



**Strømme Microfinance
East Africa Ltd.**

Annual Report



20 16



Stromme Microfinance East Africa Limited

Annual Report 2016

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Abbreviations & Acronymns

AMFI-K	—	Association of Microfinance Institutions of Kenya
AMFIU	—	Association of Microfinance Institutions of Uganda
CEO	—	Chief Executive Officer
CMMF	—	Community Managed Microfinance
Cordaid	—	Catholic Organisation for Relief and Development Aid
ICT	—	Information, Communication, Technology
MESPT	—	Micro Enterprises Support Programme Trust
NGO	—	Non-Governmental Organization
RMF	—	Responsible Microfinance Facility
SACCOS	—	Savings and Credit Cooperative Organization
SF	—	Stromme Foundation
SIDI	—	Solidarité Internationale pour le Développement et l'Investissement
SMF EA Ltd	—	Stromme Microfinance East Africa Limited
SPM	—	Social Performance Management
SPTF	—	Social Performance Task Force
TAMFI	—	Tanzania Association of Microfinance Institutions
Ugx	—	Uganda Shillings
USD	—	United States Dollar

Company Details

Board of Directors 2016

Mrs Priscilla Serukka - *SF EA Regional Director / Chairperson SMF EA Ltd*

Dr. Oyvind Aadland - *Alternate Director SMF AS*

Mr. Bjorn Stian Hellgren - *SMF AS*

Mrs. Aasa Sildnes - *SMF AS*

Mrs. Clare Wavamuno - *Independent*

Mr. Edward Sekabanja - *SMF AS*

Mr. Quentin Lecuyer - *SIDI- Appointed 10th March 2016*

Mrs. Rosemary Kantai - *Independent - Appointed 18th August 2016*

Ms. Claudia Huber - *Independent Consultant Cordaid - Appointed 1st November 2016*

Mr. Frederic Foulon - *SIDI - End of Term 10th March 2016*

Mr. Rob Brouns - *CORDAID)- Appointed 10th March 2016, Resigned 1st November 2016*

Mrs. Valentine Gitoho - *Independent - End of Term 18th August 2016*

Mrs. Sascha Noe - *CORDAID -Resigned 15th February 2016*

Auditors

KPMG

Certified Public Accountants

3rd Floor Rwenzori Courts, Plot 2 and

4A Nakasero Road

P O Box 3509,

Kampala, Uganda

Kisaka and Company,

Certified Public Accountants,

Plot 77, Buganda Road

Kampala, Uganda

Head Office & Registered Office

Plot 25 Bukoto Street, Kamwokya

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facebook.com/StrommeEA

twitter.com/povertybuster

Bankers

Standard Chartered Bank, Uganda

Speke Road

P O Box 544, Kampala.

Uganda, East Africa

–

Centenary Bank

Plot 44-46 Kampala Road

& 2Burton Street, Mapeera House

P.O.Box 1892,

Kampala,Uganda

–

KCB Bank Tanzania

Oyster Bay

Harambee Plaza

A.H.Mwinyi Road/Kaunda Drive,

P.O. Box 804

DaresSalaam, Tanzania

Solicitors

TRIPPLEOKLAW

Advocates,

ACK Garden House, 5th Floor, Wing C

First Ngong Avenue, off Bishops Road,

P. O. Box 43170 - 00100,

Nairobi, Kenya

–

Nambogo &Company Advocates

Park Royal, Fourth Floor Suite B4

Plot 26, Buganda Road

P.O. Box 9071

Kampala

–

CRB AFRICA LEGAL

Advocates, Notaries Public,

Commissioners for Oaths and

Corporate Law Consultants

Plot No. 60 Ursino Street,

Regent Estate,

P.O. Box 79958

Dar es Salaam, Tanzania



Word from our Board

Priscilla Mirembe Serukka
Chairperson, Board of Directors

I am delighted to present SMF EA Ltd.'s annual report for the year ended 31 December 2016.

The financial year 2016 marked our 3rd year of implementing the Strategic Plan for the Company 2014-2018. There are many reasons why we are glad in terms of progress and achievements and the Board of Directors firmly believes that we have the right team coupled with the right strategy to deliver the long-term performance our shareholders and other stakeholders expect and deserve from us.

On behalf of the shareholders and the Board, I thank all Partners of SMF EA Ltd for their dedicated innovative approaches that have enabled the Company to register positive results.

Great appreciation goes to all funding partners that enabled the Company to access additional funding during the period. In 2016, the Company was able to raise a total of Ugx 9.85 billion (USD 2,690,412) from Stromme Microfinance AS, Centenary Bank Ltd and Grameen Credit Agricole to grow its business. In addition to borrowings, the Company also received Ugx 155 million (USD 42,350) in form of grants from Stromme Foundation that enabled the Company to extend innovative non-financial services to partner institutions in the region.

In pursuit of its Social mission and continuous evaluation of registered progress and achievement, the Company successfully reviewed its Social Performance Management (SPM) policy, set up a Board SPM committee and developed social indicators. The Company also incorporated the SPI4 social audit tool in

its investment assessments for further understanding of its partner's social performance focus and practices. In 2017, we shall operationalise the Board Social Performance Management (SPM) committee and carry out a social rating to further assess our progress on social performance.

