TruTrade Africa

TRUTRADE LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

PSK ASSOCIATES
Certified Public Accountants of Kenya

TRUTRADE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

	PAGE
Company information	1
Report of the directors	2 - 10
Statement of directors' responsibilities	11
Report of the independent auditors	12 - 14
Financial statements:	
Statement of comprehensive income	15
Statement of financial position	16
Statement of changes in equity	17
Statement of cash flows	18
Notes to the financial statements	19 - 31

TRUTRADE LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

BOARD OF DIRECTORS

Galvin William**	*Chairman*
Mwende Gatabaki	
Liam McLennon*	
Jenny Rafanomezana*	
James Weru	
Ronald Kasozi***	*- Appointed in May 2019*

REGISTERED OFFICE

Haven Court Apt. B5
L.R. No. 1870/VI/139
Slip Road off Waiyaki Way
Westlands, Nairobi, Kenya
P.O. Box 3246-00100
Nairobi, Kenya

PRINCIPAL PLACE OF BUSINESS

Bank of Africa House
4th Floor Wing B
Karuna Close off Waiyaki Way
Westlands
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, Uganda

INDEPENDENT AUDITORS

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

** - British* *** - Irish* **** - Ugandan*

TRUTRADE LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITY

TruTrade is a social enterprise set up to transform the way smallholder farmers access markets in Kenya and Uganda. Our mission is to increase smallholder farmer incomes through integrating them into sustainable value chains. We do this by bringing together the 'supply power' of millions of small-scale producers, to meet local, regional and international market demand. By digitizing value chains transactions, we make rural agricultural markets work better for farmers, aggregators and buyers. We believe that this is critical to our vision, for small-scale producers to prosper and for agribusiness to drive rural development.

RESULTS

The company results for the year are set up on page 15.

In 2019, we significantly scaled up our trading volumes and reach in both Kenya and Uganda. There was a significant growth of 71% in volume of produce sourced from smallholder farmers, increasing from 880MT to 1,508MT. Over 3,700 farmers used our Market Connect service in 2019, and farmers together earned over Kes 67 million ($650k). The trade value, in terms of what invoiced to buyers, grew by 16% from Kes 58.1 million ($570k) in 2018 to 67.4 million ($661k) in 2019.

Key Metrics 2017-2019 :

RESULTS (Continued)

Trading revenue that is comprised of TruTrade's commission, trade finance fees and profit share amounted to Kes 5 million ($49k). This was a 17% growth in revenue from 2018 (Kes 4.3 million/$41k). We grew our sourcing network and increased our buyer portfolio during the year.

In 2019 income from grants and other income amounted to Kes 17.5 million ($171k)). This is comparable to support from third parties in 2018 of Kes 5.4 Million ($53kk) in 2018. There was however a drop in overall grants and other income compared to previous years in the accounts because the subsidy received from Self Help Africa was previously reflected as grant income. In 2019, Self Help Africa subsidy is treated as shareholder funds rather than grant and this explains the reason behind the reduction in total revenue from Kes 44.5 million ($436.7k) in 2018 to Kes 22.5 million ($220.6k) in 2019.

Overall, there was considerable growth in our asset base, farmer income and trade value. We continue to create impact in the communities we serve through provision of sustainable market linkages for smallholder farmers.

Total operating expenses amounted to Kes 54.6 million ($536k) from Kes 41.8 million ($410k)) the previous year. This increase of 23% is attributed to operational costs invested to drive the desired growth. Area Supervisors were recruited in addition to incurring higher vehicle running costs as tricycles and motorcycles were procured to drive the network development and aggregation of sourced crop into Central Bulking Centres.

Our total assets closed at Kes 78 million ($765k); a 24% growth from Kes 62.8 million ($615k) in 2018. There was a capital injection by the shareholders of Kes 44.4 million ($435k). This is in addition to procurement of assets worth Kes 3.4 million, notably motorcycles, tricycles, platform scales, a printer and laptops. There was also an increase in accounts receivable by 419% due to insurance claim of a motor vehicle that had an accident during the year.

The company's financial position is set out on page 16.

