loan term was 7 months.



The entire portfolio is for working capital purposes. The activities financed by Microcred Zimbabwe are mainly concentrated in the trade sector (61% of the outstanding loan portfolio) followed by the services sector (15%), the production sector (14%), the agriculture sector (4%) and others (6%).

In 2017, 65% of loans have been disbursed to women and 23% of loans have been disbursed to people aged between 25 and 35 years old.

# OUR PRODUCTS AND SERVICES

## LOANS

The core loan product offered is a reducing balance loan with equal monthly instalments and a maximum tenor of 12 months for working capital purposes.

During 2017, Microcred Zimbabwe offered its good clients the possibility of renewing their loans without first having to deposit money to clear the previous loan balance.

In addition, Microcred Zimbabwe also offered clients the possibility of absorbing admin fees into loans.

## INSURANCE

The main insurance product offered by Microcred Zimbabwe protects borrowers, repaying their loan in full in the event of death or permanent disability.

## PAYMENTS

During 2017, Microcred Zimbabwe started to integrate with Ecocash (mobile wallet) and Paynet (bank platform) to enable quick and simple digital loan disbursements, for the convenience of clients.

# HUMAN RESOURCES

Microcred Zimbabwe ended the year 2017 with 113 staff members, 30% being women, 37% portfolio managers and 77% based in branches.

The average seniority is 7 years across all staff and the highest being at branch management level.

More than 20 staff members were trained during the period under review and potential

trainers were identified to attend the session of training in 2018.

The business rationalization is also combined with the back office centralization to Head Office (all back office staff being relocated from branches to Head Office) and that will be the first time in Baobab Group.

OUR EMPLOYEES  
**113**



# FINANCIAL OVERVIEW

Total revenue increased from USD 1.3 million (EUR 1.2 million) for the year ended 31 December 2016 to USD 2.3 million (EUR 1.9 million) for 2017.

In 2017, Microcred Zimbabwe had a net loss of USD 1.875 million (EUR 1.6 million); a decrease of 4% from the previous year figure of USD -1.948 million (EUR 1.8 million).



To improve its profitability in 2018 Microcred Zimbabwe has gone through a business rationalization exercise and has also centralized its back office in Head Office (first affiliate to adopt this business model) to align its cost structure to the income generation rate in the short term.

# 2018 PERSPECTIVES

In 2018, Microcred Zimbabwe looks forward to have a more stable year and to continue growing its loan portfolio after a 7 months of business slowdown, due to funding challenges arising from macroeconomic issues ongoing in Zimbabwe.

With the government changes and upcoming 2018 elections, there is hope that the situation will improve. The country risk will improve enabling access to international funds again which will allow Microcred Zimbabwe to deliver fully or exceed the 2018 business plan.

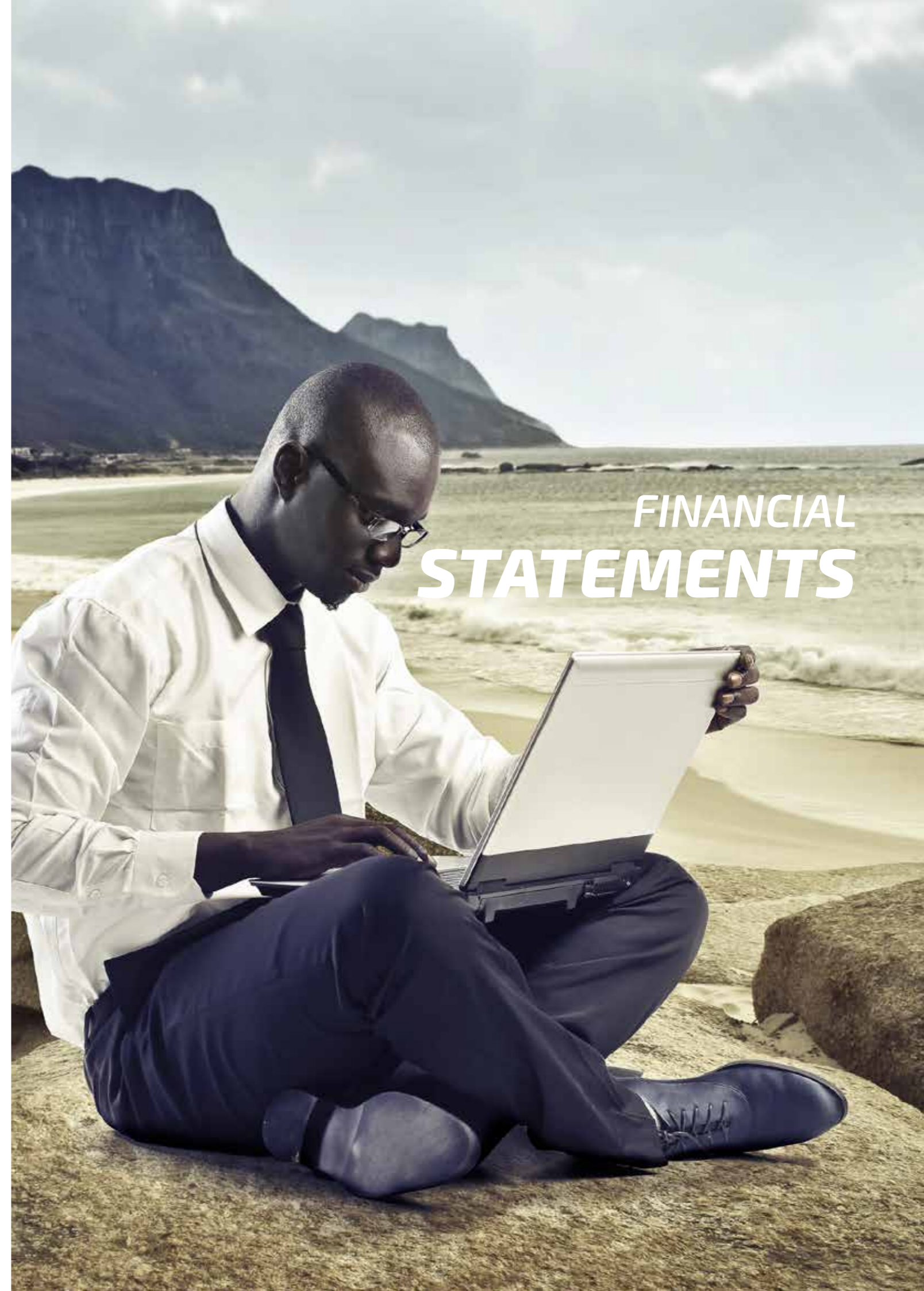
In addition, Microcred Group also launched an application which allows clients to open accounts remotely in a very secure way. Those applications will be soon deployed in Zimbabwe after completion of the second core banking system migration with the