Strategic Focus

As clearly outlined in the Company's Strategic Plan, our strategy still hinges on ensuring that more enterprising poor people are financially included and also have access to non-financial services. The strategy shall continue to broadly focus on;

1. Grow and increase outreach through the Partner MFIs;
2. Deliberately work with small and emerging institutions;
3. Promote Social Performance Management and
4. Ensure that the required resources are available to implement the planned intervention.

Performance of 2016

Undoubtedly, 2016 was rather a difficult year seeing a rise in interest rates, slackening economy and rising non-performing loans in the microfinance/banking industry. Despite the macroeconomic conditions in the region, there were specific challenges with the Kenyan market due to the interest cap regulation in addition to partner MFI related challenges that led to low asset quality. Despite the above, we registered great progress and achievements in 2016.

32%

Interest Income Growth

13.6%

Profit Before Tax Growth

45%

Loan Portfolio Growth

9.85^{bn}

Raised to grow business

The Company registered a growth in Loan portfolio by 45%, interest income by 32% and Profit before tax by 13.6%. Due to higher corporation tax expense, the Company made total profits after tax amounting to Ugx 659 million (USD 180,258) as at 31 December 2016 compared to Ugx 1.09 billion (USD 297,066) in the year 2015.

Outlook

Looking ahead, the Board is confident that SMF EA Ltd.'s leadership, strategy and people will facilitate its continued growth and development for the benefit of all its stakeholders. We are optimistic that the year 2017 shall achieve better results for the Company.

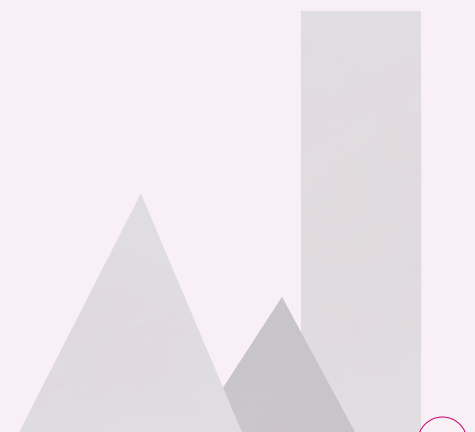
In line with the Vision and strategic focus the following activities will be key in 2017:

1. Undertake an external Board evaluation by the Institute of Corporate Governance of Kenya.
2. Promoting decent living through provision of the housing microfinance loan facilities.
3. Raising awareness and training in basic housing construction through dramatized radio skits.
4. Promoting food security and healthy living, through provision of agriculture value chain credit lines.
5. Implementation of the agriculture financing strategy.
6. Identify likeminded partners/stake holders for Debt and Equity funding.
7. Evolution of a new business strategy.

The Company shall keep reviewing its products to provide more client centric products that can lead to accelerated growth and improvement in financial inclusion of our target group.

Acknowledgements

On behalf of the Board, I would like to recognise all stakeholders including our partners, shareholders, funders, networks and the regional governments, for their continued partnership and support. Of course, this would not have been possible without a dedicated team of Board of Directors for the continued oversight, management and staff for their dedication, hard work and commitment.





Word from our CEO

Harriet Mulyanti
Chief Executive Officer

On behalf of Management and staff, I am delighted to present the SMF EA Ltd Annual Report for 2016. It's always exciting as we account to the greater audience for the achievements registered within the year and progressive growth towards attaining our key objectives in the 2014-2018 Strategic Plan.

We appreciate the role of all our Partners, Board, shareholders, staff and other stakeholders that have contributed to the attained results. This gives us confidence that when we work together a lot can be attained and call for more in the coming year 2017.

Social Performance

In 2016, SMF EA Ltd through its support to 23 Partners, in Kenya, Tanzania and Uganda reached out to 1.99 million partner clients in through its financial and non-financial services. Out of the partner clients reached, 783,847 clients were able to access credit facilities of whom, 72% were female and 28% were male. Partner institutions were also able to avail partner clients with other financial services that included savings, money transfers, and Financial literacy trainings.

During the year, Partner Institutions were able to have more concertation of their services in rural areas as represented by 61% of the Partner's geographical locations being in rural areas and 39% of partner locations being in urban areas.

Performance

SMF EA Ltd.'s statement of Financial position showed a 29% growth in assets totalling to Ugx 49 billion (USD 13.39 million); compared to the year 2015 of Ugx 38.35 billion (USD 10.48 million).

The growth was primarily due to registered increase in loan portfolio which comprises 95.7% of the total assets.

Liabilities grew by 55% from Ugx 17.66 billion (USD 4.83 million) in 2015 to Ugx 27.39 billion (USD 7.48 million) in 2016 mainly due to increased borrowings to meet partner institutions' needs.

Shareholder's Equity on the other hand increased by 3.51% from Ugx 20.95 billion (USD 5.72 million) in 2015 to Ugx 21.61 billion (USD 5.9 million) in 2016 as a result of the Company's profitability.