RESULTS (Continued)

Trade Facilitation Fund

This is a revolving fund that facilitates farmer payments and aggregation costs of sourced crop. Total investment in the trading fund since 2015 now stands at Kes 95.2 million ($935k). Kes 79.2 ($778k) was used in 2019, compared to Kes 62.2 million ($610) was used as trade finance in 2018. Farmer payments accounted for 85% of the fund costs standing at Kes 67.3 million ($660k); compared to Kes 55.1 million in 2018 ($540.6k).

At the end of the reporting period, the net value of the fund closed at Kes 52 million ($524k). The drop in the value of the fund is due to write-offs of overdue receivables. We will endeavour to improve our KYC (Know your Customer) due diligence to de-risk bad debts.

The performance of the fund is detailed on page 30 of these accounts.

Operations

During 2019 we facilitated trade of over 1,500MT from 15 commodities, as detailed below. We continued our strong value chain focus on soybean and sesame in Uganda and cassava and avocado in Kenya. We significantly scaled up volumes of these crops as well of mango and and soybean in Kenya and of rice in Uganda. We provided our services across 15 counties in Kenya and 15 districts in Uganda. We rented strategically located storage facilities in our sourcing networks to enable centralized aggregation, stock management and minimize risk.

We engaged with 27 buyers and grew the volume supplied by 51% from 613MT in 2018 to 920MT worth over Kes 66.7 million ($654k) in 2019 and have good customer loyalty from those we value for our further growth.

Commodity	Volume Sourced (MT)	Farmer Income (US$ '000)	Farmer Reach	Country
Soybean	416	172	806	UG & KE
Uganda	380	156	585	
Kenya	36	16	121	
Cassava	301	15	198	KE
Rice	263	94	520	UG
Simsim	173	166	424	UG
Chia seed	141	119	1,032	UG
Avocado	83	25	492	KE
Mango	75	13	216	KE
White Sorghum	28	5	24	KE
Irish Potato	14	3	3	KE
Other	14	14	107	KE
Total	**1,508**	**627**	**3,760**	
Uganda	985	540	2,538	
Kenya	523	86	1,222	

Note: Other produce sourced at <10MT include groundnut, oranges, passion fruit, cashew nut and chicken. Trial deals to determine viability.

RESULTS (Continued)

Operations (Continued)

Sourcing 2019

Social Impact

We provided a marketing service to 3,760 farmers. This was a growth of 54% compared to 2,448 farmers reached in 2018. In total farmers received income of US$650k (Kes 67 million). On average farmers received 14% more than they would have with traditional farm-gate traders. We made over 5,500 farmer transactions during the year. The average farmer volume was 401Kg, average farmer trade value was Kes 17,000 ($ 167).

We provided a business opportunity as sourcing agents, 76 were active during the year, these are mainly youth who earn a commission linked to trade volume.

- In total over 6,800 farmers have actively traded on our platform by end of 2019 and we have made over 10,700 farmer transactions.
- We have nearly 9,000 farmers registered by end of 2019.
- In terms of trading Uganda still dominates with 68% of farmers, 65% of volume sourced and 86% of farmer income.

RESULTS (Continued)

Social Impact (Continued)

We continue our drive on financial inclusion through paying our farmers by mobile money or bank. In Uganda, several farmer sensitization meetings were held during the year in Hoima and Nwoya to inform famers on benefits of banking in partnership with Centenary Bank. We also facilitated introductory meetings on agricultural insurance products to farmers at collection points with the Agro Insurance Consortium (AIC) in Uganda. Discussions with digital financial service providers in Kenya are leading to pilots in 2020.

Kenya Reach 2019

Central	
Meru, Muranga, Kirinyaga, Embu, Tharaka-Nithi,	5
Avocado, Mango, Potato, Groundnut	
# Agents/scouts	10
# Farmers active	448
# Farmers trading in year	312
Vol sourced (MT)	98

Eastern	
Makueni, Machakos	2
Avocado, Mango, Orange, Chicken	
# Agents/scouts	2
# Farmers active	675
# Farmers trading in year	472
Vol sourced (MT)	68

Western	
Busia, Kisumu, Migori Homa Bay, Uasin Gishu	5
Cassava, Soybean, Passion	
# Agents/scouts	11
# Farmers active	655
# Farmers trading in year	412
Vol sourced (MT)	337