key objective of offering the best user experience to the clients.

It is a key point on 2018 global strategy for new client acquisition and client retention. The launching of electronic loan files module in the 3rd quarter of 2018, to improve productivity and enhance turnaround time, is expected to be a key innovation to leverage Microcred Zimbabwe in an environment that is increasingly becoming competitive. The electronic loan files module is also expected to contribute towards greater cost optimization.

No new branch opening is planned in 2018 as digital is the key focus but new areas are identified to be penetrated through outreaches.

# FINANCIAL STATEMENTS



# REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

**TO THE SHAREHOLDERS OF MICROCREC ZIMBABWE (PRIVATE) LIMITED**

**For the year ended 31 December 2017**

## QUALIFIED OPINION

We have audited the financial statements of Mlcrocred Zimbabwe (Private) Limited («the Company»), set out on pages 8 to 51, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) and the relevant Statutory Instruments («SI») 5133/99 and SI 62/96.

## BASIS FOR QUALIFIED OPINION

**Unrecorded liabilities - Other liabilities**  
The company has not recorded a liability amounting to \$171,869 relating to unpaid bonuses for the period 2016 and 2017 which were subject to a court case, finalised subsequent to year end. This is a departure from International Reporting Standards specifically International Auditing Standards 10 - Events After the Reporting Period as this represented a subsequent adjusting event that management should have recorded in the period under review. Accordingly, liabilities

have been understated by \$171,869 and operating expenses have been understated by \$171,869. Refer to Note 22.

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

## OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act (Chapter 24:03), which we obtained prior to the date of this auditor's report and the financial statements, which is expected to be made available to us after that date. 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 on the other information that we obtained prior to the date of this auditor's report, 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 DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), the Microfinance Act (Chapter 24:29) and the relevant statutory instruments (5133/99 and SI 62/96), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Company'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 Company 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 directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the disclosure requirements of the Companies Act (Chapter 24:03), the Microfinance Act (Chapter 24:29) and the relevant statutory instruments (SI 33/99 and SI 62/96) •

## BALANCE SHEET IN USD

ASSETS	2017	2016
Cash and cash equivalents	1,394,252	499,557
Loans and advances to customers	3,369,000	2,647,278
Other assets	111,528	116,421
Deferred income tax asset	3,972,491	3,349,461
Property and equipment	385,264	421,847
<b>TOTAL ASSETS</b>	<b>9,232,535</b>	<b>7,034,564</b>
<b>EQUITY AND LIABILITIES</b>	<b>2017</b>	<b>2016</b>
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>		
Share capital	56,000	26,000
Share premium	6,488,415	3,518,415
Accumulated losses	(5,270,673)	(3,395,618)
<b>TOTAL EQUITY</b>	<b>1,273,742</b>	<b>148,797</b>
<b>LIABILITIES</b>		
Lines of credit	5,300,352	3,943,823
Amounts due to group companies	1,988,179	2,519,302
Other liabilities	670,262	422,642
<b>TOTAL LIABILITIES</b>	<b>7,958,793</b>	<b>6,885,767</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,232,535</b>	<b>7,034,564</b>

## PROFIT & LOSS STATEMENT IN USD

	2017	2016
Interest and related income	2,192,920	768,642
Interest and related expense	(646,809)	(396,321)
Net interest and related income	1,546,111	372,321
Impairment on loans and advances to customers	(87,005)	(164,410)
Net interest (expense)/income after impairment	1,459,106	207,911
Fee and commission income	290	322
Other operating income	603,001	670,978
Operating income/(loss)	2,062,397	879,212
Operating expenses	(4,560,482)	(3,484,010)
Loss before income tax	(2,498,085)	(2,604,798)
Income tax credit	623,030	656,361
Loss for the year/period	(1,875,055)	(1,948,437)
Other comprehensive income	0	25 429 630
Total other comprehensive income for the period, net of income tax	0	25 429 630
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(1,875,055)</b>	<b>(1,948,437)</b>

### Conception & Design



Bruno Lawson  
Graphic Designer

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Graphic Designer

Marion Ivars  
Communication Director



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