We are glad to report that the Company still made profits after tax amounting to Ugx 659 million (USD 180,258) as at 31 December 2016 compared to Ugx 1.09 billion (USD 297,066) in the year 2015 despite the macroeconomic and country specific challenges outlined in the Chairperson's statement.

23

Partners in Kenya, Tanzania and Uganda

780k+

Clients accessed credit facilities

61%

of Partner's locations in rural areas

2.02^{bn}

Profits before tax in UGX.

659^m

Profits after tax in UGX.

29%

Growth in assets

21^{bn}

Shareholder's Equity in UGX.



Highlights Of 2017

In addition to the Chairpersons outlook statement, the Company will pursue the following in 2017:

1. Implementation of the Agricultural strategy by working with potential and existing strategic Partners in the sector.
2. Scaling up products where SMF EA Limited has a competitive advantage like Housing Microfinance product and also promoting savings interventions. This will be done through financial literacy by continuing with the Housing Construction Technical assistance radio drama skits programs.
3. SMFEA Limited to comply with the Tier 1V Microfinance Institutions and Money Lender's Act 2016.
4. Undertake a comprehensive rating for financial and social performance of the Company.
5. Increase the Company's portfolio to Ugx 58.8 billion (USD 16.03 million) by December 2017, from Ugx. 47.9 billion (USD 13.05 million) as at 31 December 2016.
6. Raise a total funding of Ugx. 19.3 billion (USD 5.26 million) in debt and equity to support the planned activities.
7. SMF EA Ltd remains committed to contributing to the vision of "A World free from Poverty" through improving the lives of the enterprising poor in the East Africa region.



Edith Kaijamurumbi, Kigezi, Masindi District, Uganda a client of ENCOT improved her standards of living through a housing loan.

Corporate Profile

In 33 words

Stromme Microfinance East Africa Limited (SMF EA Ltd) is a wholesale lending Company incorporated in Uganda in 2004 to provide financial and capacity building services to microfinance institutions in the East African region.



A world free from poverty

Our Vision

Mission

To provide, on a sustainable basis, market responsive, financial services and capacity building support to financial and business service providers to enhance access to financial services by the enterprising poor in the East Africa region.

Values

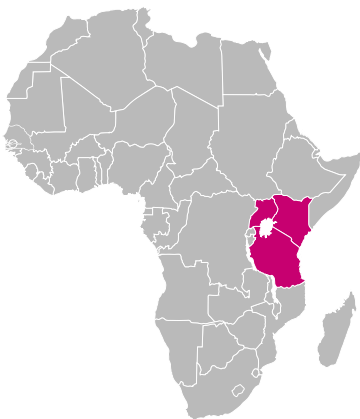
Dignity - We believe in all people realizing their rights, respect and healthy self-esteem.

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

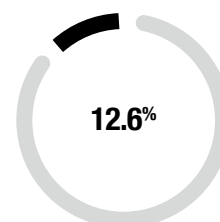
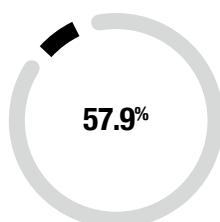
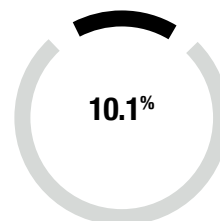
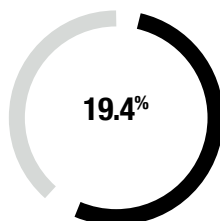
Solidarity - We empathically identify ourselves with the plight of marginalised and discriminated groups.

Our Shareholders

SMF EA Ltd is owned by Stromme Microfinance AS (SMF AS) in Norway, Stromme Foundation Uganda, Solidarite Internationale pour le Developpement et l'Investissement (SIDI) in France and Catholic Organisation for Relief and Development Aid (Cordaid) in Netherlands.



The operations of SMF EA Ltd cover the countries of Uganda, Kenya, and Tanzania.



Products & Services

SMF EA Ltd has developed a number of products and services.



Institutional Housing Microfinance Loan

These loans are extended to partners for purposes of catalysing lending operations to provide funding for decent housing facilities on the menu offered to their clients.



Institutional Agriculture Loan

These loans are extended to partners for purposes of catalysing lending operations to provide funding for Agriculture value chain financing that aim to serve small holder farmers.



Institutional Business Loan

These are general loans extended to partners for purposes of growing all other products offered targeting the poor.



Institutional Development Loan

These loans are extended to potential and existing MFI partners for purposes of procurement of vital assets which involve large outflows of financial resources without stretching the finances that would otherwise have been used to finance their loan portfolios



Capacity Building Support

This is a service availed to partner institutions in form of grants. It includes support in form of training, purchase of equipment, payment for consultancies in conducting institutional assessments, assisting institutions deal with relevant issues such as product development, system enhancements, development of policy and procedure manuals and many others.

Corporate Governance

Good Corporate Governance has continued to be a priority for Stromme Microfinance East Africa Limited and a key to the Company's success.