Coastal	
Kilifi, Kwale	2
Mango, Cashewnut	
# Agents/scouts	3
# Farmers active	45
# Farmers trading in year	31
Vol sourced (MT)	20

Uganda Reach 2019

West Nile	
Moyo, Yumbe, Adjumani	3
Simsim, Chia,	
# Agents	3
# Farmers active	569
# Farmers trading in year	154
Vol sourced (MT)	117

Acholi	
Nwoya, Pader, Omoro, Kitgum, Lamwo	5
Simsim, Soybean, Chia, White sorghum, Rice	
# Agents	29
# Farmers active	1,819
# Farmers trading in year	426
Vol sourced (MT)	254

Lango	
Lira, Dokolo	2
Soybean, Chia	
# Agents	5
# Farmers active	1,688
# Farmers trading in year	824
Vol sourced (MT)	126

Bunyoro	
Kiryandongo, Hoima, Kikuube	3
Soybean, Chia,	
# Agents	10
# Farmers active	479
# Farmers trading in year	383
Vol sourced (MT)	121

Teso	
Amuria, Kalaki,	2
Rice	
# Agents	3
# Farmers active	430
# Farmers trading in year	395
Vol sourced (MT)	220

RESULTS (Continued)

Technology Development

The integration of our IT systems with human touch points is at the centre of TruTrade's service. We continue to invest in system development based on human centred design process, building capacity of our team and agents to use the web and mobile app and building their feedback and requirements into new feature development. During 2019 the following were key areas of development:

- New dashboard and analytics features added to weSource enables real-time performance tracking of key data point. Targets can be input and monitored as well as performance comparison between years, KPIs, overview of agent, farmer and buyer transactions.
- Deal functionality improvements including collections feature, variable sourcing price management, loss tracker, agent notifications on processed payments, deal search.
- Directory insights added; agent/farmer links between deals and directory and new report templates.
- Bulk SMS improvements in creating groups; SMS receipts to farmers auto-generated.
- Integration with Mpesa in Kenya and MTN in Uganda enables use of SourcePay in Kenya; this has improved the efficiency and turnaround time for farmer payment processing.
- Live maps progressed with map data templates and interactive viewer. GPS coordinates for all collection points.
- The Agent mobile app has been upgraded. This has improved sourcing efficiency.
- Load balancing to manage high traffic through multiple local server instances building redundancy
- System documentation and a user manual updated.
- Ongoing server maintenance and work on data security and data integrity continues.

Back-office efficiency was also improved through automated imports to QuickBooks from payment platforms. Electronic invoices and receipts introduced and ongoing work on electronic expenses requests and tracking.

Governance

During the year Mr. Ronald Kasozi was appointed on the board, he brings a skill set in financial management. The board held three meetings during the year to drive the business strategy of TruTrade.

Human Resources

We have grown our team to twenty six staff with the increase mainly in field positions as Area Supervisors. This is in line with focus on growing the sourcing network to achieve economies of scale.

We have introduced Holacracy, an organisational self-management system to ensure that we work together in the most transparent and efficient way, promote job ownership, clear workflows and responsibilities.

RESULTS (Continued)

Human Resources (Continued)

An all staff strategy meeting was held in Jinja in the month of October 2019 to initiate the work on holacracy and cross country and function taskforces were established on key areas including:

i) Sourcing structure;

ii) Deepening farmer engagement;

iii) Improving operational efficiency;

iv) Formalizing business development processes and client management.

The output of these task forces informed the plans for 2020.

Partnerships and Awards

TruTrade maintained close collaboration with Self Help Africa (SHA) in Kenya and Uganda, with their subsidy shown as shareholder finance critical to maintaining operations.

We were selected as the winner of the 'Mohammed Bin Rashid Initiative for Global Prosperity Award' in the Rural Transformation and Zero Hunger category. We received $100k towards our work.

During the year we also engaged in the World Bank, Disruptive Agricultural Technology Challenge and emerged winners in Market Linkage in Kenya, from which funds will be received in 2020. In Uganda we were also recognized as a top player in a similar event organized by the Ministry of Agriculture, Animal Industry and Fisheries, receiving a small cash award.

