



ANNUAL
REPORT
2019

www.solutifinance.org





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ABBREVIATIONS

| | |
|-------------------|---|
| AFD | French Development Agency |
| AMFI-K | Association of Microfinance Institutions of Kenya |
| AMFIU | Association of Microfinance Institutions of Uganda |
| CEO | Chief Executive Officer |
| Cordaid | Catholic Organisation for Relief and Development Aid |
| EA | East Africa |
| FSPs | Financial Service Providers |
| IA | Investment Analyst |
| ICPAU | Institute of Certified Public Accountants of Uganda |
| KES | Kenya Shillings |
| MFIs | Microfinance Institutions |
| NGO | Non-Governmental Organization |
| POs | Producer Organizations |
| SACCO | Savings and Credit Cooperative Organization |
| SF | Stromme Foundation |
| SIDI | Solidarité Internationale pour le Développement et l'Investissement |
| SMEs | Small and Medium Enterprises |
| SMF EA Ltd | Stromme Microfinance East Africa Limited |
| SMF AS | Stromme Microfinance AS |
| SOLUTI | Soluti Finance East Africa Limited |
| SPM | Social Performance Management |
| SPTF | Social Performance Task Force |
| TAMFI | Tanzania Association of Microfinance Institutions |
| TZS | Tanzania Shillings |
| UGX | Uganda Shillings |
| UMRA | Uganda Microfinance Regulatory Authority |
| USD | United States Dollar |



COMPANY GENERAL INFORMATION

Incorporation

Soluti Finance East Africa Limited is a limited liability company, incorporated in Uganda in 2004 as Stromme Microfinance (EA) Limited under the Companies Act of Uganda and domiciled in Uganda. On November 1st 2019, Stromme Microfinance (EA) Limited changed its name and is now registered as 'SOLUTI FINANCE EAST AFRICA LIMITED' with registration Number 80010000408603. The Company is also registered in Kenya and Tanzania.

Regulation

The company is regulated by Uganda Microfinance Regulatory Authority and operates with a money lending license under the Tier 4 Microfinance institutions and Money lending Act, 2016.

Principle Place of Business and Registered Office

Plot 1| Kololo Hill Drive Block A Ground Floor
P.O.BOX 6109| Kampala| Uganda
Tel +256-414-232010
email: soluticeo@solutifinance.org
website: www.solutifinance.org



Bankers

Standard Chartered Bank, Uganda

Speke Road
P O Box 544, Kampala, Uganda.

Centenary Bank

Plot 44-46 Kampala Road & 2 Burton Street,
Mapeera House
P.O.Box 1892, Kampala, Uganda

KCB Tanzania

Oyster Bay
Harambee Plaza
A.H.Mwinyi Road/Kaunda Drive,
P.O. Box 804, Dar es Salaam, Tanzania

DFCU Bank

Plot 26, Kyadondo Road, Nakasero
P.O. Box 70, Kampala, Uganda

KCB Uganda

Commercial Plaza 7th Floor,
Plot 7 Kampala Road
P.O Box 7399, Kampala, Uganda.



Auditors

KPMG

Certified Public Accountants
3rd Floor Rwenzori Courts,
Plot 2 and 4A Nakasero Road
P O Box 3509. Kampala, Uganda

Bawunha & Badebye

Certified Public Accountants
Plot 3992/4 Ntinda Kiwatule Naalya Road
P.O.Box 9752. Kampala, Uganda



Solicitors

Nambogo & Company Advocates

Plot 26, Buganda Road, Park Royal Building
4th Floor Suite B-4. P.O. Box 9071, Kampala

TRIPLEOKLAW Advocates,

ACK Garden House, 5th Floor, Wing C
First Ngong Avenue, off Bishops Road, P. O. Box
43170 - 00100, Nairobi, Kenya

CRB AFRICA LEGAL Advocates Notaries Public,

Commissioners for Oaths and Corporate Law
Consultants

5th Floor, Tanzanite Park
Plot No 38| South Ursino | Victoria Area
New Bagamoyo Road, PO Box 79958,
Dar es Salaam | Tanzania

Authentic Attorneys

Msasani Drive in
Plot No. 502, Block F, House No. 681,
Mikoroshini Street
P.O. Box 7967 Dar Es Salaam, Tanzania

WHO WE ARE

SOLUTI Finance East Africa Ltd (SOLUTI) started its operations in 1994 under the Programmes Unit of Strømme Foundation Regional office. In a bid to specialise in Microfinance service delivery, Strømme Micro Finance East Africa Limited was incorporated as company limited by guarantee in 1998 and later in April 2004 as a company limited by shares.

This company was owned by Strømme Microfinance AS in Norway (SMF AS), Strømme Foundation Regional Office in East Africa (SFEA), Solidarité Internationale pour le Développement et l'Investissement (SIDI) in France and Catholic Organisation for Relief and Development Aid (Cordaid) in Netherlands.

In July 2019, SMF AS, SFEA and Cordaid sold their holding to SIDI and hence, SOLUTI is currently owned 99.98% by SIDI in France, and 0.02% by Mrs. Priscilla Mirembe Serukka a renowned Development Worker in Uganda. She is also the current Board Chairperson.

SOLUTI Finance East Africa Ltd (SOLUTI) started its operations in 1994 under the Programmes Unit of Strømme Foundation Regional office.



Our Vision

A World Free from Poverty.



Our Mission

To be a leading, locally based wholesale finance company that provides sustainable, market responsive financial solutions and technical assistance to organizations in the Eastern Africa region. We enhance access to financial solutions to low income people to grow their businesses, create new jobs and improve their livelihoods.

SOLUTI is currently owned by SIDI in France with a share of

99.98%

Mrs. Priscilla Mirembe Serukka has a share of

0.02%

Our Promise

Financing opportunities to transform lives”



Our Values



Dignity

We believe in all people realizing their rights, respect and healthy self-esteem.



Justice

We strive for social rights of individuals and communities and access to resources and power



Solidarity

We empathically identify ourselves with the plight of marginalized and discriminated groups.

What we do



Our Model

We operate through a partnership model by engaging with both financial and non-financial service providers. Soluti enhances access to financial solutions to low income people. Our niche is in the categories of:

- **Financial Services Providers:** These include Microfinance Institutions, Savings and Credit Cooperatives (Saccos) and Microfinance deposit taking institutions / Microfinance Banks.
- **Non-Financial Services Providers:** This category includes Producer Organizations (POs), Cooperatives, Small and Medium Enterprises (SMEs) as well as Social Enterprises.



Our products and Services

Over the last 25 years, SOLUTI has always been committed to improving livelihoods of the low-income people through providing credit facilities and capacity building/Technical Assistance to its partner institutions in the East African region.

We offer a wide range of products and services to our partners including;



Institutional Agricultural Loans

This product is being implemented through a value chain financing approach. We focus on value chains with high levels of multiplier effects among the small holder farmers including: Maize, Coffee, Dairy and Rice. However, we are open to financing any other value chain that can clearly demonstrate significant social-economic impact among small holder farmers.



Institutional Housing Microfinance Loans

These loans are extended to partners for purposes of catalysing lending operations for housing related activities for their clients in need of housing improvement. The housing microfinance loans are provided to support partners to increase access to affordable housing finance to the target group. The specific activities financed include house building, improvements and addition of related accessories.



Institutional Development Loans

These are loans extended to partner institutions to enable them finance and strengthen their institutional capacity to effectively and efficiently deliver the required services to the target clients. These include: purchase of assets, management information system improvements / upgrades, branch renovations, among other initiatives.



