I PROCURE LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2019

Independent Auditor

Sir Robert & Company
Certified Public Accountants
P.O. Box 9130 - 00200, Nairobi, Kenya.
www.sirrobert.org I srco@sirrobert.org

I PROCURE LIMITED

Annual report and financial statements for the year ended 31st December 2019

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CORPORATE INFORMATION

Board of Directors

Stefano Carcoforo
Nicole Galletta
Niraj Rajnikant Varia
BSP Fund LLC

Registered Office

L.R No. 209/388/4
Bemuda Plaza, off Ngong Road
P.O. Box 64460-00620
Niarobi, Kenya.

Principal Place of Business

Chalbi Drive
House No. 47, Lavington
P.O. Box 76366 - 00508
Nairobi, Kenya.

Independent Auditor

Sir Robert & Company
Certified Public Accountants
P.O. Box 9130 - 00200
Nairobi, Kenya.

Bankers

NCBA Bank Kenya Pie
Junction Mall Branch, Ngong Road
Nairobi, Kenya.

Stanbic Bank Kenya Limited
Chiromo Branch
Nairobi, Kenya.

Equity Bank Kenya Limited
Lavington Supreme Branch
Nairobi, Kenya.

Co-operative Bank of Kenya Limited
Lavington Green Mall Branch
Nairobi, Kenya.

REPORT OF THE DIRECTORS

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

Principal activity

The principal activity of the company is supply of agricultural products in rural Africa in addition to provision of business intelligence and data-driven stock management across the supply chains.

Incorporation

The company is incorporated in Kenya with Registration No. CPR/2012 /82116 under the Kenyan Companies Act, 2015, as a private company limited by shares, and is domiciled in Kenya.
The address of the registered office is set out on page 1.

Results

The results for the year are set out on page 6.

Dividends

The directors do not recommend the declaration of a dividend for the year.

Directorate

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

In accordance with the company's Articles of Association, directors are not subject to retirement by rotation.

Relevant audit information

The directors in office at the date of this report confirm that:

i) There is no relevant audit information of which the company' s auditor is unaware of; and

ii) Each director has taken all the steps that he ought to have taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Particulars of shareholding

As at year end, the following was the shareholding and distribution:

	No. of Shares		
Name	**2019**	**2018**	**Shareholding Category**
Stefano Carcoforo		700	Ordinary Shares
Nicole Galleta		700	Ordinary Shares
Abdulkadir Warsame		300	Ordinary Shares
BSP Fund LLC		1,118	Series A Redeemable Preference Shares
Novastar Ventures East Africa Fund		485	Series **B** Redeemable Preference Shares
Zindua Trust		85	Series **B** Redeemable Preference Shares
Fortem Holdings	1,700		Ordinary Shares
Fortem Holdings	1,118		Series A Redeemable Preference Shares
Fortem Holdings	570		Series B Redeemable Preference Shares
Fortem Holdings	8,553		Series D Redeemable Preference Shares
	11,941	3,388	

Independent Auditor

Messrs Sir Robert & Company, Certified Public Accountants , have expressed their willingness to continue in office in accordance with Section 719 of the Kenyan Companies Act, 2015.

Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on ....

By Order of the Board

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Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors further accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

They also accept responsibility for:

i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement whether due to fraud

ii) selecting suitable accounting policies and applying them consistently; and

iii) making accounting estimates and judgements that are reasonable in the circumstances .

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

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

Approved by **the** board of directors on ..?J·f ..P:o.4.C>...................... and signed on its behalf by:

....

Director Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Note	2019 Kshs	2018 Kshs
Revenue	6	686,693,451	240,177,168
Cost of sales	7	{615,045,2562	{218 , 0 49,1692
Gross profit		71,648,195	22,127,999
Other income	8	174,099	3,565,558
Direct costs	9	(72,966,160)	(33,391,781)
Operating expenses	10	(181,343,577)	(118,892,303)
Loss from operations		(182,487,443)	(126,590,526)
Finance income/(costs)	11	(9,200,039)	920,699
Loss before taxation	12	(191,687,482)	(125,669,827)
Income tax	13 (a)	52,432,910	36,935,079
Net loss for the year		{139,254,572 2	{88,734,7482

<u>Loss for the year attributable to:</u>

	2019	2018
Owners/Ordinary shareholders of the company	(139,254,572)	(88,734,748)

I PROCURE LIMITED

Annual report and financial statements for the year ended 31st December 2019

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019

Assets		**2019**	**2018**
Non-current assets	**Note**	**Kshs**	**Kshs**
Property and equipment	14	57,027,964	31,169,783
Intangible assets	15	1,210,285	769,419
Deferred tax	16	108,174,874	55,741,964
		166,413,123	87,681,166
Current assets			
Inventories	17	55,706,428	36,904,564
Trade and other receivables	18	78,122,322	31,766,649
Cash and cash equivalents	19	15,037,334	41,155,974
		148,866,084	109,827,187
Total assets		315,279,207	197,508,353
REPRESENTED BY:			
Equity			
Ordinary share capital	20	170,000	170,000
Redeemable preference share capital	20	1,024,100	168,800
Share premium	20	327,138,632	125,320,932
Revenue reserve	(Page 8)	(273,363,896)	(134,109,324)
		54,968,836	(8,449,592)
Non-current liabilities			
Borrowings	21	163,582,650	150,499,747
Current liabilities			
Borrowings	21	14,871,150	13,681,795
Trade and other payables	22	81,856,571	41,776,403
		96,727,721	55,458,198
Total equity and liabilities		315,279,207	197,508,353