We were recognized as a "Best for the World" Honoree by B Corps, ranking in the top 10% of all certified B Corps across the impact areas of the environment, workforce, local communities, suppliers, customers and corporate governance.

In Uganda, we partnered with Mercy Corps under DYNAMIC programme, from whom we received a grant to provide business opportunities to youth as agents and an off-take service to young farmers.

We continued engagement under Agricultural Development Program (ADP) in the Albertine in Uganda and the EU funded cassava competitiveness project in Kenya.

Plans: 2020

These are based on the following strategic objectives:

Build Supply Base to maximize volumes sourced and farmer reach; this will be through geographical intensification in current areas of reach with network growth into new areas.

We will continue our focus on current value chains, with plans for scaling up significantly in avocadoes, mangoes, Irish potatoes in Kenya and rice, simsim, soya and white sorghum and soybean in Uganda.

RESULTS (Continued)

Plans: 2020 (Continued)

In Kenya we are growing engagement with county government and producer groups to reach our target of 10,000 farmers using the trading platform in 2020.

Market growth to maximize sales and minimize stock levels.

We are focused on strong client relationship management with a diverse range of buyers. We will continue to drive up volumes to existing buyers and increase access to our KYS (Know Your Supplier) information. We plan to start direct export of avocado, simsim and chia and regional trade in white sorghum.

Operational efficiency to improve logistics capacity and reduce risks.

We are seeking investment in transport and storage assets to optimize efficiency of crop aggregation and deliveries.

System development will be continued with priorities of farmer production information, buyer portal, warehousing management capability and SourcePay integration with banks.

New services to create access to bundled support and diversify revenue streams

We will provide agricultural production support advice to farmers in 4 value chains. We will link farmers to quality input and pilot agriculture crop insurance through third parties.

Business sustainability to improve our own commercial viability.

We are focused on increasing volumes with target of 3,000MT in 2020, with 1,115MT in Kenya and 1,8085MT in Uganda. We will focus through above actions on increasing our own trading revenue.

We are actively pursuing a wide range of grant finance and investment opportunities linked to growing interest in ag-tech to build sustainable supply chains.

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: 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 2019

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
.....28 May..... 2020

TRUTRADE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 ....28 May....2020 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 15 to 32, which comprise the statement of financial position as at 31 December 2019, 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 2019 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.

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.

Museum Hill, TRV Towers, 6th Floor, Suite 6A, P.O. Box 8566-00100 Nairobi, Tel: 020 2127966 / 020 2128056 Cell: +254 0705 911 844
Email: info@pskassociates.com • www.pskassociates.com
In association with Tax Trail Consultants Ltd

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 Ruthiiri: P/No-1816.

PSK Associates

PSK Associates
Certified Public Accountants of Kenya
Nairobi, Kenya

29. 05. 2020

TruTrade Africa

TRUTRADE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 KShs	2018 KShs
INCOME	2	17,937,750	42,990,946
OTHER INCOME	3	4,563,021	1,556,484
TOTAL INCOME		22,500,771	44,547,430
EXPENSES:			
Business development costs	4	5,748,894	6,442,954
Operating expenses	5	47,062,478	34,025,733
		52,811,372	40,468,687
OPERATING (LOSS)/ PROFIT		(30,310,601)	4,078,743
Finance costs	6	(1,845,370)	(1,355,613)
(LOSS)/ PROFIT BEFORE TAXATION	7	(32,155,971)	2,723,130
TAXATION	16	-	-
(LOSS)/ PROFIT FOR THE YEAR		(32,155,971)	2,723,130

TruTrade Africa

TRUTRADE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 KShs	2018 KShs
ASSETS			
NON CURRENT ASSETS			
Equipment	8	4,760,343	6,915,667
Intangible assets	9	2,775,458	2,840,985
		7,535,801	9,756,652
CURRENT ASSETS			
Bank and cash balances	10	28,849,101	8,415,699
Trade and other receivables	11	13,266,197	2,551,254
Trade finance receivables	15	28,382,227	42,036,306
		70,497,525	53,003,259
TOTAL ASSETS		78,033,326	62,759,911
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	1,261,000	1,261,000
Accumulated losses		(49,077,202)	(16,942,372)
Shareholders' funds	13	72,774,749	28,680,889
		24,958,547	12,999,517
NON CURRENT LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	1,046,604	983,983
Trade finance fund	15	52,028,175	48,776,411
		53,074,779	49,760,394
TOTAL EQUITY AND LIABILITIES		78,033,326	62,759,911

