



TRUTRADE LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

PSK ASSOCIATES
Certified Public Accountants of Kenya

TRUTRADE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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TRUTRADE LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017

BOARD OF DIRECTORS

Galvin William*
Clive Lightfoot*
Mwende Gatabaki
Liam McLennon**
Jenny Rafanomezana*
James Weru
Paul Nyende***
Moses Gichuru

Chairman
Chairman - Retired on 30 November 2017
Appointed on March 9 2017
Appointed on 27 April 2017
Appointed on 13 February 2018

Retired on 30 November 2017
Retired on 9 March 2017

REGISTERED OFFICE

Shelter Afrique Building
L.R. No. 209/85592/1
Mamlaka Road, off Nyerere Road
Nairobi, Kenya

PRINCIPAL PLACE OF BUSINESS

Haven Court Apt. B5
Slip Road off Waiyaki Way
Westlands, Nairobi, Kenya
P.O. Box 3246-00100
Nairobi, Kenya

PRINCIPAL BANKERS

Kenya Commercial Bank Limited
Sarit Centre Branch
P.O. Box 14959-00800
Nairobi, Kenya

Centenary Rural Development Bank Limited
Plot 3A2-3A3
P.O Box 1892
Kampala

INDEPENDENT AUDITORS

PSK Associates
Certified Public Accountants of Kenya
P.O.Box 8566-00100
Nairobi, Kenya

* - British

** - American

*** - Ugandan

TRUTRADE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITY

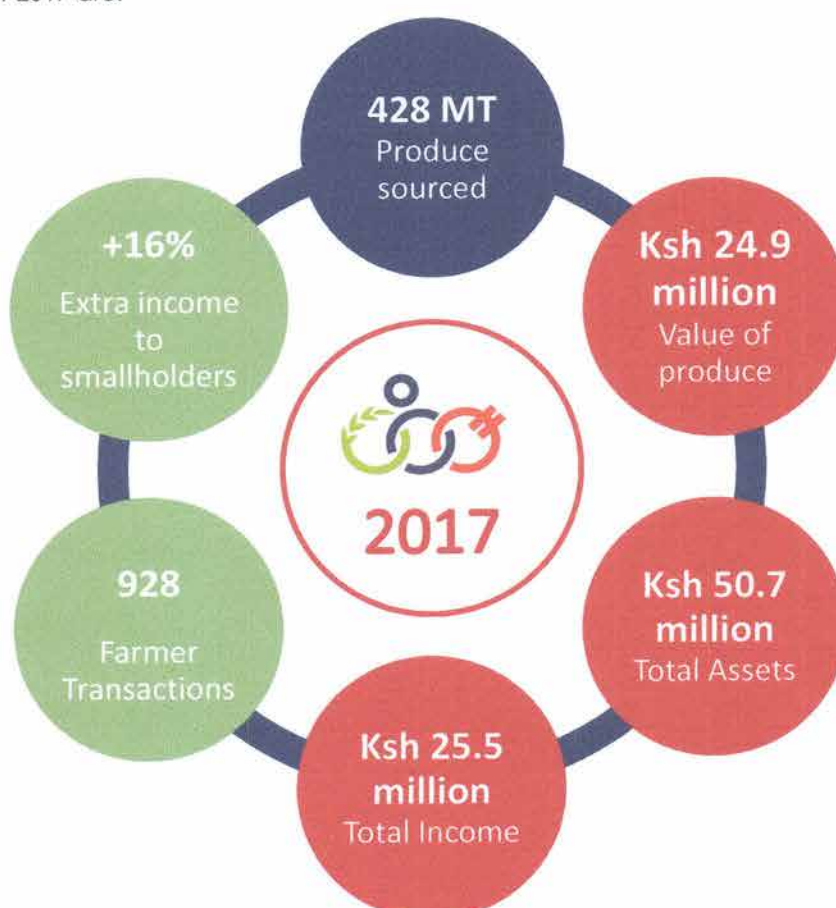
TruTrade is a social enterprise which is integrating smallholder farmers into sustainable supply chains. We provide farmers with fair prices and a reliable route to market, bringing together their 'supply power' to engage directly with volume buyers. We provide quality produce from Uganda and Kenya in a reliable, traceable way to local, regional and global companies.

RESULTS

The company's results for the year are set out on page 13.

We are pleased to share our results for 2017. The last year has been a pivotal one for TruTrade, with changes made at many levels of the business from governance to operations. We now have greater control to drive growth and manage risks, with a more robust business model and operational systems and so are well positioned to grow significantly in 2018.