Non-Financial Services

We also offer a range of innovative non-financial services to both our partner institutions and as well as targeted support to network institutions in the region to promote best industry practices.



Institutional Business Loans

These are loans extended to partner institutions through direct capital injection of substantial loan amounts for working capital. These loans are aimed at enabling partner institutions to meet the funding needs of the enterprising poor.



25 years of service in East African Region

In 2019, the company celebrated 25 years of service in the East African region marking a colorful journey of strong and meaningful service partnerships built with partners, networks, funders, regulators, shareholders and other stakeholders. We are proud to have tremendously evolved, growing as a wholesale lender in the East African region.

At its 25th anniversary celebrations, the company used the occasion to dialogue with all its key stakeholders under the theme:

“The role of a Microfinance Apex Organization”







Message from the Board chairperson

On behalf of the Board of Directors, it is my pleasure, at a time when we marked 25 years of existence to present to you the Annual Report and Financial Statements for the year ended 31 December 2019.

The financial year 2019 marked the first year of implementation of the company's Strategic Plan (2019-2023). During the year, the company successfully transitioned in terms of change in ownership and as a result SIDI became the majority shareholder on 15th July 2019. Resultantly, the company rebranded under a new name Soluti Finance East Africa Limited.

Corporate Governance and Board Changes

As a result of changes in ownership, several of the directors that represented the former shareholders resigned. I take this opportunity to thank them for their dedication and contribution towards the company. In the same spirit, I would like to welcome Director Jean Marie Prevost who represents SIDI on the board. On the same note and as a means of enhancing Board committees, I would like to welcome Ms. Julie Torres-Szantyr and Ms. Estelle Marcoux who were co-opted as members on the Operations and Social performance Management (SPM) committees respectively.

During the year, the company successfully transitioned in terms of change in ownership and as a result SIDI became the majority shareholder on 15th July 2019.

The new director and committee members bring on board various skills in areas of Banking, Finance, Social performance, Gender and Environment which shall be key in strengthening the Board's effective oversight.

Executive Management Changes

The year 2019 experienced executive management changes as a result of an early retirement of Mrs. Harriet Mulyanti who served as the Chief Executive Officer (CEO) for 6 years (2013-2019). On April 1, 2019, the Board had the pleasure of announcing the appointment of Mr. Paul Katende as the new Chief Executive Officer.

2019 Key Milestones

The Board of Directors remains fully committed to upholding high standards of corporate governance in the company. During the year, the Board continued to exercise their role by overseeing the implementation of the company's strategic plan as well as having a key focus on risk management. The Board was able to achieve key milestones including Company seamless ownership change, Company brand transition, reviewing and approving various policies and procedural manuals and successful engagement of new funders including French Development Agency (AFD) and DFCU Bank. The company expects to drawdown the agriculture credit and grant funds from AFD in the year 2020 which will further enhance the company's agriculture related initiatives.

2019 PERFORMANCE HIGHLIGHTS:



15%

There was registered growth in the company's asset base and hence achieving 15% growth in total assets from UGX 54.02 bn (USD 14.62 m) in 2018 to UGX 62.15 bn (USD 16.83 m) in 2019.



11%

The company remained profitable and sustainable hence registering 11% growth in Profit after tax (PAT) from UGX 1.227 bn (USD 332,000) in 2018 to UGX 1.356bn (USD 364,643) in 2019.



8%

Gross loan portfolio grew by 8% from UGX 52.685bn (USD 14.165m) in 2018 to UGX 56.9bn (USD 15.4m) in 2019.

The company successfully mobilized and received 85% of budgeted funding of UGX 17 bn (USD 4.6 m) from several funders including SIDI, aBi Finance Ltd, DFCU Bank and Centenary Bank.

Key Challenges

Although 2019 was a successful year, the company faced some few challenges that limited its success as highlighted below;

1. The transition process impacted on the company's growth plans.
2. The company is still challenged with its target group (mainly institutions under tier 4 category) that still have several challenges related to Governance and Management, Performance, Reporting, etc. However, the company is still committed to this category group and will continue innovating better ways of partnership.
3. High tax burden as a result of the current laws that do not define SOLUTI as a financial institution for tax purposes. However, negotiations are still ongoing with Uganda Revenue Authority to seek better ways of handling this burden given the company's operating model.
4. The company continued to be affected by unstable economic and market conditions in all countries of operation in regard to Inflation, CBR rates, lending rates etc.
5. Although the company is regulated, Tier 4 MFIs Act 2016 has some limitations within the law especially regarding wholesale lenders/microfinance investment vehicles. Management is advocating through AMFIU to have the law amended to include this missing category.

Acknowledgment

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to all the stakeholders who have supported our company over the years and more so in 2019. I have every confidence that the company will continue to prosper and grow into a great wholesale lending company in East Africa.

My special thanks go to our major shareholder-SIDI and all funders for the support and confidence that have continued to enable the company to achieve its goals and objectives.

To our partners, we appreciate you for your continued trust and business with the company, that has led to a continued strong brand in the East African region. We could not have achieved this without you. Thank you very much for your steadfast support and cooperation.

To Management and staff, your continued excellent hard work and dedication has made us thrive. Thank you for living our values.

To my colleagues, the Board members, I appreciate your diligence, oversight and adherence to good governance. We believe that we are focused on the right priorities, and we shall continue strengthening the business.

We look to you all our stakeholders to lend us your continuous support. We are committed to upholding high standards in business integrity in all activities undertaken by the company.

I would like to welcome Director Jean Marie Prevost who represents SIDI on the board. On the same note and as a means of enhancing Board committees, I would like to welcome Ms. Julie Torres-Szantyr and Ms. Estelle Marcoux.

Journey Ahead

Looking forward in 2020 and beyond, the Board is confident that SOLUTI's ownership, leadership, strategy, partners and staff will facilitate its continued growth and development, for the benefit of all its stakeholders. We will continue to implement our strategic plan that is hinged on 3 key strategic goals of;

- Expanding into different partnership categories (MFI's, SME's and POs);
- Identifying appropriate funders and strategic partnerships
- Availing appropriate loan products and services to partner institutions

With the above goals and strategies, we believe that SOLUTI will continue to live the promise of providing financing opportunities to transform lives.

Yours Sincerely



Mrs. Priscilla Sserukka,
Board Chairperson



Statement of Corporate Governance

We are pleased to present our 2019 Corporate Governance Statement Report as below:

The Board is committed to maintaining high standard of Corporate Governance practices within the Company and devotes considerable effort to identify and formalize best practices. We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of the company and its ability to attract investment, protect the rights of shareholders and stakeholders, comply with applicable laws & regulations and enhance shareholder value.

Comprehensive guidelines, policies and procedures have been formulated by the Board to support the Company's corporate governance framework including the Board Manual and the terms of reference for various board committees. These documents are reviewed regularly by the Board and the relevant board committees and are updated in line current market practices. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the company and its shareholders.

Corporate Governance Structure

SOLUTI has an effective and independent board of directors and there is clear separation of the board's supervisory role from management. The board functions as a full board and through various committees constituted to oversee specific functional areas. The board has constituted 6(six) committees comprising of non-executive directors. These include the Executive Committee, Finance Committee, Operations Committee, Social Performance Management Committee, Audit Committee as well as Extra ordinary committee of Local Directors.