The financial statements were approved by the Board of Directors on 28 May 2020 and signed on its behalf by:

Director

Director

TRUTRADE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital KShs	Accumulated losses KShs	Totals KShs
YEAR ENDED 31 DECEMBER 2018:			
As at 1 January 2018	1,261,000	(19,452,315)	(18,191,315)
Prior year adjustment *(note 18)*	-	(213,187)	(213,187)
As re-stated	1,261,000	(19,665,502)	(18,404,502)
Profit for the year	-	2,723,130	2,723,130
As at 31 December 2018	1,261,000	(16,942,372)	(15,681,372)
YEAR ENDED 31 DECEMBER 2019:			
As at 1 January 2019	1,261,000	(16,942,372)	(15,681,372)
Prior year adjustment *(note 18)*	-	21,141	21,141
As re-stated	1,261,000	(16,921,231)	(15,660,231)
Profit for the year	-	(32,155,971)	(32,155,971)
As at 31 December 2019	1,261,000	(49,077,202)	(47,816,202)

TRUTRADE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 KShs	2018 KShs
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/ profit before taxation		(32,155,971)	2,723,130
Adjustments for:			
(Gain)/ loss on disposal of equipment	5	(1,715,579)	75,542
Depreciation	8	2,512,361	1,979,398
Prior year adjusments	18	21,141	(213,187)
Armortization	9	816,728	889,061
Operating (loss)/ profit before working capital changes		(30,521,320)	5,453,944
(Increase) decrease in trade and other receivables	11	(10,714,943)	1,139,284
Increase in trade finance receivable	15	13,654,078	(16,460,839)
Increase in trade finance fund	15	3,251,764	9,447,713
Increase in trade and other payables	14	62,621	125,119
Cash flows used in operating activities		(24,267,800)	(294,779)
Tax paid	16	-	-
Net cash flows used in operating activities		(24,267,800)	(294,779)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of equipment	8	(3,431,458)	(7,146,260)
Proceeds from disposal of equipment	8	4,790,000	
Purchase of software	9	(751,201)	(225,100)
Net cash flows generated from/ (used in) investing activities		607,341	(7,371,360)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in shareholders' loans	13	44,093,861	-
Net cash flows generated from financing activites		44,093,861	-
Net changes in cash and cash equivalents		20,433,402	(7,666,139)
Cash and cash equivalents at the beginning of the year		8,415,699	16,081,838
Cash and cash equivalents at the end of the year	10	28,849,101	8,415,699

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%

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.

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 tranasctions. 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 prevailling exchange rates were as follows:

2019	2018
KShs. 1 = Ush. 36.0	KShs. 1 = Ush. 36.0
USD 1 = KShs. 102.0	USD 1 = KShs. 102.0
USD 1 = Ush. 3,672.0	USD 1 = Ush. 3,672.0

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 armortization 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 Africa

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 KShs	2018 KShs
2. INCOME		
Grants:		
Mercy Corps	1,166,039	38,302
Self Help Africa - Opeartions Fund	-	17,376,430
Self Help Africa - Irish Aid Programme Grant	-	17,467,500
Mohammed Bin Rashid Grant	10,256,605	-
NUTEC/ DFID	-	1,508,547
Agricultural Development Program (ADP)	1,473,009	1,157,407
DATS Innovations	41,667	
Self Help Africa - EU Grant	-	1,178,732
Total grants	12,937,320	38,726,918
Commission income	2,273,376	2,238,407
Deal profit share	601,153	651,453
Cash on the bag(COB) fees	2,125,901	1,374,168
	17,937,750	42,990,946
3. OTHER INCOME		
Donations	-	452,171
Gain on disposal of equipment	1,715,579	-
Sundry income	2,847,442	1,104,313
	4,563,021	1,556,484
4. BUSINESS DEVELOPMENT COSTS		
Strategy meetings	439,075	444,427
Network development	2,331,651	3,276,586
Businnes consulting	1,346,212	1,047,246
Local mentor fees	348,611	893,056
Dues and subscriptions	73,384	58,718
Aggregation point - rentals	748,673	134,821
Aggregation tools	461,288	588,100
	5,748,894	6,442,954