Our key metrics for 2017 are:



TRUTRADE LIMITED
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

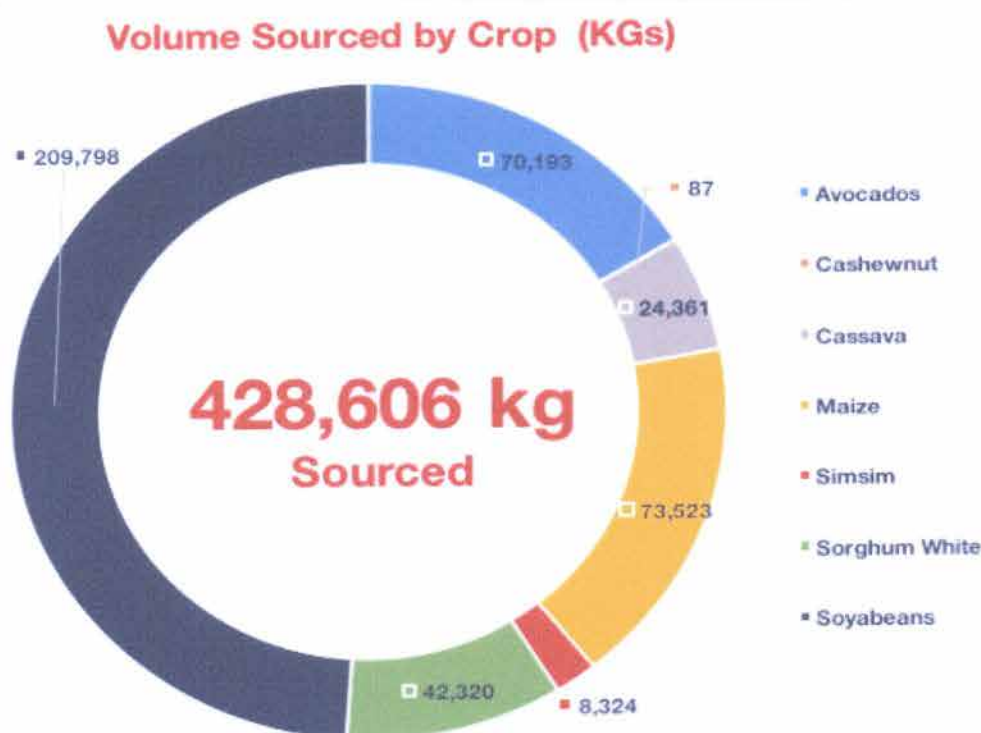
RESULTS (Continued)

The process of reflection and change in the business model has had an impact on our trading figures. TruTrade has shifted from a franchise approach to having its own network of sourcing agents; trading was on hold for several months and the development of new trading networks takes time. There has been a dip in our trading income in 2017. However our total revenue has grown by 110% to KShs. 25.5 million (\$248,000) from Ksh12.1 million (\$118,800) in the previous year. Income from trading amounted to Ksh 1.1million (\$10,000), grant and other income was Ksh 24.4 million (\$237,700). Total expenses amounted to Ksh 25.8 million (\$251,000). Our total assets closed at 50.7 million (\$492,000).

In 2017, TruTrade sourced 428 MT of produce worth Ksh 24.9 million(US\$242,000) as buyer value compared to 684 Metric Tonnes in 2016 worth Ksh44 million (US\$430,000). We provided a marketing service to 841 farmers, through 928 transactions, in total farmers received Ksh 14.2 million (\$138,000). This was 16% more than they would have with traditional farm-gate traders.

During the year, we focussed on a smaller number of strategic value chains. Transactions took place in 7 commodities: soybeans, simsim (sesame), white sorghum and maize, in Uganda; avocado, cashew nut, and cassava in Kenya. Market research took place in 8 other value chains to inform our commodity focus and drive future trading.

Trading Overview 2017



TRUTRADE LIMITED
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS (Continued)

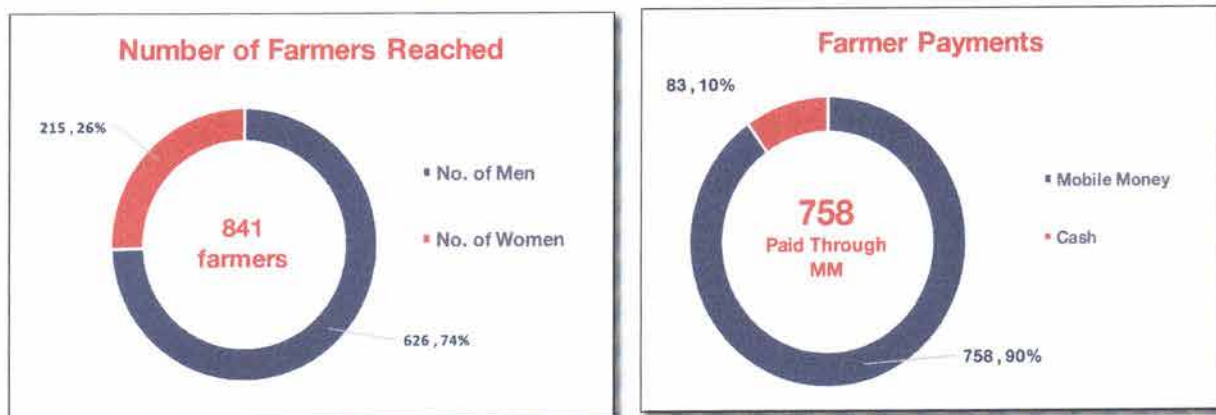
Social Impact

We are proud to be driving the promotion of financial inclusion and digitalization of agricultural value chains in East Africa. During 2017, we provided over Ksh 14.1 million (\$136,800) as farmer income to 841 farmers through over 928 transactions using our mobile money payment platforms as part of our market linkage service to small holder farmers.