The roles and responsibilities of the Board, including the matters that are specifically reserved to the Board, are set out in our Board Manual. The company has a broad-based board of directors. As at 31st December 2019, the board of directors consisted of 7 members as below;

The board functions as a full board and through various committees constituted to oversee specific operational areas. The board has constituted 6(six) committees comprising of non-executive directors.



Mrs Priscilla Mirembe SSerukka
Board Chairperson

Priscilla holds a Master's in Management Science (MMS), B.Sc. Agriculture (Agriculture Economics option) with over 20 years' experience in Microfinance and in particular wholesale lending and SME's, commercial banking; organizational management, development and leadership in multi-cultural set ups.

She was the Regional Director for Strømme Foundation for 15 years where she supported the development of of pro-poor interventions in East Africa and greatly expanded Stromme portfolio in East Africa. Currently, she is the MD of Kairos Consult and undertakes Governance trainings and Coaching among other things. She also participates on the boards of Send a Cow, Uganda Chapter, Pendeza Uganda and PSAVE SACCO.



Mr. Edward Kato Sekabanja
Member / Executive Committee
Chairperson

Edward Kato Sekabanja has completed his LLM, Computers & Communications Law from the University of London, Queen Mary and holds an LLB Honours from Makerere University. He is the Managing Partner of M/s Sekabanja & Co. Advocates, Kampala Uganda and an Advocate of the High Court of Uganda. He has over 25 years' experience in Private Legal Practice, wide experience in Commercial and Corporate law and advises several companies both local and International.

He is a member of the East African Law Society, the Uganda Law Society Advocates Africa and Advocates International. He has served as President of the Old Budonian's Club, the Uganda Christian Lawyers and Fraternity and served as Chairman Habitat for Humanity Uganda.



Independent Director
Mrs. Rosemary Kantai
Member / Operations Committee
Chairperson

Rosemary holds a master's in education (Entrepreneurship) from the university of Illinois and a Bachelor of Education (Hons) in Business Administration and Economics from Kenyatta University.

Ms. Rosemary Kantai is a microfinance specialist with over twenty-three years hands on experience in the development field, twenty of them in Micro-finance operations, product development, management and training. She has undertaken various consultancy assignments mainly in Institutional Assessments, Training needs assessment, Capacity Building, Business Development Services, Market research, project design and management in different institutions. Rosemary is a Faculty member of the School of Applied Microfinance (SAM). She is a member of the board of Five Talents Kenya and Five Talents International.



Mrs. Clare Wavamunno
Member/ SPM Committee
Chairperson

Clare holds a post graduate in Investment Appraisal and Management from Harvard University, is a Chartered Secretary majoring in Administration and Finance from the London School of Accountancy, has the professional Micro Finance Training, (both parts 1 and 2), from the Economics Institute of the University of Colorado, Boulder, USA and has a BA in Economics and Rural Economy from Makerere University.

She is a micro finance expert with local and international experience with particular emphasis on regulation, prudential norms supervision, transformation and industry standard setting. She has over 14 years OF experience in development finance, bank supervision and project management in Bank of Uganda.

For the last 11 years, she has provided consultancy services as an associate and East African representative of AYANI Inclusive Financial Sector Consultants. She served as President and co-founder of the Association of Microenterprise Finance Institutions of Uganda, (AMFIU) and a founder member of the Micro Finance Forum, the national forum of the micro finance industry. Clare has also provided policy, supervision, transformation/legal advice to other countries in Africa, including Malawi, Tanzania, Zambia, South Africa, Sierra Leone and Southern Sudan.



SIDI- Representative
Mr. Quentin Lecuyer - Member

He holds a Masters' degree in Microfinance from ULB / Solvay Business School (Brussels) and Master's degree in Financial Analysis from the University of Lille II (France). He has 10 years of experience in Investment in microfinance organizations in Latin America and Africa.

He is currently an Investment Officer- SIDI overseeing portfolio in Central Africa (Rwanda, Uganda and DRC) and Central America. His work focuses on financial services to microfinance institutions, saving groups and producers' organizations.



Mrs Sarah Nankya Tumwesigye
Member / Audit Committee
Chairperson

Sarah is a Certified Public Accountant and is a member of the Institute of Certified Public Accountants of Kenya and Uganda. She holds a Postgraduate Diploma in Financial Management from the Uganda Management Institute and Bachelor of Statistics Degree with a major in Data processing from Makerere University. She has over 20 years' experience in audit and accounting from Deloitte and Touché.

She has facilitated a number of training meetings and been a facilitator at the local Institute's Continuing Professional Development meetings. She is currently working as a financial consultant in a private capacity for individuals and different Organizations.



Mr. Jean-Marie Prevost
 Member / Finance Committee
 Chairperson

Jean Marie is a graduate in Economics (Faculté de Droit et des Sciences Economiques-DES in economics -1970), Politics (Institut d'Etudes Politiques-IEP Paris - graduate in 1969) and international studies (University of South Carolina - International Studies - 1971). He is a consultant with SIDI/FEFISOL.

He is also a Board Member with various institutions including: Akiba Commercial Bank, Tanzania(Audit Committee and of the Governance and Human Resources Committee (2011 to date); Première Agence de Microfinance Madagascar (PAMF-Madagascar) and president of the Risk Committee (2012-2018); AI Amana, Morocco (2018 to date).

Co-opted Members



Mrs. Sarah Nassozi Kiwanuka
 Member- Audit Committee

Sarah has been a co-opted member of the Audit committee since 3rd November 2016. Her career of over 40 years has been in Accounting, Finance, Human Resources Management and business Administration. She worked with World Vision International when they opened offices in Uganda. She has also worked with AMREF Uganda and the International Centre for Tropical Agriculture.

She is also a Board member with Opportunity Bank Uganda Limited and serves on the different board committees including: Compensation, ALCO and Audit. Sarah is Certified Public Accountant (CPA-Kenya), and holds a Master's degree in Management Studies from Uganda Management Institute. She is the Director of Operations at Windle International Uganda, an International NGO Coordinating Education services for refugees and host communities.



Mrs. Jackline Mbabazi
 Member- SPM committee

Jackie has been a co-opted member of the SPM committee since 3rd November 2016. She holds a Master's degree in Business administration from Makerere University Business School and a bachelor's degree in Social Sciences from Makerere University. Currently, she is the Executive Director at AMFIU (Association of Microfinance Institutions of Uganda), which is the national network for the microfinance industry in Uganda. Jackie is the current Chairperson Board of Directors Uganda Microfinance Regulatory Authority (UMRA)

She has a background in microfinance and rural development, credit and grant management both at retail and wholesale levels (loan appraisals, monitoring and portfolio reporting), community mobilization and sensitization, project planning, implementation and management, financial performance monitoring, gender management, community banking/VSLA models, agriculture financing and organizational capacity building. Prior to joining AMFIU, she worked with the Ministry of Finance under the Microfinance Outreach Programme and the Microfinance Support Center Ltd



Ms Estelle Marcoux
Member SPM committee

Estelle holds a Master's degree in Finance from EM Lyon (France) and a master's degree in Development Economics from University Paris Dauphine. She was coopted as a committee member for the SPM Committee in August 2019.

Mrs. Estelle Marcoux is the Social and Environmental Performance Manager of SIDI since 2017. In her current position, Estelle is not only responsible for assessing SIDI's social and environmental performance, but she is also coordinating all the TA projects implemented by partners willing to undertake a social and ecological transition, and she is promoting best practices throughout the impact investment industry.