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 KShs	2018 KShs
5. OPERATING EXPENSES		
Staff costs	24,424,614	17,064,849
Travelling and subsistence	6,120,130	4,764,899
Legal and professional fees	1,619,144	939,833
Audit fee (inclusive of VAT)	466,400	440,000
TF deal losses recognized	1,653,172	1,038,936
Office running	511,352	806,122
Loss on disposal of equipment	-	75,542
Telephone and internet	663,474	747,735
Debtors written off	13,194	544,831
IT support services	587,756	157,418
Rent and utilities	981,618	1,347,512
Armortization of software	816,728	889,061
Depreciation	2,512,361	1,979,398
Motor vehicle running	6,692,535	3,229,597
	47,062,478	34,025,733
6. FINANCE COSTS		
Bank charges	1,679,212	1,350,624
Unrealised foreign exchange loss	166,158	4,989
	1,845,370	1,355,613
7. (LOSS/ PROFIT BEFORE TAXATION		
(Loss)/ profit before taxation is stated after charging:		
Depreciation	2,512,361	1,979,398
Armortization of software	816,728	889,061
Unrealised foreign exchange loss	166,158	4,989
Auditors' remuneration	392,759	370,000
And after crediting:		
Gain on disposal of equipment	1,715,579	-

TRUTRADE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

8. EQUIPMENT

	Computer hardware	Motor vehicles	Furniture & fittings	Office equipment	Total
	KShs	KShs	KShs	KShs	KShs
COST:					
At 1 January 2019	1,300,568	6,029,208	556,566	1,981,631	9,867,973
Additions	655,347	2,451,667	-	324,444	3,431,458
Disposals	(50,000)	(5,237,819)	-	-	(5,287,819)
At 31 December 2019	1,905,915	3,243,056	556,566	2,306,075	8,011,612
DEPRECIATION:					
At 1 January 2019	608,337	1,244,143	66,425	1,033,401	2,952,306
Disposals	(2,721)	(2,210,677)	-	-	(2,213,398)
Charge for the year	441,640	1,585,724	68,294	416,703	2,512,361
At 31 December 2019	1,047,256	619,190	134,719	1,450,104	3,251,269
NET BOOK VALUE:					
At 31 December 2019	858,659	2,623,866	421,847	855,971	4,760,343
At 31 December 2018	692,231	4,785,065	490,141	948,230	6,915,567

	2019 KShs	2018 KShs
9. INTANGIBLE ASSETS		
COST:		
At 1 January	3,783,617	3,558,517
Additions	751,201	225,100
At 31 December	4,534,818	3,783,617
ARMORTISATION:		
At 1 January	942,632	53,571
Charge for the year	816,728	889,061
At 31 December	1,759,360	942,632
NET BOOK VALUE	2,775,458	2,840,985

Intangible assets comprise of computer applicatons and software.

10. BANK AND CASH BALANCES		
Bank balances:		
Administration funds	5,102,133	1,667,517
Transaction facilitation fund (note15)	23,645,948	6,740,106
	28,748,081	8,407,623
Cash in hand	101,020	8,076
	28,849,101	8,415,699
11. TRADE AND OTHER RECEIVABLES		
Accounts receivable	6,207,963	886,592
Other receivables	5,465,577	701,827
Deposits and prepayments	1,592,657	962,835
	13,266,197	2,551,254

	2019 KShs	2018 KShs
12. SHARE CAPITAL		
Authorised:		
1,500 ordinary shares of KShs. 1,000 each	1,500,000	1,500,000
Issued and fully paid:		
1,261 ordinary shares of KShs. 1,000 each	1,261,000	1,261,000
13. SHAREHOLDERS' FUNDS		
Gorta Self Help Africa	72,104,267	28,010,407
Directors' account	670,482	670,482
(Note 17)	72,774,749	28,680,889

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.