We provide employment opportunities to village agents. During the year we set up 19 Sourcing Coordinators and 141 agents across our business in both Kenya and Uganda.

	2017
Number of Farmers	841
Number of Farmer Transactions	928
Total Additional Farmer Income(US\$)	17,512
Additional Income per Farmer (US\$)	21
Price % Difference Vs Farm-gate Price	16
Total Sourcing Network Income (US\$)	13,401
Cash on the Bag (Income to Farmers) (US\$)	136,800
Total Number of Sourcing Agents	141

Digitalization Reach



In 2017, 90% of farmers were paid by mobile money, a significant increase compared to previous years. We have focused on increasing uptake to ensure transparency and reduce risks, working closely with our agents to shift behavior and engaging with mobile network operators (MNOs) to address connectivity black-spots and to improve access to cash-out services; in Northern Uganda in particular. TruTrade is well positioned to expand the digitalization of agricultural value chains and financial inclusion of farmers in the region.

TRUTRADE LIMITED
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS (Continued)

Governance

There were four Board meetings held during the year. The Board has provided oversight during this critical time, monitoring performance, risk and resource utilisation. During this period, there have been changes to Board composition, with three members leaving (Clive Lightfoot, Paul Nyende and Moses Gichuru) and two new members joining. Mwende Gatabaki and Liam McClennon bring new skill sets and professional experience and join Will Galvin (Chair) and James Weru (Member, Kenya). We are currently seeking additional members with complementary skills to complete the Board, provide gender balance and national representation.

Human Resources

During 2017, the team has increased to 14 people, with most growth in Operations required to directly manage sourcing networks. We are growing our skill set to drive our strategy in 2018.

Business Strategy

During the year, we updated our business strategy. A working business case shows TruTrade plans for growth over the next 3 years to the end of 2020. It details the key drivers, metrics and analytics to steer TruTrade to commercial viability with break-even in 2020 when trading value reaches US\$ 3-3.5 million.

We have invested in our technology platform and set the foundation for new features in 2018 including individual trading records for farmers and Know Your Supplier services for buyers. We will also be testing ways of integrating our business offer with other agricultural and financial services in the coming year to improve competitiveness and impact.

Trade Finance Facilitation Fund

TruTrade received **KShs. 7.0 million** (\$ 70,000) trade finance in the year from Self Help Africa. Total investment in the trading fund since 2015 now stands at KShs. 42.3 million (\$ 424,000). KShs. 20 million (\$ 194,000) was used as trade finance in 2017, recycled through 62 deals. This enables us to pay farmers Cash-on-the-Bag and cover deal transaction costs and is recovered from buyer payments. At the end of the reporting period, the net value of the fund stood at \$ 363,000.

The performance of the fund is detailed on page 26 - 28 of these accounts. By year end, cash in hand stood at KShs. 13.7 million (\$133,500) and KShs. 10.2 million (\$98,800) was held as stock in transit (stores). Trade finance debtors stood at KShs. 16.0 million (\$155,600); the trade finance component of this being KShs. 12.7 million (\$123,700); outstanding COB with agents from previous years is KShs. 2.6 million (\$25,700).

During the year, we also boosted debt collection efforts with litigation in some cases to recover legacy outstanding from franchisees under the fund.

Our Achievements 2017

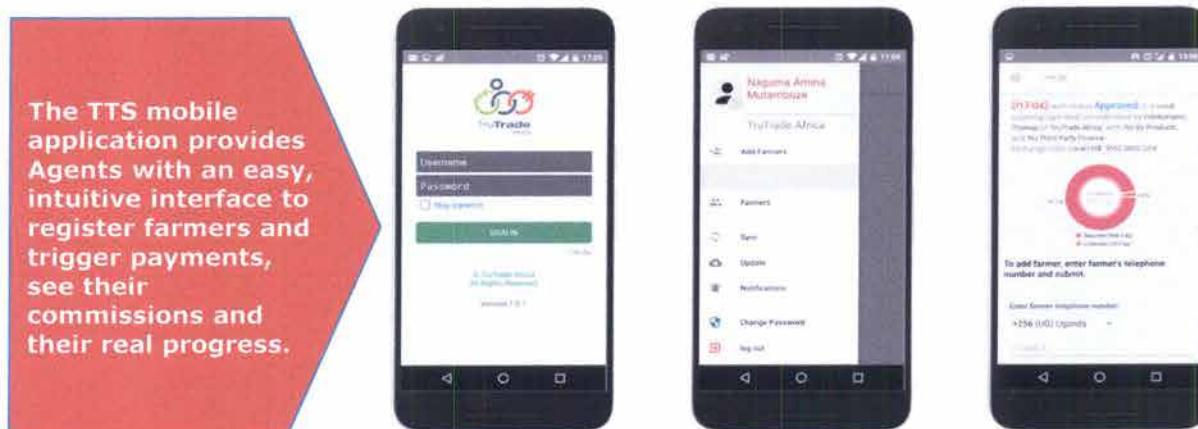
- **Network Development.** We have grown our reach across 8 Districts in Uganda and 5 counties in Kenya. We ended the year having 19 sourcing coordinators, who together manage 141 village agents.