The financial statements on pages 6 to 27 were approved by the board of directors for issue on

[illegible] .... and signed on its behalf by:

....
Director

Director

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

	Ordinary Share Capital	Preference Share Capital	Share premium	Revenue Reserve	Total
Year ended 31st December 2019	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
At 1st January 2019	170,000	168,800	125,320,932	(134,109,324)	(8,449,592)
Net loss for the year				(139,254,572)	(139,254,572)
Issue of shares for cash	-	855,300	201,817,700		202,673,000
At 31st December 2019	170,000	1,024,100	327,138,632	(273,363,896)	54,968,836
Year ended 31st December 2018					
At 1st January 2018	170,000	168,800	125,320,932	(45,374,575)	80,285,157
Net loss for the year				(88,734,748)	(88,734,748)
At 31st December 2018	170,000	168,800	125,320,932	(134,109,324)	(8,449,591)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Note	2019 Kshs	2018 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year before taxation		(191,687,482)	(125,669,827)
Adjustment for:			
Depreciation of property and equipment		10,404,043	7,910,040
Amortisation of intangible asset		275,554	712,586
Interest expense		10,176,324	2,475,488
Interest income		(174,099)	(107,438)
Foreign exchange loss on borrowings		(976,285)	(3,396,571)
Foreign exchange adjustments to cash and cash equivalents		542,555	2,345,437
Cash used in operations		(171,439,391)	(115,730,285)
Tax paid		(544,547)	(310,678)
Interest paid		(10,176,324)	(2,475,488)
Interest received		174,099	107,438
Operating loss before working capital changes		(181,986,163)	(118,409,013)
Changes in working capital			
Increase in inventories		(18,801,864)	(19,461,658)
Increase in trade and other receivables		(45,811,126)	(3,841,618)
Increase in trade and other payables		40,080,168	31,157,888
Net cash used in operating activities		(206,518,984)	(110,554,401)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(36,262,223)	(36,063,770)
Purchase of intangible assets		(716,419)	(801,500)
Net cash used in investing activities		(36,978,642)	(36,865,270)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of redeemable preference shares		202,673,000	-
Proceeds from borrowings		35,126,000	147,390,114
Repayment of borrowings		(19,877,460)	-
Net cash generated from financing activities		217,921,540	147,390,114
Net increase/(decrease) in cash and cash equivalents		(25,576,086)	(29,557)
Cash and cash equivalents at the beginning of the year		41,155,974	43,530,968
Foreign exchange adjustments to cash and cash equivalents		(542,555)	(2,345,437)
Cash and cash equivalents at the end of the year	19	15,037,334	41,155,974

NOTES TO THE FINANCIAL STATEMENTS

1. General information

I Procure Limited is a company incorporated in Kenya under the Kenyan Companies Act, 2015, as a private company limited by shares, and is domiciled in Kenya. The address of its registered office and principal place of business is as stated on page 1.

The principal activity of the company is supply of agricultural products in rural Africa in addition to provision of business intelligence and data-driven stock management across the supply chains.

2. Basis of preparation and summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of preparation

These financial statements have been prepared on a going concern basis and in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). They are presented in Kenya Shillings (Kshs), which is also the functional currency.

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements comprise of statement of profit or loss and other comprehensive income (profit and loss account), statement of financial position, (balance sheet), statement of changes in equity, statement of cash flows and the notes there on.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. It also requires the directors to exercise judgements in the process of applying the accounting policies adopted by the company. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the period in which the revision is made. Transactions with the directors of the company in their capacity as the owners are recognised in the directors' account.

b) New and revised standards

i) New and revised standards and interpretations which have been issued but are not yet effective

At the date of authorisation of these financial statements, the following revised standards and interpretations were in issue but not yet effective.

The Directors do not plan to apply any of the below until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

- ***Definition of a Business – Amendments to IFRS 3***

  The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

  The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

  The amendment is effective for annual periods beginning on or after 1st January 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of preparation and summary of significant accounting policies (Continued)

i) New and revised standards and interpretations which have been issued but are not yet effective

- ***Definition of Material – Amendments to IAS 1 and IAS 8***
  The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:
  – that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
  – the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendment is effective for annual periods beginning on or after 1st January 2020.