	2019 KShs	2018 KShs
14. TRADE AND OTHER PAYABLES		
Trade payables	580,204	543,783
Audit fee	466,400	440,000
	1,046,604	983,783

		2019 KShs	2018 KShs
15. TRANSACTION FACILITATION FUND			
Trade finance fund investment:			
Balance brought forward		64,562,411	42,280,529
Investment during the year		30,684,082	22,281,882
		95,246,493	64,562,411
Represented by:			
Trade finance bank account	*Note 10*	23,645,948	6,740,106
Trade finance receivables:			
Trade finance element of amounts owed by debtors	*Note 15 (i)*	11,996,494	20,923,361
Other receivables	*Note 15 (ii)*	3,903,675	990,906
Trade finance deals in progress	*Note 15 (iii)*	12,482,058	20,122,039
		28,382,227	42,036,306
Trade finance fund as at 31 December		52,028,175	48,776,411
Trade finance fund depletion as at 31 December		43,218,318	15,786,000

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).

	2019 KShs	2018 KShs
i) Trade finance element of amounts owed by debtors:		
BOP Markets	-	9,189,070
Others	11,996,494	11,734,291
	11,996,494	20,923,361

	2019 KShs	2018 KShs

15. TRANSACTION FACILITATION FUND (Continued)

ii) Other receivables:

Trade finance receivable	3,903,675	990,906

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.

		2019 KShs	2018 KShs

iv) Accounts receivables:

BOP Markets		63,832	10,808,107
Others		10,205,790	14,008,955
	Note 15 (v)	10,269,622	24,817,062

		2019 KShs	2018 KShs
15. TRANSACTION FACILITATION FUND (Continued)			
v) Trade finance fund performance:			
Income:			
Opening balance		6,739,114	12,155,257
Trade finance received		30,684,082	22,281,883
Other income		525,420	1,298,267
Decrease in provision for bad and doubtful debts		4,525,591	-
Trade finance recycled		61,731,550	33,218,633
		104,205,757	68,954,040
Expenditure:			
Cash on the bag		67,293,197	55,142,031
Middle costs		8,440,704	4,034,373
Network commision		120,639	512,396
Foreign exchange loss		145,833	-
Beyonic fee and withdrawal costs		272,114	391,261
Bad debts written off		2,942,074	2,134,865
		79,214,561	62,214,926
Balance of fund at 31 December		24,991,196	6,739,114
Accounts receivable	*note 15(iv)*	10,269,623	24,817,062
Other receivables	*note 15 (ii)*	3,903,675	990,906
		14,173,298	25,807,968
Net work commission payable		139,726	179,831
Doubtful debts		-	4,525,591
Bonus payable		639,093	123,407
Other payables		52,737	56,770
Trade finance owed by debtors	*note 15(i)*	11,996,494	20,923,361
		12,828,050	25,808,960
Bank balance at 31 December	*(note 10)*	23,645,948	6,740,106

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).

16. TAXATION

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

	2019 KShs	2018 KShs

17. RELATED PARTIES TRANSACTIONS

i) Transactions with related parties:

a) In relation to income earned:

Self Help Africa - Grants	1,391,954	36,022,662

The transactions are in relation to income from grants consultancy fees earned from the related parties.

b) Operational support:

During the year the company received operational support of KShs. 3.96 million (2018: KShs. 3.96 million) from Gorta Self Help Africa in terms of executive personel, the use two motor vehicles for its operations and office space for its Kenyan Office.

	2019 KShs	2018 KShs

ii) Outstanding balances

a) Due to related parties:

Gorta Self Help Africa	72,104,267	28,010,407
Directors' account	670,482	670,482
(Note 13)	72,774,749	28,680,889

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

b) Due from related parties:

AgriNet Uganda Ltd - BOP Markets	1,133,589	1,133,589
AgriNet Uganda Ltd - Catalyst loan	666,411	666,411
	1,800,000	1,800,000

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

18. PRIOR YEAR ADJUSTMENTS

Prior year adjustments relate to foreign exchange differeces in opening balances for the Uganda Branch balances brought forward from the previous year.

19. CONTINGENT LIABILITIES

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

20. CAPITAL COMMITMENTS

There was no capital commitments contracted as at 31 December 2019 (2018: nil).

21. 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).

22. 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.

23. INCORPORATION

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