TRUTRADE LIMITED
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS (Continued)

Our Achievements 2017 (Continued)

- **Network Development.** We have grown our reach across 8 Districts in Uganda and 5 counties in Kenya. We ended the year having 19 sourcing coordinators, who together manage 141 village agents.
- **Trading platform.** This year we launched our new TTS platform for management of sourcing transactions. The web portal and mobile application provides online/offline capability, advanced deal management features, embedded discussions, farmer and payment tracking information. There are basic directory and dashboard features and a Collaboration tool.



The TTS mobile application provides Agents with an easy, intuitive interface to register farmers and trigger payments, see their commissions and their real progress.

- **Trade finance.** We have grown our access to trade finance to manage farmer payments and transaction costs. There have been no trade finance losses since new operational practices with our own agents and mobile payments direct to farmers were introduced.
- **Grant investment through partners.** During the year, we secured funds worth over KShs. 23.2 million (\$225,600) to provide our marketing service in new areas or in specific value chains in both Uganda and Kenya. We are grateful to the following partners who supported our trading networks during the year: -

In Uganda

- Mercy Corp - DYNAMIC. Youth Agriculture Marketing - Acholi; **KShs. 1.3 million (\$ 127,700);**
- Self Help Africa - Opearions Fund - **KShs. 13.6 million (\$132,400)**
- Goal - DYNAMIC. Youth Agricultural Marketing - Lango; **KShs. 0.8 million (\$ 7,900);**
- Palladium - NU-TEC. Rehope Offtake Intervention. Moyo, Yumbe Districts; **KShs. 0.7 million (\$ 7,300);**
- Mercy corps-AgriFin- supported the Trading platform by paying our service provider digital Natives Ltd for services worth **\$10,000.**

TRUTRADE LIMITED
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS (Continued)

Our Achievements 2017 (Continued)

In Kenya

- Trocaire. Market support – Eastern Kenya; **KShs. 3.5 Million (\$35,000)**
- SHA – EU. Cassava value chain competitiveness; **KShs. 0.2 million (\$2,000)**
- Self Help Africa – OperationS Fund; **KShs. 3.0 million (\$25,500)**
- **Awards & Recognition:** TruTrade is at the forefront of digitizing informal agricultural value chains and is generating significant interest in the rapidly developing area of digitally enabled services to smallholder farmers. In 2017, we were recognized by **MIT Solve** with an award in their women and technology category for our potential to have a positive impact on female smallholder farmers' incomes. We ended the year being selected as semi-finalists in the **Global Nestle** Creating Shared Value Prize, managed by Ashoka.

Looking ahead - 2018

We have very ambitious growth targets for 2018 across the business in both Uganda and Kenya. It is a critical year for the business to grow to scale and make significant progress in the direction of commercial viability.

The following are the key targets:

- Trading targets: volume: 2,600MT; value: \$1.6 million
- Network development – establish 21 new sourcing coordinators and 134 agents. To bring total to 40 active sourcing networks with over 275 agents with presence in 26 counties/districts.
- Develop value chains with greatest potential for origination premiums.
- Further develop technology offer through licensing.
- Explore an integrated service offer with some agents to boost their income sources including input distribution for agents as a business, agent mobile payment services among others.
- Grow and diversify revenue streams in line with business case.

To guide our growth, we will be updating our business strategic plan, engage in value chain prioritization and collaborate with partners in agricultural production development to boost trading volumes.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: nil).

ACCUMULATED LOSSES

The accumulated losses of the company are set out on page 15.



TRUTRADE LIMITED
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

RESULTS (Continued)

FINANCIAL STATEMENTS

As at the date of this report, the directors were not aware of any circumstances which would have rendered the values attributed to the assets and liabilities in the financial statements of the company misleading.


DIRECTORS

The directors who held office during the year and to the date of this report are listed on page 1.

INDEPENDENT AUDITORS

PSK Associates have indicated their willingness to continue in office in accordance with Section 717 (2) of the Kenyan Companies Act (No.17 of 2015).

By order of the board:


.....
Secretary/ Director
16 May 2018

TRUTRADE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standard for Medium-sized Entities and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free of material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 16th May 2018 and signed on its behalf by:


.....
Director


.....
Director

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
TRUTRADE LIMITED

Opinion

We have audited the accompanying financial statements of TruTrade Limited, set out on pages 13 to 31, which comprise the statement of financial position as at 31 December 2017, statement of comprehensive income, statement of changes in equity 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, the 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 Standard for Small and Medium -sized Entities and the requirements of the Kenyan Companies Act, 2015.

Basis of opinion

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

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and 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 opinion.

Emphasis of matter

We draw attention to note 19 to the financial statements which describes the state of the company's going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard for Small and Medium -sized Entities and the requirements of the Kenyan Companies Act, 2015 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free of 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 of 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.



Report on other legal requirements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

- i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and,
- iii) The company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Paulino Ruthiri: P/No-1816.