Estelle is also an experienced Investment Manager, in charge of a portfolio of microfinance institutions and producers' organizations based in various countries in Sub-Saharan Africa. Prior to joining SIDI in 2011, Estelle was category manager in the retail industry.



Ms Julie Torres-Szantyr
Member- Operations Committee

Julie holds a Masters' degree in Development Economics from the Catholic University of Louvain (Belgium) and a master's degree in Finance from University Paris Dauphine. She was coopted as a committee member for the Operations Committee in August 2019.

Mrs. Julie Szantyr is the Head of Operations responsible for SIDI's partnership development from 2016 to-date. In her current position Julie is coordinating a team of 10+ investment officers to ensure of the execution of SIDI's investment strategy. Moreover, Julie is chairing SIDI's investment committee. Julie has 15 years of experience in providing technical and financial support to Microfinance Institutions and Producers Organizations in various countries as she oversaw SIDI portfolio in Tanzania, Zambia, Malawi, Egypt, Colombia, Peru and Haiti.

The Board of Directors participating in key activities in Pictorials below



The Board continued to play its oversight role effectively achieving 98% of the 2019 annual work plan activities. Among other board activities, several policy and procedural manuals were reviewed and approved and hence enhancing the company's risk management. Board members attended training in IFRS9.

The Board undertook a field visit to three partners (Rugendabara Co-operative Farming Society Ltd, Bunyaruguru Development Sacco and Butuuro Peoples Sacco) and their clients in Western Uganda. Board members were able to get first-hand experience on the operations of the partner institutions as well as assessing the company's progress towards fulfilling its mission.



Message from the Chief Executive Officer

It is my pleasure on behalf of Management and staff, to share some highlights of our 2019 performance with all our stakeholders and provide a view of our future journey together. First, I wish to thank all our partners and various stakeholders for their patronage over the years.

As a company, we focused on growth opportunities while taking positive strides to address challenges in our operating environment. We are pleased with the company's continued progress that led to solid results for the year.

2019 marked the first year of implementing the 5-year strategic plan 2019- 2023. The company continued to pursue its growth through different partner categories and ensuring a product wise growth. We appreciate the support of shareholders, Board of directors, Partners, networks, funders and service providers who have enabled SOLUTI to continue providing financial and non-financial services to the target group. We look forward to more fruitful engagements as we move forward.

Resultantly, 26 (twenty-six) partners consisting of both Financial and non-financial service providers were supported. Out of the partners supported, 78% were small and emerging institutions

In addition to the key milestones and performance as highlighted in the Board Chairperson's message, the company also registered other key milestones below in 2019;-

- The company took a strategic decision to relocate its offices to a new location at plot 1, Kololo Hill Drive. This was purposely to improve its service delivery to all stakeholders.
- The company continued to leverage on its local presence and knowledge of the local regional market as its competitive advantage. Resultantly, 26 (twenty-six) partners consisting of both Financial and non-financial service providers were supported. Out of the partners supported, 78% were small and emerging institutions, mainly under tier 4 category group. This is well aligned to the company's mission.
- With Agriculture funding received from aBi Finance limited and the continued collaboration and partnerships with likeminded stakeholders like Kilimo Trust, the company was able to grow its agriculture loan portfolio. Agriculture partners increased from 10 in 2018 to 14 2019. The proportion of the company's agriculture loan portfolio increased from 9% in 2018 to 18.1% in 2019.

- Management and staff have continued to ensure that the company brand gets recognized in the industry. Key among the achievements was an outstanding recognition in the “Quality of financial and Business reporting” by the Financial Reporting (FiRe) awards organized by ICPAU in 2019.

Our Future

As highlighted by the Board chairperson, 2020 is another period for growth and performance. In line with the Company’s vision and mission the company shall continue focusing on;

- Strong partnerships and collaborations while delivering its products and services
- Further expanding into different partnership categories including Microfinance institutions, Small and Medium enterprises in agriculture, social enterprises cooperatives and producer organisations through its product and partnership approaches. This will further enhance access to financial services by the low-income people in the region.
- Increase the company’s fundraising drive to ensure availability of all required funds/ resources.
- Continue Supporting partner institutions to streamline Social performance Management practices.
- Strengthen our capacity building interventions by setting up a capacity building unit. This will further enhance all related Agriculture interventions (including Climate Smart agricultural practices) among our partners, SPM initiatives as well as Environmental and Social Governance practices.
- Continue to retain its competent, knowledgeable and experienced Staff.

On behalf of Management, I wish to take this opportunity to express my sincere appreciation to Management and staff of the company for their dedication and sacrifice that enabled delivery of good social and financial performance results in 2019.

Team, togetherness is the reason for our bonding. We have come through a year that was filled with both challenges and victories. There is no limit to our togetherness and together we will keep serving the company. Thank you for continuing to live our core values. We still count on you to continue implementing our strategic plan 2019-2023.



Paul Katende
Chief Executive Officer

A story of Butuuro Savings and Credit Co-Operative Society Limited from western Uganda

The SACCO was started way back in 2007 by six visionary people who initiated an idea on 26th December 2006 that emerged from a discussion on poverty level and possible solutions as one of the pressing issues. The idea of starting up a SACCO came up as a way of raising household incomes through savings and credit services. Its located in Nyakabirizi Trading Centre, Nyakabirizi -Kibaare Rd, Ishaka-Bushenyi Municipality.

The SACCO has been in partnership with SOLUTI Finance East Africa Limited since 12th February 2013. Among the partnership benefits to date are:

- Being able to access Loan funding and hence grow clients, loan portfolio and Asset base.

- Technical assistance to review their manuals. This included a comprehensive 3-year strategic plan, finance policy manual, human resource manual and loan policy, and procedure manual. The technical support built the SACCO's capacity to a level of a microfinance institution with total assets now to a tune of UGX 6 billion.
- Technical training in risk management, credit management, and governances among others.
- Technical assistance to review / develop the agricultural loan product.



BUTUURO PEOPLES' COOPERATIVE SACCO Premises and Head office at Nyakabirizi Trading Centre in Bushenyi-Western Uganda.



Management and Staff

The company is able to attract competent, knowledgeable and experienced staff especially in the microfinance business and ensures staff stability and retention. 67% of the staff have been with the company for a period of 5-10 years.

Our employees are a very valuable asset. We have a deliberate strategy for human capital growth and development, welfare management and reward, while creating an environment that supports productivity.

Below is the dedicated and professional team at SOLUTI.