The Board has established a system of best practices in corporate governance and a framework that is based on an effective independent Board, the separation of the Board's supervisory role from the executive management and the constitution of Board committees generally comprising a majority of non-executive directors and chaired by non-executive directors to oversee critical areas.

The Board has continued subjecting itself to continual assessment, review and improvement in order to serve the best interests of shareholders and taking into account the interests of all stakeholders and promote the highest standards of ethical behaviour and risk management at every level of the organisation.

Board of Directors

The institution has a broad-based Board of Directors. The Board functions as a full Board and through various committees constituted to oversee specific operational areas.

The Board has constituted five committees comprising non-executive directors which meet on a quarterly basis. These include the Executive Committee, Finance Sub Committee, the Audit Sub Committee, the extra ordinary Sub Committee of Local Directors and Operations Committee. As at 31 December 2016, the Board of Directors consisted of 8 members.

The present membership of the Board comprises of shareholder representatives and independent Directors as shown on the following page.

Our Board of Directors



Mrs. Priscilla M. Serukka
Chairperson



Mr. Edward Sekabanja
Director
Representative of SF



Mrs. Aasa Sildnes
Director
Representative of SMF AS



Mr. Quentin Lecuyer
Director
Representative of SIDI



Mr. Bjorn Stian Hellgren
Director
Representative of SMF AS



Ms. Claudia Huber
Director
Representative of Cordaid



Mrs. Rosemary Kantai
Director
Independent



Dr. Oyvind Aadland
Alternate Director



Mrs. Clare Wavamunno
Director
Independent

Co-opted Board Committee Members

Retired Board Members



Mrs. Nassozi Sarah Kiwanuka
Member-Audit Committee



Mr. Ernest Sozi Sessanga
Member
Audit Committee



Mrs. Sascha Noe



Mr. Frederic Foulon



Mrs. Valentine Gitoho



Mr. Rob Brouns

Our Team



Harriet Mulyanti
Chief Executive Officer



Paul Katende
Operations Manager



Ann Rose Namatovu
Finance Manager



Christopher Luyima
Assistant Finance Manager



Joseph Odeke
Driver



Cressy Musasiizi
Investment Officer



Andrew Sooka
Investment Officer



James Tinkasimire of Kihaguzi Farmers Group, Pakanyi Sub-county got an agriculture loan through ENCOT Agriculture loans.

Social Impact



Driving Social Change

The Company is committed to causing positive changes in the lives of the enterprising poor by providing a wide range of innovative financial services for the partner institutions that will eventually meet the needs of the poor client.

Global recognition

Stromme Microfinance East Africa is a member of the Social Performance Task Force (SPTF). SPTF engages with its stakeholders to develop and promote standards and good practices for social performance management (SPM), in an effort to make financial services safer and more beneficial for clients. In 2016, we were recognized among the SPTF 215 members as having additional commitment to SPM.



Reaching more in rural areas

Partners have more concentration of their services in rural areas. As at December 2016, 61% of the Partners' geographical locations were in rural areas whereas 39% were in urban areas. This is well in line with the Company's goal of reaching more to enterprising poor in rural areas.



60% – **61%**
2015 2016

40% – **39%**
2015 2016

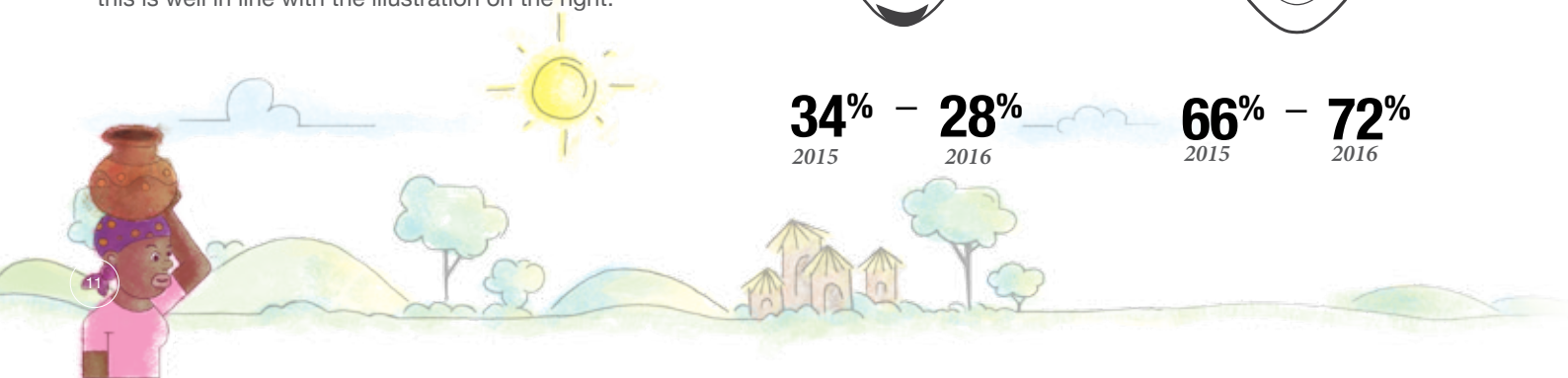
Empowering women

As compared to the year 2015, partners continued to reach out to more female clients in 2016 (72%) and this is well in line with the illustration on the right.