PSK Associates

PSK Associates
Certified Public Accountants of Kenya
Nairobi, Kenya

..... *28 May* 2018

TRUTRADE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KShs	2016 KShs
INCOME	2	24,301,721	10,013,437
OTHER INCOME	3	<u>1,242,874</u>	<u>2,063,529</u>
TOTAL INCOME		<u>25,544,595</u>	<u>12,076,966</u>
EXPENSES:			
Business development costs	4	5,460,664	6,073,707
Operating expenses	5	<u>19,931,488</u>	<u>17,485,742</u>
		<u>25,392,152</u>	<u>23,559,449</u>
OPERATING PROFIT/ (LOSS)		152,443	(11,482,483)
Finance costs	6	<u>(435,634)</u>	<u>(416,863)</u>
LOSS BEFORE TAXATION	7	(283,191)	(11,899,346)
TAXATION	16	<u>-</u>	<u>-</u>
COMPREHENSIVE LOSS FOR THE YEAR		<u>(283,191)</u>	<u>(11,899,346)</u>



TRUTRADE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 KShs	2016 KShs
ASSETS			
NON CURRENT ASSETS			
Equipment	8	1,824,347	2,085,244
Intangible asset	9	<u>3,504,946</u>	<u>-</u>
		<u>5,329,293</u>	<u>2,085,244</u>
CURRENT ASSETS			
Bank and cash balances	10	16,081,838	18,605,506
Trade and other receivables	11	3,690,538	4,212,943
Trade finance receivables	15	<u>25,575,467</u>	<u>21,063,892</u>
		<u>45,347,843</u>	<u>43,882,341</u>
TOTAL ASSETS		<u><u>50,677,136</u></u>	<u><u>45,967,585</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	1,261,000	1,261,000
Accumulated losses		<u>(19,452,315)</u>	<u>(18,780,141)</u>
		<u>(18,191,315)</u>	<u>(17,519,141)</u>
NON CURRENT LIABILITIES			
Shareholders' loans	13	<u>28,680,889</u>	<u>28,680,889</u>
CURRENT LIABILITIES			
Trade and other payables	14	858,864	514,040
Trade finance fund	15	<u>39,328,698</u>	<u>34,291,797</u>
		<u>40,187,562</u>	<u>34,805,837</u>
TOTAL EQUITY AND LIABILITIES		<u><u>50,677,136</u></u>	<u><u>45,967,585</u></u>

The financial statements were approved by the Board of Directors on.....16th May.....2018 and signed on its behalf by:


Director


Director

TRUTRADE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital KShs	Accumulated losses KShs	Totals KShs
YEAR ENDED 31 DECEMBER 2016:			
As at 1 January 2016	490,000	(6,814,129)	(6,324,129)
Prior year adjustment (note 18)	-	(66,666)	(66,666)
As re-stated	490,000	(6,880,795)	(6,390,795)
Issue of share capital	771,000	-	771,000
Loss for the year	-	(11,899,346)	(11,899,346)
As at 31 December 2016	<u>1,261,000</u>	<u>(18,780,141)</u>	<u>(17,519,141)</u>
YEAR ENDED 31 DECEMBER 2017:			
As at 1 January 2017	1,261,000	(18,780,141)	(17,519,141)
Prior year adjustment (note 18)	-	(388,983)	(388,983)
As re-stated	1,261,000	(19,169,124)	(17,908,124)
Issue of share capital	-	-	-
Loss for the year	-	(283,191)	(283,191)
As at 31 December 2017	<u>1,261,000</u>	<u>(19,452,315)</u>	<u>(18,191,315)</u>

TRUTRADE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 KShs	2016 KShs
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before taxation		(283,191)	(11,899,346)
Adjustments for:			
Depreciation	8	561,551	540,752
Prior year adjustments	18	(388,983)	-
Armortization	9	53,571	-
Operating loss before working capital changes		(57,052)	(11,358,594)
Decrease/ (increase) in trade and other receivables	11	522,405	(3,156,263)
Increase in trade finance receivable	15	(4,511,575)	(10,266,659)
Increase in trade finance fund	15	5,036,901	10,141,878
Increase/ (decrease) in trade and other payables	14	344,824	(880,393)
Cash flows generated from/ (used in) operating activities		1,335,502	(15,520,031)
Tax paid	16	-	-
Net cash flows generated from/ (used in) operating activities		1,335,502	(15,520,031)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of equipment	8	(300,654)	(2,271,451)
Purchase of software	9	(3,558,517)	-
Net cash flows used in investing activities		(3,859,171)	(2,271,451)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of share capital	13	-	771,000
Increase in borrowings	14	-	16,716,148
Net cash flows generated from financing activities		-	17,487,148
Net changes in cash and cash equivalents		(2,523,669)	(304,334)
Cash and cash equivalents at the beginning of the year		18,605,506	18,909,840
Cash and cash equivalents at the end of the year	10	16,081,837	18,605,506

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented unless otherwise stated.

a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standard for Small and Medium-sized Entities. The financial statements are presented in functional currency, Kenya Shillings (KShs), and are prepared under the historical cost convention.