1. **Mr. Paul Katende**- Chief Executive Officer- Appointed CEO on April 1, 2019
2. **Ms. Anne Rose Namatovu**- Finance and Administration Manager
3. **Mr. Andrew Sooka**- Investment Analyst
4. **Mr. Cressy Musasiizi**- Investment Analyst
5. **Mr. Ceasor Mawanda**- Investment Analyst- Agriculture
6. **Mr. Christopher Luyima**- Finance and Administration Specialist
7. **Mr. Joseph Odeke**- Transport Assistant

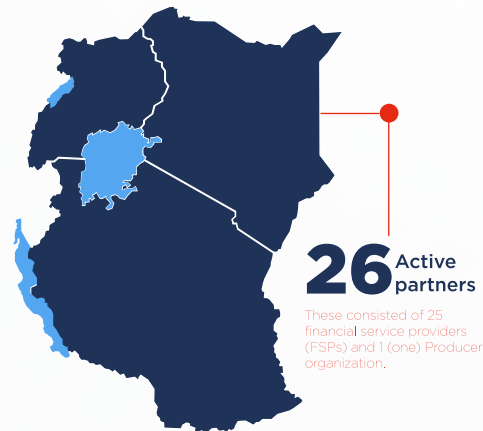


Summary of key performance Highlights of the year 2019

Key Social Highlights

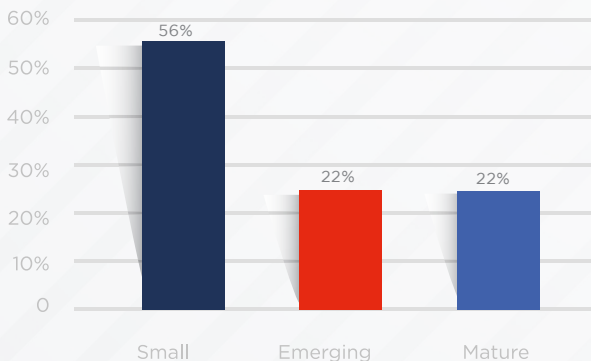
SOLUTI as an impact investment entity seeks to achieve a balance on both its “financial” and “social” objectives; while addressing social and environmental challenges as enshrined in sustainable development goals.

- Soluti collaborates with CERISE (<https://cerise-spm.org/en/>) and uses the SPI4 tool and Social Business score card in its due diligence process.
- Soluti has 2 Certified CERISE SPI4 Auditors for the Sub-Saharan Region who have conducted Social Performance Audits in East Africa.
- All our partner institutions undergo both pre-investment and on-going post investment assessments for potential to achieve impact as well as on-going monitoring of achievements on their Social Performance.



- SOLUTI Operates in Uganda, Kenya and Tanzania and is in partnership with 26 active partners. These consisted of 25 financial service providers (FSPs) and 1 (one) Producer organization.

Partner Categories



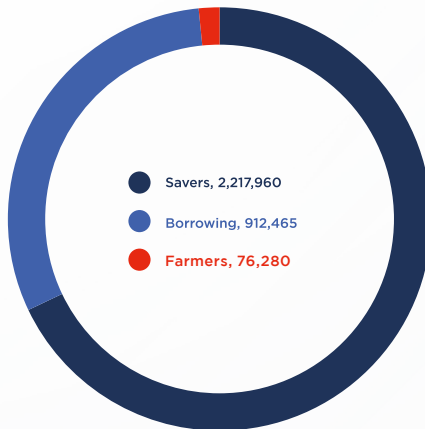
- As of December 2019, SOLUTI's Partners served consisted of 78% as small & emerging and 22% mature institutions .

SOLUTI has maintained its focus of reaching out to the desired target group by targeting Small and Emerging Partners. The motivation for SOLUTI to work with these categories of partners is because of their proximity to the target clients i.e. the low-income people, who are a critical component of SOLUTI's mission.

SOLUTI aims at ensuring that the low-income people have access to financial services that facilitate local economic development to enable them to grow their businesses, create new jobs and improve their livelihoods.

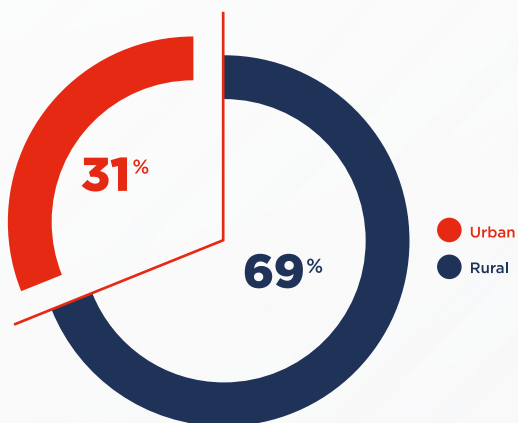
Small intermediaries are those MFIs with asset base of USD3million and below. Emerging Intermediaries are those MFI's with asset base above USD3million and below USD10million.

Mature Intermediaries include all those MFI's with asset base of USD 10 million and above.



Number of beneficiaries reached by partners

In the year 2019, SOLUTI supported partners to reach out to 2,217,960 savers and 912,465 borrowers of which 76,280 were farmers involved in different value chains.



Rural / Urban orientation

As part of SOLUTI social focus to ensure financial inclusion in rural areas, SOLUTI partner's locations were 69% in rural areas and 31% in urban areas as at December 2019. This ensured access to financial and non-financial services by the rural communities.

A story of one beneficiary, shareholder of Butuuro SACCO

How joining a SACCO paved way for my hardwork – Bashir Mpagi

Bashir Mpagi, a primary 7 drop out is a member of Butuuro SACCO. On meeting him, he immediately strikes you as a humble hardworking young gentleman who is not worried about getting dirty to earn a living for his family. His Father has 7 children and only two went to school. One is in primary six and other finished University and currently abroad. “I could not finish school due to lack of fees and poverty at home.” stated Bashir. After a friend noticed Bashir’s hard work and what he achieved but with limited funds,

he encouraged him to join Butuuro Sacco so that he would get capital to make bigger investments. When Bashir bought into the idea, he shared it with his wife who also agreed to it. In 2017, he joined the sacco and bought a few shares as a requirement. After a few months, he applied and got his first loan of UGX2.5million (USD685) through a boda-boda loan product and topped up to purchase a UGX4.5million (USD1,233) motorcycle for transport business.



Mpagi with his wife and daughter in front of their first house.



After a few months, he applied and got his first loan of UGX2.5million (Approx.685USD) through a boda-boda loan product and topped up to purchase a UGX4.5million (Approx.1,233USD) motorcycle for transport business.

He now started riding and receiving daily income of which he would save on the account at Butuuro sacco and this made paying back the loan with ease. In 2018, he later attained the COW loan of UGX2.5million(USD685) which was also subsidized by another partner (SNV) that was in partnership with Butuuro. As part of Butuuro's policy before issuing a loan, they paid Bashir a visit and were impressed with his enthusiasm and passion for hard work. The cow gives him 19 litres on a daily and he has used some of these profits to buy goats and chicken which lay eggs and also put up a small vegetable farm.

Today Bashir's Father is one proud man because of the pride his son gives him through his hard work. Bashir is educating his daughter and would like to see her finish her education up to university.

He is also advocating for other youth to join Butuuro SACCO to access the same benefits. He advises them that with hard work like they can achieve anything. His Future plan is own 30 cows, purchase land and build a house for his family.





Governance training for board and management staff selected partners in Uganda held at Pope Paul Memorial hotel Kampala in Oct 2019.

Capacity Building and Technical Assistance

SOLUTI targets small and emerging institutions that in most cases rural based. Despite their proximity and relevance to the target clients and communities, these institutions continue to manifest a range of capacity gaps which curtail service delivery to the target clients.

SOLUTI acknowledges the challenges they face and the continuous need to strengthen their capacity. Therefore, in addition to the loan funding, SOLUTI offers partners continued capacity building support. In 2019, a number of interventions were undertaken in different support areas geared at enhancing our partners competitiveness.

These included Governance & Management trainings, Credit Risk Management trainings, Product Reviews and Development as well as Business Budgeting and Projections using update tools.

Capacity Building- Interventions



In-house Technical Assistance support to partners by SOLUTI finance staff



When One's Profession Becomes A Reality Through Microfinance - Justus Sunday

Justus Sunday is married with 5 children; he is a very jolly man who is very passionate about his innovative ideas as an engineer. He lives in Bushenyi district but was born in Kamwenge district. He was born to an illiterate and poor family who didn't understand his talent. "I first went to a technical school as my father had wanted me to be a builder and get married because he never had land to give to me." he said. He got married as per his parents' wish and his dreams stagnated due to carrying a huge responsibility as a young man.