34% – **28%**
2015 2016

66% – **72%**
2015 2016



SPI4 Social Audit: Taking The First Step

With support from Social Performance Task Force (SPTF) through its Responsible Microfinance Facility (RMF), 56 participants (i.e. 27 Partner staff, 21 consultants and 8 SMF EA Ltd staff) were trained in the year 2016 in the use of the SPI4 social audit tool. We expect that some of the trained people and SMF EA staff will register for certification as SPI4 auditors and support more institutions.

The SPI4 is a practical tool for understanding social performance. It assesses the MFI's practices against the full set of Universal Standards. SMF EA Ltd in all its investments now places great importance to the MFIs social performance management, or how they are able to give concrete accountability to their social mission.

During the year, a SPM base line survey was successfully conducted for all partners in Tanzania using the SPI4 social Audit tool. In addition, all partners that accessed loan funding underwent an accompanied self-assessment to understand their social performance practices. Going forward, SPM action plans shall be developed with partner institutions/MFIs that receive loans to encourage them to set realistic goals in light of their expertise.

SPM Internal Review

The Company was represented in the Social Performance Task Force (SPTF) meeting that took place in Morocco in June 2016 by the Board Chairperson, Operations Manager and Finance Manager. The main themes of the meeting were: Managing outcomes, Responsive product design & delivery and Regulation for deepening design and delivery.

Lessons were picked from this meeting and the Company successfully reviewed its Social Performance Management policy, set up a Board SPM committee and developed social indicators.

The key social indicators that will be reported in the year 2017 shall include;

- 1** Financial services access by gender & age (to include youth) to both savings and credit.
- 2** Access by products (i.e. agriculture, housing and business).
- 3** Geographical spread by percentage (i.e. access by rural verses urban).

The Board is determined to ensure achievement of the Company's social mission by implementing the acceptable social performance practices. The SPM committee will start operating in 2017.



Empowering our Partners

Building Partner Capacity

The Company has special interest in developing capacity of its partners. During the year 2016, capacity building support and interventions were worth Ugx 436.17 million (USD 119,172). This comprised of grants from Stromme Foundation and utilization of part of the Company's internally generated revenue. The specific value addition to partner institutions through the capacity building support during the period included;



13 partner staff from ECLOF-Kenya, Letshego Kenya and BIMAS Kenya received training in **Corporate Governance and Strategic leadership** that was organized by the Association of Microfinance Institutions of Kenya (AMFI-K). This is part of SMF EA Ltd.'s strategy of promoting good corporate governance principles in Partner institutions to enable them to manage institutions professionally. In addition, it's also support to the network associations to promote and deliver on the best practices within the sector of the specific Country.



9 partner staff from YETU Plc (Tanzania), ECLOF- Tanzania, Mwangi Community Bank (Tanzania) and PRIDE Tanzania were supported through **mentoring and coaching program** with Pride Microfinance Deposit taking institution. This is a Peer to Peer learning opportunity that forms a key aspect of SMF EA Ltd.'s strategy towards supporting of emerging partner institutions to enable them to manage their institutions much better.



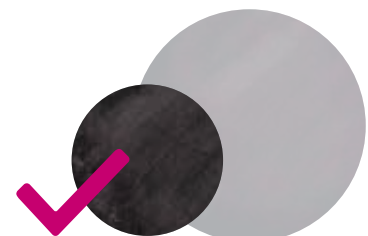
14 partner staff of KEDEP (U) Ltd in Uganda were trained in **branch supervision and credit management** to enable them to acquire the relevant skills. Through this intervention we have seen the portfolio quality of the organisation improving for the period.



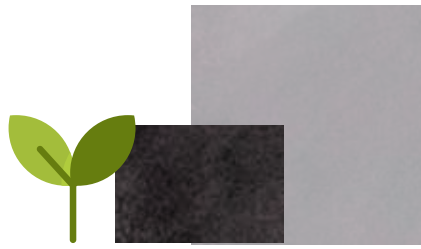
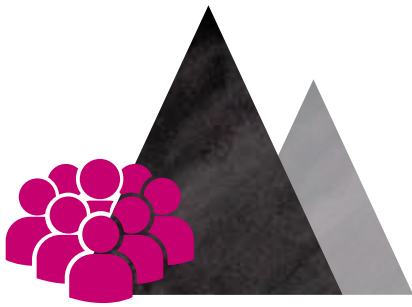
Uganda Microcredit Foundation Limited (UMF) was supported to undertake **product costing and pricing**. This was purposely to enable the institution to ensure proper pricing of its various products a key component to the Client protection principles.



Further to interventions of scaling up financial knowledge to the partner clients about decent housing needs, CBS Radio was contracted to air **an interactive radio drama program** on construction technical assistance and related financial knowledge on housing.



The Company undertook an internal review assessment to assess its progress towards **economic inclusion**. The major aim was to enable it to improve its economic impact and come up with better ways of reaching out to the poor people.