For the Companies Act (Cap 486) reporting purposes, in these financial statements the balance sheet is equivalent to the statement of financial position and the profit and loss account is equivalent to the statement of comprehensive income.

b) Revenue recognition

Revenue represents commissions earned from linking farmer produce to buyers and fees that relate to facilitation costs of the Trade Finance Fund to enable trading/ provision of the market linkage services.

c) Transaction facilitation

The company's principal activity is linking smallholder farmers to markets. Transaction Security Services (TSS) incentivizes trader networks to maximize farmer income. The company enables efficient sourcing from small-scale farmers, finds and manages buyers and provides farmers with 'cash on the bag' (COB) down-payments. From these transaction facilitation activities, the company earns pre-agreed commission and fees.

d) Equipment and depreciation

All categories of equipment are initially recorded at cost. These are later stated at historical cost less depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the branch and the cost of the item can be measured reliably. Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to write down their cost using the following annual rates:

Computers	33.0%
Motor vehicles	25.0%
Office equipment	20.0%
Furniture and fittings	12.5%

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

f) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. Intangible assets are amortized over the useful life of the assets currently estimated at 4 years.

g) Trade receivables

Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in income statement.

h) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in

i) Income taxes

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the statement of comprehensive income except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax

Current income tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statement and their corresponding tax bases (known as temporary difference). Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future.

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Income taxes (Continued)

Deferred tax (Continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unusual tax losses can be utilised.

j) Trade payables

Financial liabilities include trade payables. Trade payables are obligations on the basis of normal credit terms and do not bear interest.

After initial measurement, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortisation is calculated by taking into account any discount or premium on acquisition fees and costs that are an integral part of the effective interest rate. The amortization is included in the statement of comprehensive income.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

k) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the profit or loss. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the profit or loss within finance income or costs.

As at the end of the year, the prevailing exchange rates were as follows:

2017	2016
KShs. 1 = Ush. 35.0	KShs. 1 = Ush. 34.0
USD 1 = KShs. 103	USD 1 = KShs. 102.4
USD 1 = Ush. 3,632.1	USD 1 = Ush. 3,610.5

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Operating leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the company are classified as operating leases. Payments made/ received under operating leases are charged/ credited to the statement of comprehensive income on a straight line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

m) Share capital

Ordinary shares are recognised at par value and classified as share capital in equity.

n) Significant accounting judgments, estimates and assumptions

In the process of applying the company's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

i) Going concern

The company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

ii) Equipment and intangible assets

Critical estimates are made by the directors in determining rates for depreciation for equipment and amortization for intangible assets.

iii) Income taxes

The company is subject to income taxes under the Income Tax Act (Cap 470) of the laws of Kenya. Significant estimates are required in determining the provision of income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 KShs	2016 KShs
2. INCOME		
Grants:		
Mercy Corps	1,312,740	1,706,280
Self Help Africa - Opearations Fund	16,558,977	-
GOAL	819,440	-
Community Connector	-	1,903,819
Trocaire	3,563,899	-
Agrifin	-	3,388,798
NUTEC/ DFID	758,260	-
Self Help Africa - Catalyst Fund	-	1,029,412
Self Help Africa - EU Grant	232,900	-
Total grants	23,246,216	8,028,309
Commission income	280,795	921,503
Deal profit share	56,418	-
Cash on the bag(COB) fees	718,292	1,063,625
	<u>24,301,721</u>	<u>10,013,437</u>
3. OTHER INCOME		
Unrealised foreign exchange gain	-	506,504
Sundry income	1,242,874	1,557,025
	<u>1,242,874</u>	<u>2,063,529</u>
4. BUSINESS DEVELOPMENT COSTS		
Strategy meetings	190,152	437,835
Network development	3,790,357	3,821,933
Local mentor fees	1,195,970	1,246,577
Dues and subscriptions	10,000	31,600
Aggregation point - rentals	146,399	319,883
Aggregation tools	127,786	215,879
	<u>5,460,664</u>	<u>6,073,707</u>

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 KShs	2016 KShs
5. OPERATING EXPENSES		
Staff costs	10,385,938	9,270,088
Travelling and subsistence	3,421,948	2,451,629
Legal and professional fees	881,411	663,331
Audit fee (inclusive of VAT)	440,000	422,762
Office running	424,451	451,353
Telephone and internet	445,431	381,618
IT support services	128,394	950,500
Rent and utilities	1,243,686	849,600
Armortization of software	53,571	-
Depreciation	561,551	540,752
Motor vehicle running	1,945,107	1,504,109
	<u>19,931,488</u>	<u>17,485,742</u>
6. FINANCE COSTS		
Bank charges	435,452	416,863
Unrealised foreign exchange loss	182	-
	<u>435,634</u>	<u>416,863</u>
7. LOSS BEFORE TAXATION		
Loss before taxation is stated after charging:		
Depreciation	561,551	540,752
Unrealised foreign exchange loss	182	-
Auditors' remuneration	<u>370,000</u>	<u>350,000</u>
And after crediting:		
Unrealised foreign exchange gain	<u>-</u>	<u>506,504</u>