Sunday believes that "what was meant for you might be delayed but will never be killed once you have life". He later managed to get a sponsorship to university to do Agriculture Engineering and rural innovations. When he completed, he returned to Bushenyi and worked with Namalere Agricultural Engineering Institute and later attained a scholarship at Carmatec University then returned to Namalere Agricultural Engineering Institute and Uganda Research Institute.

He then moved to Uganda National Farmers' Association in 2000 as a trainer in value addition and formulating animal feeds funded by DANIDA where he worked for 6 years. He then started to work for the United Nations in Isingiro as trainer for refugees in value addition. The institution saw a lot of potential in him and decided to send him for training in China and South Africa.

As a Civil Servant working as an Extension Officer in Agriculture, this hurt him deeply as it was not his profession and education training background.. He was an innovator but much of what he was expected to do was not what he studied in school; he had studied value addition processing but was not expected to produce or do it in the field. Instead he was expected to report about the crops and cows. "I felt underutilized and decided to start a private business to do something for my community and life" he stated. This was his first large scale project although he had been doing some small projects like mushroom seed making , liquid soap, lipstick and candle making among others besides his civil servant job. However, this was not enough for him as it was not an example of what he was training given that he was from the same community. He wanted to live up to his profession of an engineer.



In 2011, Sunday started the organic fertilizers factory with the help of Butuuro Sacco. His first loan was UGX4 million (Approx. 1,096USD) which he used to purchase a small milling machine then later got a 2nd loan of UGX8 million which he used to purchase a bigger mill and sealing machine, increased size of the structure, bought bigger electronic weighing scales and improved packaging.

He then got a 3rd loan of UGX10million (Approx.2,192USD) which he used to purchase part of the land, raw materials and tanks because he wanted to expand on his production by producing liquid fertilizers.

This is when he began to buy waste from the prisons and neighbouring schools as raw materials. He later got UGX13million (Approx.3,562USD) which he is currently servicing) and topped up Ugx7million (Approx.1,918USD) for production which he used to make the natural water tank of 120ft including building the wall and finishing. He later added Ugx3million (Approx.822USDUSD) for the pump, wiring and control system. In total he used Ugx23million (Approx.6,301USD) to set up water system for production of the liquid fertilizers.

His first loan was UGX4 million (Approx. 1,096USD) which he used to purchase a small milling machine then later got a 2nd loan of 8 million which he used to purchase a bigger mill and sealing machine



“I started with selling kilograms of Organic fertilizers and now I sell in tones” he happily stated. Today Sunday is a fulfilled and happy man as he can live a comfortable life, educate his children whose education bill costs UGX11 million per semester for three children at university(studying bachelor’s in medicine, bachelor’s in accounting and finance and bachelor’s in textile engineering respectively),

1 at secondary school and one in Primary school. Sunday has managed to live up to his profession of engineering and make his parents proud.







Soluti Finances and enhances access to health care in Tanzania through Afya Microfinance Limited (AMIF)

AMIF was established by the Association of Private Health Facilities in Tanzania (APHFTA) with the objective of improving health services in Tanzania through provision of affordable loans to Private Health Providers. These include: Accredited Drug Dispensing Outlets (ADDOs), Pharmacies, Dispensaries, Laboratories, Health Centers and Hospitals.

Mr. Masalu Barabara has been a client of Afya Microfinance Limited (AMIF) since 2017. Barabara is the owner of Umoja Accredited Drugs Dispensing Outlet (ADDO) located at Mwatulole Street in Geita Town Council. The Geita area is famous for gold mining activities which have resulted into a very high population density and the area is one of those with high incidences of Malaria in Tanzania .

With continued support by AMIF, I will be able to accomplish my dream of opening a retail and wholesale pharmacy soon.

Between 2017 and 2018, Masalu accessed a total of Tshs. 10 million from AMIF through the project for procuring anti-malarial medicines and other essential medicines as well as refurbishing the premises to a standard acceptable to the National Drugs Agency. In 2019, he was accessed a loan of TShs. 10 million to re-stock and expand his business to two new ADDO

shops – another one in Geita Town and another in Kakola mining area where the availability of medicine to the local communities has been a challenge.

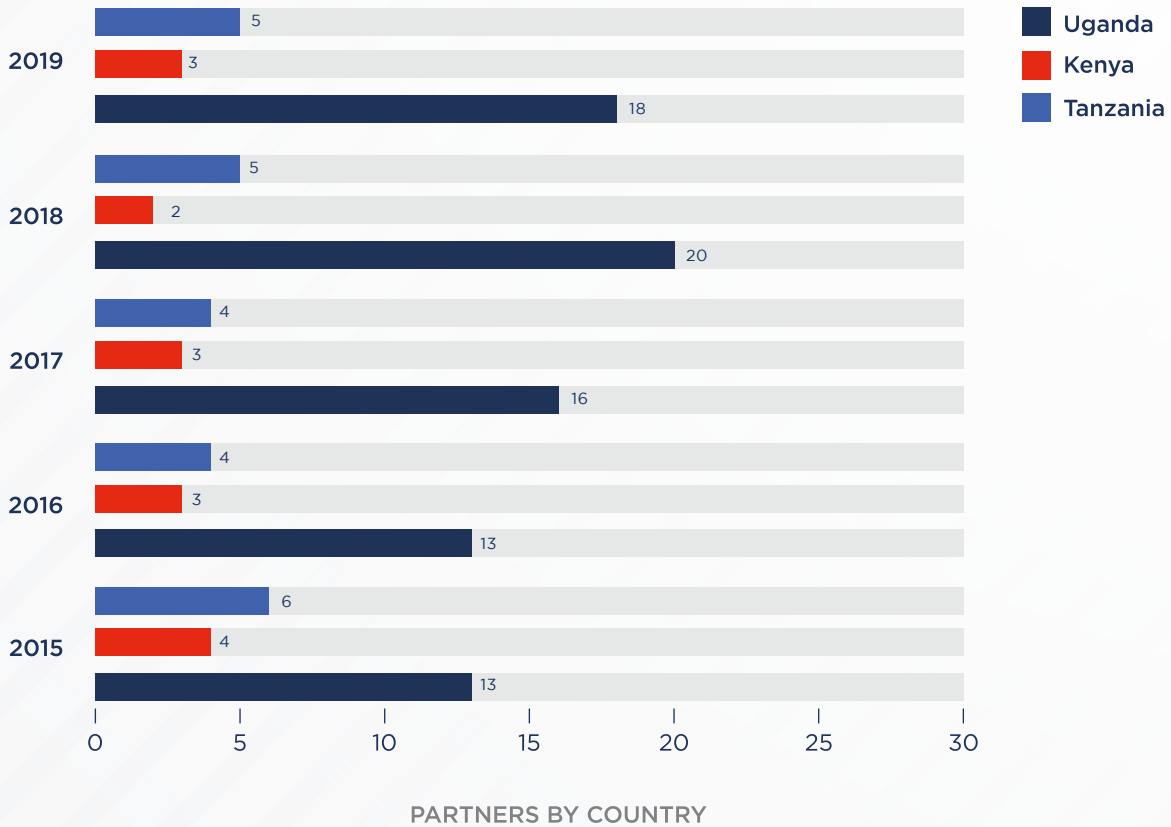
Mr. Barabara appreciates and acknowledges the impact and contribution of AMIF for the loans granted to him. “My sales revenue has drastically increased because my shop can stock and offer a variety of the essential medications. After renovating my premises I increased the quality of services and this has also resulted in increased sales volumes and number of patients that come to be served. I also no longer experience stock-outs because I stock enough medication which has built the confidence of my clients – because of the consistency in supplies. The opening of two more shops has also enabled me to generate more profit which has enabled me to meet the daily needs of my family.

