



Meru Greens employees grading and sorting French beans at the company's new factory. LAFCo closed a €650,000 loan in March, 2016 to provide working capital to source and process the beans.

LAFCo Annual Performance Report Period ending June 30th, 2016

LAFCo Annual Report:
Period ending June 30, 2016

 **LAFCo** | Lending for
African Farming

LAFCo Annual Report: Activity through June 30th, 2016

Quarterly Activity Highlights (Q4 2016)

LAFCo was launched in June, 2015 and has now transitioned from set-up phase to execution. LAFCo's fiscal year runs July through June, and in the last quarter of its first fiscal year LAFCo reached 5 agricultural enterprises, providing higher and more stable incomes to over 100,000 smallholder farmers in East and West Africa. Between April and June 2016, LAFCo reached the following key accomplishments:

- **Closed its fourth working capital loan for \$250k** to a Ghanaian cocoa trader that was founded in 2012 and operates from forty-six (46) warehouses across the areas of operation.
- **Closed its fifth working capital loan for \$1.3M** to a Ugandan cocoa exporter that sources its cocoa from approximately 5,000 farmers in southwestern Uganda.
- **Continued to build a pipeline** of domestic value chain businesses with local currency financing needs with heightened demand in Uganda and Ghana.

Other Annual Highlights

- By the first fiscal quarter, **LAFCo had selected and on-boarded the following service providers:** company manager, company consultant, fund administrator, auditor, legal counsel, and custodian bank.
- **In December 2015, LAFCo's website was launched** including a loan request form, which led to a spike in direct credit inquiries from agribusinesses across Sub-Saharan Africa.
- **LAFCo completed its first foreign currency hedge** for Meru Green's first EUR disbursement and has executed an ISDA with MFX Solutions and is in negotiations with Standard Chartered Bank to develop an ISDA.

LAFCo Lending Activity: Quarterly and Annual Review

LAFCO LENDING PERFORMANCE SUMMARY (USD)	Q4 2015	CUMULATIVE
LOANS CLOSED	3	5
LOANS APPROVED (\$000)	1,550	4,607
LOAN DISBURSEMENTS (\$000)	1,621	3,566
ENDING PORTFOLIO BALANCE (\$000)	1,877	NA
AVERAGE PORTFOLIO BALANCE (\$000)	1,330	646
AVG. BALANCE PER ACTIVE LOAN (\$000)	266	NA
PAR > 90 DAYS	0.0%	0.0%

Lending Highlights

- LAFCo closed three loans in the fourth fiscal quarter, totaling \$1.55M in approvals.
- Since inception LAFCo has disbursed \$3.55M to five clients and maintained an average portfolio balance in fiscal Q4 of \$1.330M and \$646,000 for the year.
- As of quarter-end all five loans are performing and no active loan has had its risk classification downgraded (*all loans rated current*).

LAFCo's Social Impact

- As of June 30th, 2016 LAFCo has closed loans to Gulu Agricultural Development Company (GADC), Meru Greens, Afrimac, Nhyira Dua, and Uganda Cocoa & Commodities. Collectively these five enterprises source from over 103,650 smallholder farming households, and in the last season paid a cumulative \$20M to producers. Further these businesses have created approximately 620 jobs with an additional 600+ seasonal employees during the year.
- Root Capital submitted a concept note to select and conduct deep dive impact studies with three LAFCo clients which was approved by KfW in July 2016. The studies were tentatively scheduled in Q1 & Q2 2017.

USD figures represented in (\$'000)

LAFCo Impact Metrics ¹	Cumulative
SMEs Supported ²	5
Smallholder Farmers Supported	103,650
Male	59,015
Female	44,634
Smallholder Farmers Using Agricultural Extension Services and/or Receiving Improved Inputs	86,445
Male	49,235
Female	37,210
Hectares Under Sustainable Production	111,516
Seasonal Employees	618
Jobs Created and Sustained	620
Male	366
Female	254
Total Wages Paid (\$000)	636
Payments to Producers (\$000)	20,550
	Most Recent Annual Data
EBITDA of Client SMEs (\$000)	3,400
Agricultural Sales of Client SMEs (\$000)	27,280

¹ Impact metrics reflect data from loans that have closed and client data from the previous year which Root Capital's Loan Officers collect when conducting due-diligence on each client.