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

8. EQUIPMENT

	Computer hardware KShs	Motor vehicles KShs	Furniture & fittings KShs	Office equipment KShs	Total KShs
COST:					
At 1 January 2017	476,063	570,000	160,441	1,860,097	3,066,601
Additions	192,937	-	47,143	60,574	300,654
Disposals	-	(570,000)	-	-	(570,000)
At 31 December 2017	<u>669,000</u>	<u>-</u>	<u>207,584</u>	<u>1,920,671</u>	<u>2,797,255</u>
DEPRECIATION:					
At 1 January 2017	109,413	570,000	10,239	291,705	981,357
Charge for the year	167,808	-	22,307	371,436	561,551
Disposals	-	(570,000)	-	-	(570,000)
At 31 December 2017	<u>277,221</u>	<u>-</u>	<u>32,546</u>	<u>663,141</u>	<u>972,908</u>
NET BOOK VALUE:					
At 31 December 2017	<u>391,779</u>	<u>-</u>	<u>175,038</u>	<u>1,257,530</u>	<u>1,824,347</u>
At 31 December 2016	<u>366,650</u>	<u>-</u>	<u>150,202</u>	<u>1,568,392</u>	<u>2,085,244</u>

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 KShs	2016 KShs
9. INTANGIBLE ASSETS		
COST:		
At 1 January	-	-
Additions	3,558,517	-
At 31 December	3,558,517	-
ARMORTISATION:		
At 1 January	-	-
Charge for the year	53,571	-
At 31 December	53,571	-
NET BOOK VALUE	3,504,946	-

Intangible assets comprise of computer application.

10. BANK AND CASH BALANCES

Bank balances:

Administration funds	2,304,059	5,352,141
Transaction facilitation fund (note 15)	13,753,231	13,227,905
	16,057,290	18,580,046
Cash in hand	24,548	25,460
	16,081,838	18,605,506

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 KShs	2016 KShs
11. TRADE AND OTHER RECEIVABLES		
Accounts receivable	2,557,655	-
Other receivables	831,708	727,053
Deposit on TFF mobile application	-	3,148,626
Deposits and prepayments	301,175	337,264
	<u>3,690,538</u>	<u>4,212,943</u>
12. SHARE CAPITAL		
Authorised:		
1,500 ordinary shares of KShs. 1,000 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
1,261 (2015: 420) ordinary shares of KShs. 1,000 each	<u>1,261,000</u>	<u>1,261,000</u>
13. SHAREHOLDERS' LOANS		
Gorta Self Help Africa	28,010,407	28,010,407
Directors' account	<u>670,482</u>	<u>670,482</u>
(Note 17)	<u>28,680,889</u>	<u>28,680,889</u>
These are funds advanced to the company, for investment purposes, at no specific interest rate or defined repayment period and are only redeemable at the discretion of the company.		
	2017 KShs	2016 KShs
14. TRADE AND OTHER PAYABLES		
Trade payables	418,864	91,277
Audit fee accrual	<u>440,000</u>	<u>422,763</u>
	<u>858,864</u>	<u>514,040</u>

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

		2017 KShs	2016 KShs
15. TRANSACTION FACILITATION FUND			
Trade finance fund investment:			
Balance brought forward		35,272,992	24,671,469
Investment during the year		<u>7,007,537</u>	<u>10,601,523</u>
		<u>42,280,529</u>	<u>35,272,992</u>
Represented by:			
Trade finance bank account	Note 10	13,753,231	13,227,905
Trade finance receivables:			
Trade finance element of amounts owed by debtors	Note 15 (i)	12,742,806	13,266,450
Other receivables	Note 15 (ii)	2,648,308	2,614,749
Trade finance deals in progress	Note 15 (iii)	<u>10,184,353</u>	<u>5,182,693</u>
		<u>25,575,467</u>	<u>21,063,892</u>
Trade finance fund as at 31 December		<u>39,328,698</u>	<u>34,291,797</u>
Trade finance fund depletion as at 31 December		<u>2,951,831</u>	<u>981,195</u>

Trade finance is received from Self Help Africa as a loan to be used by TruTrade exclusively for the purposes of liquidity support for transaction facilitation. The loan is non-interest bearing and without term; repayable only in the event that TruTrade is wound up or decides to move to a different operational model, which no longer requires trade financing. The performance of the fund is as illustrated in note 15 (v).

	2017 KShs	2016 KShs
i) Trade finance element of amounts owed by debtors:		
BOP Markets	9,460,186	10,191,585
Kemwa Foods	2,341,120	2,346,120
Farmways Limited	321,825	414,825
Dash Crop	387,660	313,920
Mhogo Foods Limited	<u>232,015</u>	<u>-</u>
	<u>12,742,806</u>	<u>13,266,450</u>

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

2017
KShs

2016
KShs

15. TRANSACTION FACILITATION FUND (Continued)

ii) Other receivables:

Tomusange Stephen	142,857	147,059
AgroInnovate Limited	335,829	345,706
Others	<u>2,169,622</u>	<u>2,121,984</u>
	<u>2,648,308</u>	<u>2,614,749</u>

iii) The deals in progress refers to trade finance facilitation transactions financed during the period, but the farmer produce had not been delivered to the buyers as at year end.