In addition to the loans Mr. Barabara has had his business skills sharpened. He can keep proper records for books of accounts and make simple analysis of cash-flows projection as well as general data analysis for the three shops. Following the trainings he received, he got encouraged to open a bank account in which he deposits the sales revenue, and which has enabled him to manage cash handling.

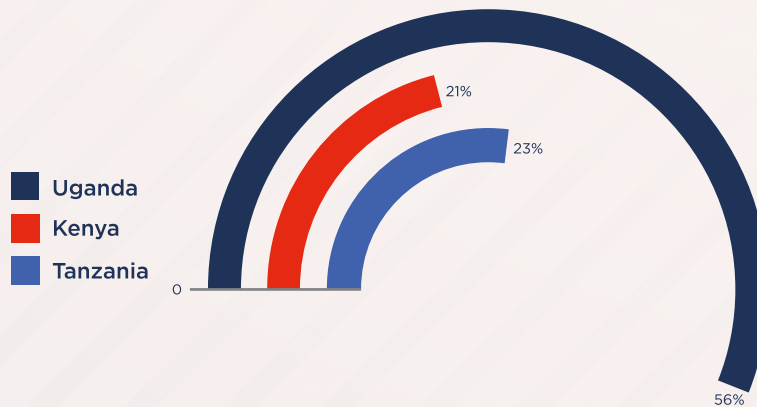
He is optimistic about the future of his business. He concludes ” With continued support by AMIF, I will be able to accomplish my dream of opening a retail and wholesale pharmacy soon”.

SOLUTI Business Performance Trends

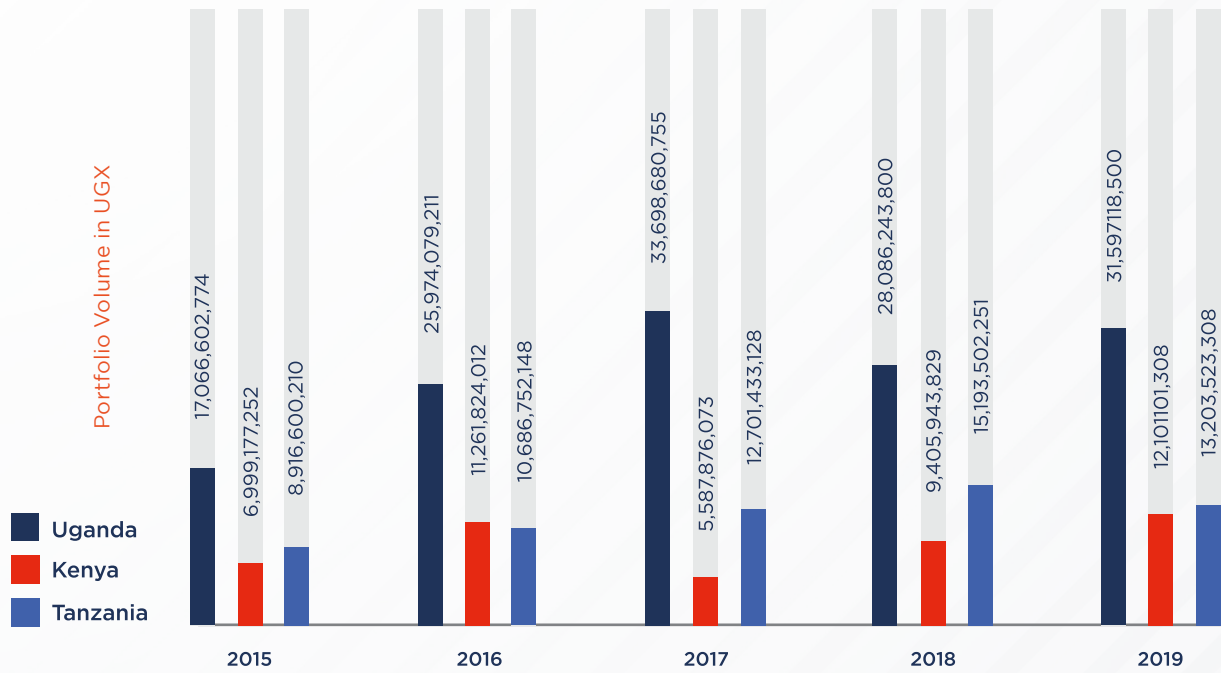
Global Outreach



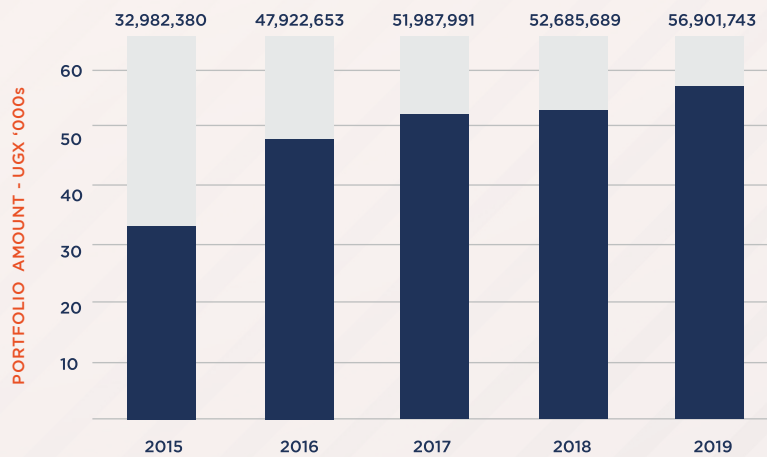
Portfolio Distribution by country as at December 2019