With support from Stromme Foundation, the Company successfully completed the formation of 3 Community Managed Micro Finance Saccos i.e. CBS PEWOSA Sacco in Uganda, WAHI Financial Services Ltd in Tanzania and COVOID Sacco in Uganda. Formation was successful and those that will be able to implement recommendations shall continue to be supported.

In collaboration with Finance Access, HOFOKAM Ltd was supported to refine its agricultural loan product to align it to value chain financing. In addition, HOFOKAM was able to successfully develop an Agricultural strategy.

Networking

SMF EA Ltd continued its support to the Microfinance industry by working closely with practitioner networks of Tanzania, Uganda and Kenya.

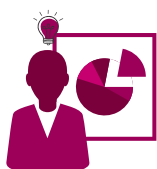
The Company is a member of International Network Organization including SEEP, INAISE, SPTF and European Microfinance Platform.



There was continued information sharing in the region where the Company continued engaging in the wholesaler's network meetings in Kenya. These meetings are still beneficial to enable the Company to keep abreast of the regional microfinance practices.



To ensure continued networking and marketing of the Company's products and services, the Company supported the Tanzania Association of Microfinance institutions (TAMFI) to organise the 2nd East African Summit that took place between 2nd to 4th November 2016 at the Julius Nyerere International Convention Centre (JNICC), Dar es Salaam where the Company was fully represented and potential partners were engaged.



An exposure visit was undertaken by SMF EA Ltd staff and Board Chairperson to Farm Concern International in Kenya to learn better ways of implementing value chain financing.



Performance

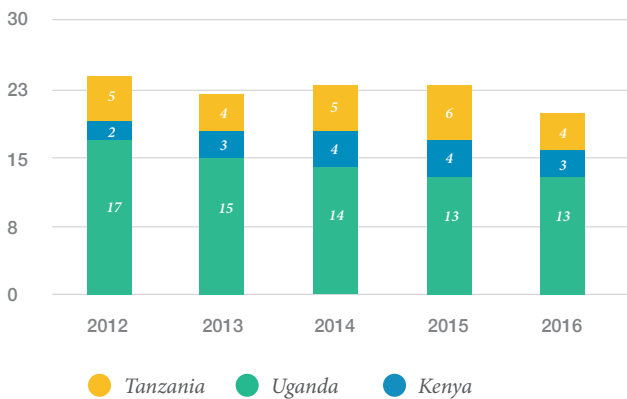
We registered a growth in Loan portfolio by 45%, Interest Income by 32% and Profit before tax by 13.6%. 2016 was characterized by the following challenges:

- 1 The macroeconomic conditions in the region i.e. high inflation rates, high interest rates and (foreign exchange) rates which affected the Company's operational plan and hence affecting the financial results.
- 2 The Kenyan market due to the interest cap regulation and hence failure to achieve its planned target for partnerships. This will also affect the anticipated growth in 2017.
- 3 Default by one of its partners hence leading to the low asset quality as at end of year 2016 at 7.36% which affected the Company's profitability.

Financial Highlights

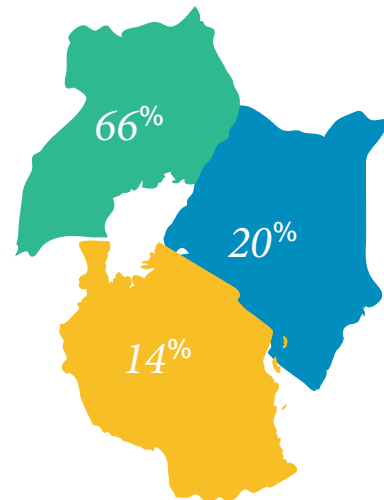
Supported Microfinance Partners per Country

SMF EA Ltd provided financial and non-financial services to 23 Partners during the year although the year ended with 20 Microfinance partners having outstanding loans i.e. Uganda (13), Kenya (3) and Tanzania (4).



Loan Portfolio Distribution by Country

The figure below shows the loan portfolio distribution by Country and by product type as at December 2016. The biggest portfolio concentration was in Uganda (66%), followed by Kenya (20%) and Tanzania (14%).



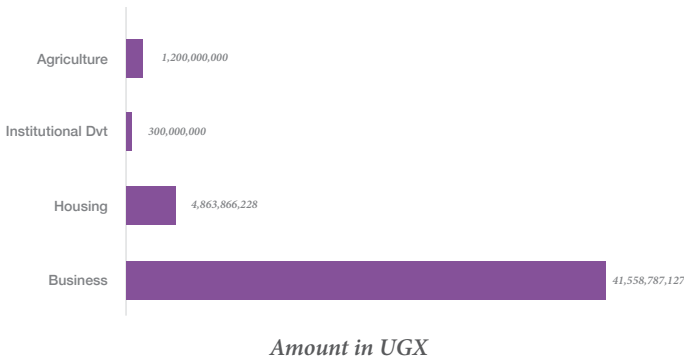
Loan Portfolio Volume and Quality

The Company registered a 45.3% increase in gross loan portfolio from Ugx 32.98bn (USD 9M) as at December 2015 to Ugx 47.9bn (USD 13.1M) as at December 2016. The Figure adjacent shows the trend in gross loan portfolio over the period 2012-2016. Portfolio quality as measured by portfolio at risk (>30 days) slightly deteriorated from 0% in 2015 to 7.4% as at December 2016 as a result of one partner that experienced some challenges during the year.