2017
KShs

2016
KShs

iv) Accounts receivables:

BOP Markets	12,074,959	12,343,046
Kemwa Foods	2,480,765	2,485,765
Farmways Limited	549,100	642,100
Dash Crop	468,900	592,100
Muhogo Foods Limited	250,342	-
Rural Net	<u>210,400</u>	<u>-</u>
Note 15 v	<u>16,034,466</u>	<u>16,063,011</u>

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

		2017 KShs	2016 KShs
15. TRANSACTION FACILITATION FUND (Continued)			
v) Trade finance fund performance:			
Income:			
Opening balance		11,025,860	13,311,448
Opening balance adjustment		-	6,189,930
As restated		11,025,860	19,501,378
Trade finance received		7,007,537	10,601,523
Other income		188,673	-
Trade finance recycled		13,943,610	22,810,625
		<u>32,165,680</u>	<u>52,913,526</u>
Expenditure:			
Cash on the bag		14,088,686	29,280,548
Middle costs		5,561,109	6,290,691
Network commission		360,628	1,713,965
Trial deals		-	105,611
Beyonic fee and withdrawal costs		-	99,585
debts		-	4,397,266
		<u>20,010,423</u>	<u>41,887,666</u>
Balance of fund at 31 December		<u>12,155,257</u>	<u>11,025,860</u>
Accounts receivable	note 15(iv)	16,034,466	16,063,011
Other receivables	note 15 (ii)	2,648,308	2,614,749
		<u>18,682,774</u>	<u>18,677,760</u>
Net work commission payable		798,670	925,112
debts		5,070,493	5,154,685
Bonus payable		1,668,779	1,533,558
Trade finance owed by debtors	note 15(i)	12,742,806	13,266,450
		<u>20,280,748</u>	<u>20,879,805</u>
Bank balance at 31 December	(note 10)	<u>13,753,231</u>	<u>13,227,905</u>

This is the performance of the transaction facilitation fund (trade finance) during the year. For details regarding how this fund operates, see note 1(c).

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

16. TAXATION

There is no tax charge during the year as a result of trading loss incurred.

2017	2016
KShs	KShs

17. RELATED PARTIES TRANSACTIONS

i) Transactions with related parties:

a) In relation to income earned:

	-	282,135
AgriNet Uganda Ltd - Commission	76,798	70,292
Fair Trade Enterprises Ltd - Commission	495,403	102,502
Fair Trade Enterprises Ltd - COB Fees	-	186,948
AgriNet Uganda Ltd - COB Fees	<u>-</u>	<u>186,948</u>

The transactions are in relation to income on trade finance commissions and COB fee earned from the related party.

2017	2016
KShs	KShs

b) Trade finance transactions:

	7,107,421	4,810,565
Fair Trade Enterprises Ltd	-	3,571,099
AgriNet Uganda Ltd	149,045	2,386,985
Bonde Soko	<u>149,045</u>	<u>2,386,985</u>

The transactions are in relation to trade finance payments in regards to middle costs and cash on the bag.

2017	2016
KShs	KShs

c) Network development costs:

	-	866,998
Bonde Soko	<u>-</u>	<u>866,998</u>

The transactions are in relation to network development costs paid to the related party.

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

17. RELATED PARTIES TRANSACTIONS (Continued)

i) Transactions with related parties (continued):

	2017 KShs	2016 KShs
d) Key management compensation:		
Directors' emoluments - as executives	-	4,087,775

The emoluments for management and directors is determined by the board of directors having regards to the performance of individuals and market trend.

e) Operational support:

During the year the company received operational support of KShs. 3.96 million (2016: KShs. 3.96 million) from Gorta Self Help Africa in terms of executive personnel, the use two motor vehicles for its operations and office space for its Kenyan Office.

	2017 KShs	2016 KShs
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ii) Outstanding balances

a) Due to related parties:

Gorta Self Help Africa	28,010,407	28,010,407
Directors' account	670,482	670,482
(Note 13)	28,680,889	28,680,889

This is in relation to loan advances from the related parties.

b) Due from related parties:

AgriNet Uganda Ltd - BOP Markets	1,165,977	1,310,271
RuralNet - Trade Finance	210,400	-
AgriNet Uganda Ltd - Catalyst loan	685,451	705,611
	2,061,828	2,015,882

The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions.

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

18. PRIOR YEAR ADJUSTMENTS

Prior year adjustments in the previous year related to costs financed by directors that had not been included in the financial statements in the previous year. For the year under review, these relate to foreign exchange differences in opening balances for the Uganda Branch balances brought forward from the previous year.

19. GOING CONCERN

During the year the company made a loss of KShs. 0.3 million (2016: KShs. 11.90 million). As at 31 December 2017, the company's liabilities exceeded its assets by KShs. 18.2 million (2016: KShs. 17.5 million). The directors are of the opinion that the above state of affairs will not impair the company's going concern as they have, subsequent to year end, taken the necessary measures to address this position. Based on this, the directors consider it appropriate to prepare the financial statements on a going concern basis.

20. CONTINGENT LIABILITIES

The company did not have any contingent liabilities as at the year end.

21. CAPITAL COMMITMENTS

There was no capital commitments contracted as at 31 December 2017 (2016: nil).

22. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, comparative figures have been adjusted to take into account the effect of prior year adjustments (note 18).

23. EVENTS AFTER THE END OF REPORTING PERIOD

No events have occurred after the end of the reporting period that would have a negative impact on the financial statements and/ or operations of the company.

24. INCORPORATION

The company is incorporated in Kenya under the Kenyan Companies Act.