² SME supported reflect loans that were closed during the period.

Balance Sheet

	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15
ASSETS				
Non-current assets				
Deferred cost	154,599	159,270	163,889	-
Current Assets				
Loan receivable				
Outstanding Principal	1,939,033	1,066,072	841,187	
Total Accrued Interest	17,397	145	-	
Syndicated Escrow Balance	2,188,442	569,012	658,813	
<i>Impairment</i>	(9,695)	(5,330)	-	
Total Loan Receivable	4,135,178	1,629,899	1,500,000	
Deferred cost	18,735	18,735	18,786	-
Receivables	19,955	176,041	13,090	-
Prepayments	150	662	875	1,342
Deferred expenses	6,160	8,365	300	-
Cash and cash equivalents	8,697,069	11,379,550	11,893,729	13,594,488
Total Current Assets	12,873,849	13,213,252	13,426,780	13,595,830
Total Assets	13,025,053	13,372,522	13,590,669	13,595,830
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	13,622,468	13,625,864	13,600,001	13,600,001
Revenue deficit	(763,912)	(623,910)	(452,032)	(310,239)
	12,861,952	13,001,954	13,147,969	13,289,762
Current Liabilities				
Accruals	12,075	12,075	10,500	6,000
Contract payable	-	151,026	-	-
Other payables	154,421	207,467	432,201	300,068
Total Current Liabilities	166,496	370,568	442,701	306,068
Total equity and liabilities	13,025,053	13,372,522	13,590,669	13,595,830

Statement of Comprehensive Income

	Quarter June 2016	Quarter March 2016	Quarter Dec 2015	Quarter Sept 2015
Revenue				
Fee Income	15,673	6,547	11,250	-
Interest Income	32,925	27,698	5,884	-
Realized gain on FX	6,819			
Gross Revenue	55,418	34,245	17,134	-
Expenses				
Fund Manager Fees				
Fixed Annual Fee	87,500	87,500	87,500	287,500
Variable Fee (% of AGL*)	1,663	1,462	101	-
Variable Fee (Per Loan)	12,000	18,000	6,000	-
Other Expenses				
Company Consultant	-	41,702	-	-
Impairment	4,365	5,330	-	-
Board and CC Expenses	26,598	26,997	42,340	6,029
Loss on FX	11,795	2,458	45	-
Administrator Fees (Axis)	6,249	8,599	9,584	5,000
DCA Origination fee	4,671	4,671	4,825	-
Audit Fees (KPMG)	-	1,575	4,500	6,000
Custodial & Bank Fees	3,228	1,509	1,264	297
Legal Counsel	7,837	5,807	2,300	1,958
FX Hedging Manager Fees	29,000	-	-	-
FSC and ROC Fees	513	513	468	1,455
Set Up Costs	-	-	-	2,000
Total Expenses	195,419	206,124	158,927	310,239
Loss Before Taxes	(140,001)	(171,878)	(141,792)	(310,239)
Taxation			-	-
Net Income	(140,001)	(171,878)	(141,792)	(310,239)

Statement of Cash Flows

	Period end 30-Jun-16
	USD
Cash flows from Operating activities	
Loss for the period	(763,911)
Adjustment for:	
Working capital changes	
(Increase)/decrease in receivables & prepayments	(199,598)
Increase/(decrease) in payables & accruals	166,496
Cash used in operations	(797,013)
Cash flows from investing activities	
Principal Outstanding	(1,939,033)
Other Receivable	(2,192,749)
	(4,131,782)
Cash flows from financing activities	
Issue of shares	13,625,864
Movements in cash & cash equivalents	8,697,069
Balance at start of the period	-
Net movement	8,697,069
Balance at end of the period	8,697,069

Disclosure

Interim financial data is deemed accurate, but is not audited. These financial statements have been prepared by Axis Fiduciary Ltd., using lending entries provided by Root Capital, Inc. Annual audited financial statements will be provided to the Board of Directors and investors. In the event of material differences, a reconciliation will also be provided.

For additional information, please go to www.lendingforafricanfarming.com or email lafco@rootcapital.org