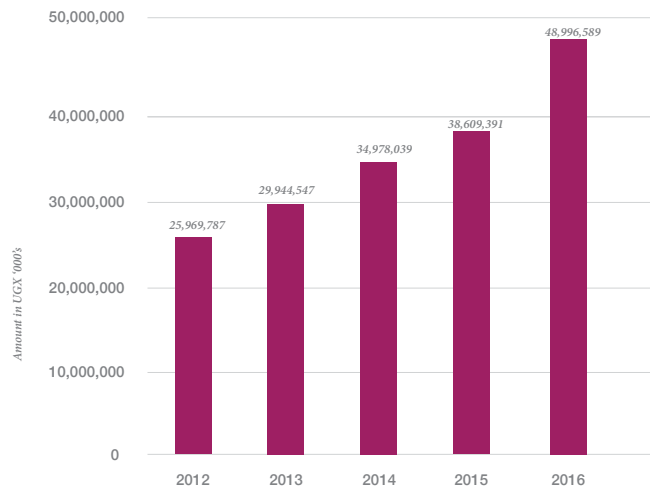
Loan Portfolio Distribution by Product

As at December 2016, the Company's loan portfolio was split into all products i.e. the Institutional business loan (87%), Institutional Housing loan (10%), Institutional Development loan (1%) and Institutional Agriculture Loan (2%) as illustrated below



Total Assets

Total assets increased by 29% from Ugx 38.35 billion (USD 10.48 million) in 2015 to Ugx 49 billion (USD 13.39 million) as at December 2016. The increase was mainly due to increase in loan portfolio.



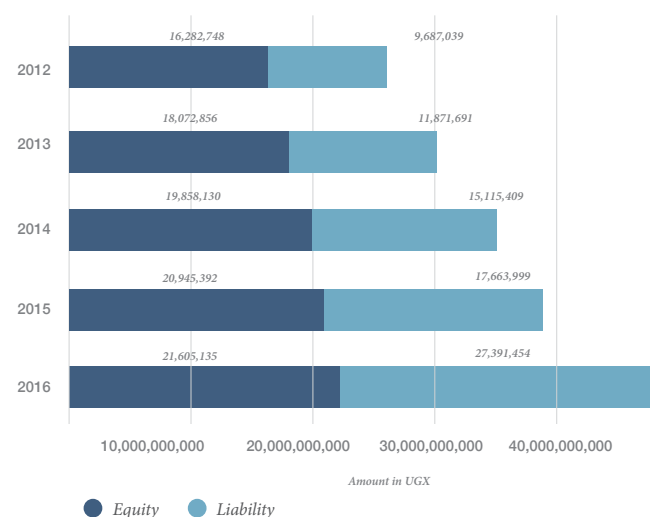
Profits

The Company made total profits before tax of Ugx 2.02 billion (USD 552,742) and after tax amounting to Ugx 659 million (USD 180,258) as at 31 December 2016 compared to Ugx 1.78 billion (USD 486,560) and Ugx 1.09 billion (USD 297,066) respectively in the year 2015. The drop in profitability was mainly attributed to higher loan loss provision expense, corporation tax expense and financing costs registered in 2016. The Figure below provides the trends for the years 2012 to 2016.



Equity and Liabilities

Total Liabilities increased by 55% from Ugx 17.66 billion (USD 4.83 million) as at 31 December 2015 to Ugx 27.39 billion (USD 7.48 million) as at 31 December 2016. Increase in liabilities was mainly due to accessing more loans for on-lending to partner institutions. Equity increased by 3.15% from Ugx. 20.95 billion (USD 5.72 million) as at 31 December 2015 to Ugx 21.61 billion (USD 5.9 million) as at 31 December 2016. Increase in equity was as a result of the profitability of the Company.




APPENDIX I:
SMF EA LTD FINANCIAL STATEMENTS 2016

STROMME MICROFINANCE EAST AFRICA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	2016	2015
	Ushs'000	Ushs'000
ASSETS		
Cash and cash balances	852,519	1,782,105
Deposits with other financial institutions	519,194	2,713,443
Investments	7,650	7,650
Loans and advances to customers	46,896,341	32,889,162
Other receivables	63,684	78,205
Corporation tax receivable	-	267,867
Due from related parties	224,521	220,624
Property and equipment	83,650	101,000
Intangible assets	8,018	4,204
Deferred tax asset	341,012	287,394
TOTAL ASSETS	<u>48,996,589</u>	<u>38,351,654</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Borrowings	26,281,654	16,792,198
Corporate tax payable	384,167	-
Trade and other payables	725,631	562,604
Deferred grants	-	51,460
TOTAL LIABILITIES	<u>27,391,452</u>	<u>17,406,262</u>
EQUITY		
Share capital	5,387,270	5,387,270
Share premium	9,494,644	9,494,644
Retained earnings	6,723,223	6,063,478
TOTAL SHAREHOLDERS' FUNDS	<u>21,605,137</u>	<u>20,945,392</u>
TOTAL LIABILITIES AND EQUITY	<u>48,996,589</u>	<u>38,351,654</u>