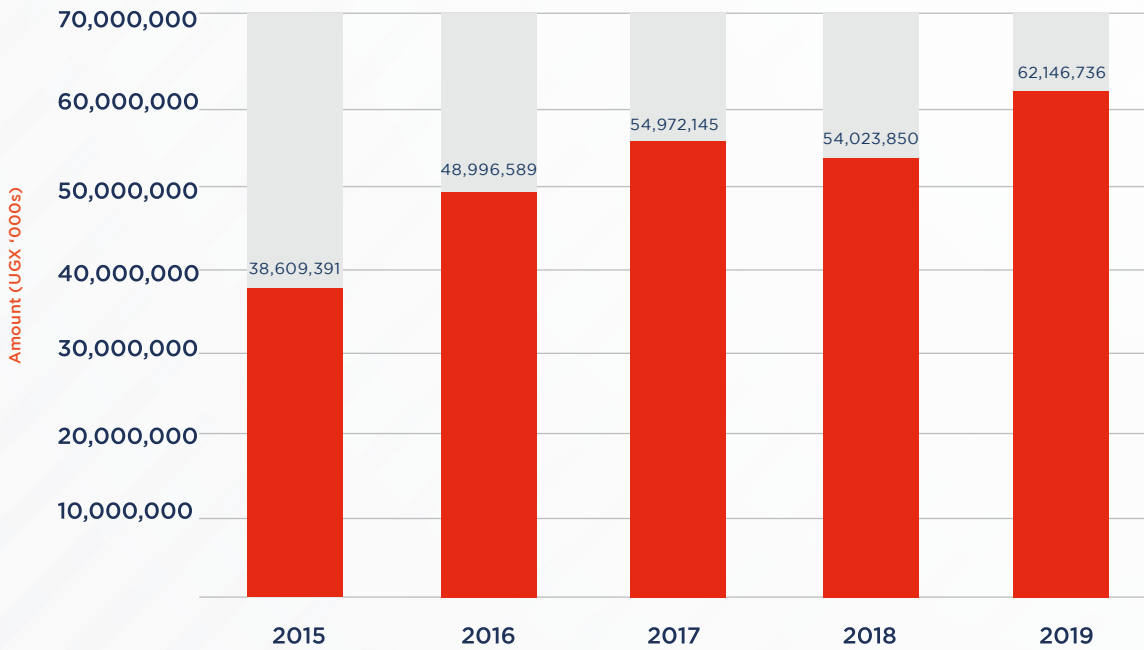
Portfolio Distribution by Country



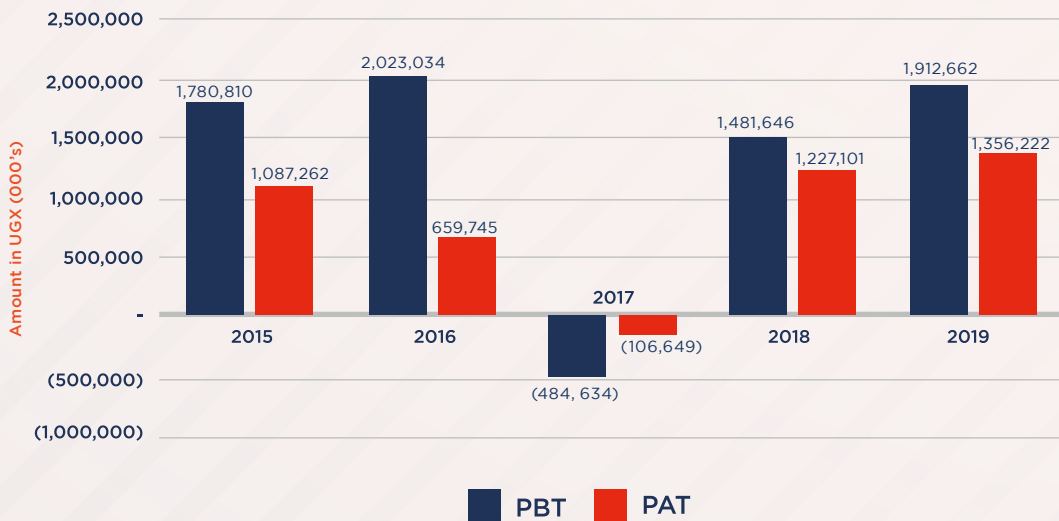
Trends in Gross loan Portfolio



Trends in Total Assets



Profitability Trends




STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2019

| | 2019 | 2018 |
|-----------------------------------|--------------------|--------------------|
| | Ushs'000 | Ushs'000 |
| Interest income | 8,602,920 | 8,308,755 |
| Interest expense and fees | (3,482,276) | (3,565,115) |
| Net interest income | 5,120,644 | 4,743,640 |
| Other operating income | 60,252 | 68,900 |
| Operating Income | 5,180,896 | 4,812,540 |
| Administrative expenses | (993,345) | (867,960) |
| Other expenses | (83,177) | (44,715) |
| Staff costs | (1,175,201) | (1,067,609) |
| Loan loss provision | (940,184) | (943,665) |
| Net foreign exchange loss | (76,326) | (406,944) |
| Operating expenses | (3,268,233) | (3,330,893) |
| Profit before taxation | 1,912,663 | 1,481,647 |
| Taxation charge | (556,441) | (254,546) |
| Profit of the year | 1,356,222 | 1,227,101 |
| Other comprehensive income | - | - |
| Total comprehensive income | 1,356,222 | 1,227,101 |

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2019

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | Ushs'000 | Ushs'000 |
| ASSETS | | |
| Cash and cash balances | 2,311,539 | 1,951,248 |
| Deposits with other financial institutions | 1,807,968 | 701,440 |
| Loans and advances to customers | 54,717,529 | 49,004,785 |
| Other receivables | 231,086 | 45,401 |
| Corporation tax receivable | 353,393 | 74,125 |
| Due from related parties | - | 215,275 |
| Property and equipment | 103,990 | 70,973 |
| Intangible assets | 2,750 | 3,929 |
| Right of use assets | 443,525 | - |
| Deferred tax assets | 2,174,957 | 1,956,673 |
| TOTAL ASSETS | 62,146,737 | 54,023,849 |
| LIABILITIES AND EQUITY | | |
| LIABILITIES | | |
| Borrowings | 36,629,582 | 30,289,012 |
| Lease liability | 463,051 | - |
| Trade and other payables | 611,887 | 648,842 |
| TOTAL LIABILITIES | 37,704,520 | 30,937,854 |
| Share capital | 5,387,270 | 5,387,270 |
| Share premium | 9,494,644 | 9,494,644 |
| Retained earnings | 9,560,303 | 8,204,081 |
| TOTAL SHAREHOLDER'S FUND | 24,442,217 | 23,085,995 |
| TOTAL LIABILITIES AND EQUITY | 62,146,737 | 54,023,849 |

The financial statements were approved by the Board of Directors on 19th March, 2020 and signed on its behalf by



Director

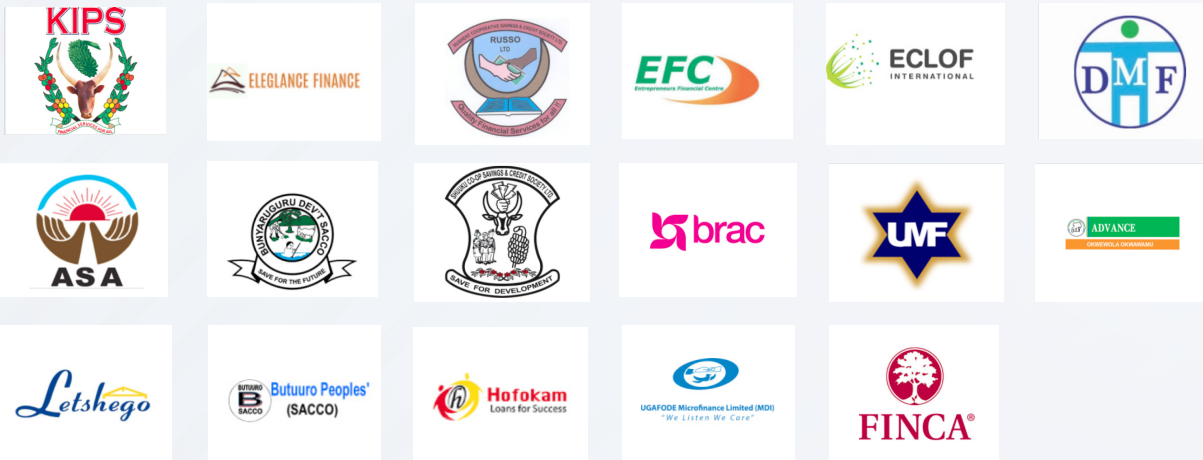


Director



Financial Services Providers

UGANDA



TANZANIA



KENYA



Non-Financial Services Providers

UGANDA



Funding Partners



Networks and Collaborations



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