The financial statements were approved by the Board of Directors on
.....16/3..... 2017 and signed on its behalf by:-


.....
Director


.....
Director

STROMME MICROFINANCE EAST AFRICA LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 2016

	2016 Ushs'000	2015 Ushs'000
Interest income	6,431,802	4,853,751
Interest expense and fees	(2,040,602)	(1,251,217)
Net Interest Income	<u>4,391,200</u>	<u>3,602,534</u>
Fee and commission income	187,403	164,996
Other operating income	171,576	17,273
Grants for non-financial activities	206,460	479,406
Net foreign exchange gain	278,798	-
Reversal of excess loan loss provision	-	136,406
Operating Income	<u>5,235,437</u>	<u>4,400,615</u>
Administrative expenses	(697,613)	(660,964)
Expenses on non-financial activities	(436,171)	(640,345)
Staff costs	(795,437)	(733,954)
Loan loss provision	(1,283,182)	-
Net foreign exchange loss	-	(584,541)
Operating expenses	<u>(3,212,403)</u>	<u>(2,619,804)</u>
Profit before taxation	<u>2,023,034</u>	<u>1,780,811</u>
Taxation charge	(1,363,289)	(693,549)
Profit of the year	<u>659,745</u>	<u>1,087,262</u>
Other comprehensive income	-	-
Total comprehensive income	<u>659,745</u>	<u>1,087,262</u>

APPENDIX II: BIMAS KENYA PARTNERSHIP



Patrick Gathondu
Chief Executive Officer, BIMAS

*Visits by SMF EA Ltd Board
Members to BIMAS offices*

BIMAS Kenya is a micro finance institution with 24 branches and 33 field offices. Partnership with SMF EA Ltd began in the year 2012 when the first loan of Kshs 50 million (USD 492,757) was disbursed and fully paid off in the year 2015. Since then BIMAS accessed more facilities of Kshs 50 million (USD 492,757) in 2014 and Kshs 100 million (USD 985,513) that are still running to date. It has also benefited from the various Capacity building initiatives as stated by the CEO below;

“BIMAS is proud to be in partnership with SMF EA Ltd not only as a Funding institution, but more importantly as a friend who has walked with BIMAS every step, offering guidance and counsel when it is required. SMF EA Ltd has been a true partner interested in the total well-being of BIMAS. Visits by SMF EA Ltd Board Members to BIMAS offices and clients exemplified the weight of this partnership,” says Patrick Gathondu.

Value addition of Loan funding to BIMAS Kenya

According to the Chief Executive Officer, Mr. Patrick Gathondu, BIMAS Kenya has been able to achieve the following;

1. Growth in loan portfolio: Loan portfolio grew from Kshs 397 million (USD 3.91 million) in 2012 to Kshs 736 million (USD 7.25 million) as at December 2016.
2. Growth in clients served: Clients receiving loan disbursements increased from 12,916 clients in 2012 to 25,298 as at December 2016.
3. Increase in the number of offices: Number of branches increased from 26 in 2012 to 33 as at December 2016.
4. Client centric products: Diversification in product offering has taken place especially social products which currently include energy saving cook stoves, water purifiers and micro Biashara insurance product (that insures the small businesses hence guaranteeing business continuity).

Capacity Building support from Stromme

“Complementary to the business loans, BIMAS Kenya has benefited from capacity building support and technical assistance that has propelled the institution to improve its outreach and ensure its profitability and sustainability”, says Patrick Gathondu, Chief Executive Officer.

Some of the capacity building support and technical assistance that SMF EA Ltd has provided since inception of the partnership include among others;

1. Corporate Governance Training: The Board of Directors and Senior Management team have attended trainings in Corporate Governance and strategic leadership that have enabled them to manage the institution professionally and in line with acceptable corporate governance principles.
2. Staff Trainings: All Staff have had the opportunity to attend trainings organized by SMF EA Ltd that have sharpened their skills in Microfinance best practices. This has enabled BIMAS to in tandem with emerging trends.
3. ICT Support: SMF EA Ltd in conjunction with Micro Enterprises Support Programme Trust (MESPT) provided financial support to BIMAS’ ambitious ICT decentralization plan. In 2012, only two branches were able to access the core banking system and therefore services were largely centralized. To date, BIMAS has 12 branches on connectivity. This decentralization has led to increased efficiency in service delivery and customer delight.
4. Exposure Visit: BIMAS staff have been exposed both at the national and international levels and hence enabling BIMAS to benchmark with peers.

“We request SMF EA Ltd for more support in Branch renovations & branding and Micro Housing loans to offer affordable housing loans to our clients”, says Patrick Gathondu.

OUR PARTNERS

SMF EA Ltd has the honour of Partnering with the following organisations:



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