- ***Revised Conceptual Framework for Financial Reporting***
  The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
  – increasing the prominence of stewardship in the objective of financial reporting
  – reinstating prudence as a component of neutrality
  – defining a reporting entity, which may be a legal entity, or a portion of an entity
  – revising the definitions of an asset and a liability
  – removing the probability threshold for recognition and adding guidance on derecognition
  – adding guidance on different measurement basis, and
  – stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.
  No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

- ***Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28***
  The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).
  Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. The application date of this amendment is deferred until such a time when IASB finalises its research project on the equity method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of preparation and summary of significant accounting policies (Continued)

ii) Adoption of new and revised International Financial Reporting Standards (IFRS)

A number of new standards, interpretations and amendments effective for the first time for periods beginning on (or after) 1st January 2019, have been adopted by the company in these financial statements where applicable.

- ***Plan Amendment, Curtailment or Settlement – Amendments to IAS 19***

  The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must :
  – calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
  – recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling
  – separately recognise any changes in the asset ceiling through other comprehensive income.The interpretation is effective for annual periods beginning on or after 1st January 2019.

- ***IFRIC 23 Uncertainty over Income Tax Treatments***

  The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: whether tax treatments should be considered collectively, assumptions for taxation authorities' examinations, determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and effect of changes in facts and circumstances. The interpretation is effective for annual periods beginning on or after 1st January 2019.

- ***IFRS 16 - Leases***

  Issued in January 2016, the standard introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The standard is effective for annual periods beginning on or after 1st January 2019.

- ***Annual Improvements to IFRS Standards 2015–2017 Cycle***

  Makes amendments to the following standards:
  IFRS 3 - the amendments clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

  IFRS 11 - the amendments clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

  IAS 12 - the amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
  IAS 23 - the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.
  The amendments are effective for annual periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of preparation and summary of significant accounting policies (Continued)

c) ***Revenue recognition***

Revenue from is recognised when the goods are delivered and title has passed. Revenue from sale of related services is recognized upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and sales taxes.

d) ***Grants and donations***

Grants and donations are recognised when received.

e) ***Translation of foreign currencies***

All transactions in foreign currencies are initially recorded in Kenya Shillings, using the spot rate at the date of the transaction. Foreign currency monetary items at the balance sheet date are translated using the closing rate. All exchange differences arising on settlement or translation are recognised in the statement of profit or loss and other comprehensive income in the year to which they relate.

f) ***Income tax***

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

Income tax credit on the statement of profit or loss and other comprehensive income represents deferred tax and income on the statement of finacial position represent current tax recoverable. The income tax credit is based on taxable loss realised during the year, adjusted and determined in accordance with the Income Tax Act Cap. 470 of the laws of Kenya.

Deferred income tax is provided under the liability method and is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences).

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in the statement of profit or loss and other comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted currently at 30%.

g) ***Share capital***

Ordinary shares are classified as 'share capital' in equity. Ordinary shares represent the residual economic value of the company. They carry rights to distribution of profits through dividends, to the surplus assets of a company on a winding up and to votes at general meetings of the company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of preparation and summary of significant accounting policies (Continued)

g) *Share capital*

The preference shares are redeemable in part or whole at the option of the company and exhibit all the characteristics of equity as there is no present obligation to transfer assets to the holder.

h) *Property and equipment*

Property and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate
Computer equipment	30%
Motor vehicles	25%
Furniture and fittings	12.5%
Office equipment	12.5%

Property and equipment is periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Repairs and maintenance on property and equipment is charged to the profit and loss account in the year to which it relates.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit or loss. Subsequent costs are included in the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

i) *Intangible assets*

Intangible assets comprise of computer software that is initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to write down the cost of the software to its residual value over its estimated useful life using an annual rate of 20%.

j) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

k) *Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand and cash at bank, net of bank overdrafts if any. In the statement of financial position, bank overdrafts are included as borrowings under current liabilities.

l) *Impairment of non-financial assets*

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of affected asset (or group of related assets) is estimated and compared with its carrying amount.

If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of preparation and summary of significant accounting policies (Continued)

m) Retirement benefit obligations

The company and the employees contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they relate.

n) Provision for liabilities and charges

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

o) Borrowing costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. All other borrowing costs are recognised in the profit or loss in the year in which they are incurred.

p) Financial assets

The company classifies its financial assets in the category of financial instruments. Financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale. Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the proft and loss account. Changes in fair value of financial assets at fair value through profit or loss are recognised in the profit and loss account.

Financial assets are classified as non-current except financial assets at fair value through profit or loss, those with maturities of less than 12 months from the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets. Financial assets are derecognised when the rights to receive cashflows from the investments have expired or the company has transferred substantially all risks and rewards of ownership.

At the end of each reporting period, the directors assesses whether there is objective evidence that other financial assets are impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Trade and other receivables are initially recognised at the transaction price. Sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss account. Trade and other receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

q) Financial liabilities

The company classifies its financial assets in the category of financial instruments. Financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit and loss account. Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

q) ***Financial liabilities (Continued)***

Financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the company's normal operating cycle, those payable or expected to be paid within 12 months from the balance sheet date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or through expiry.

Trade and other payables are initially recognised at the transaction price. Trade payables are obligations on the basis of normal credit terms and do not bear interest.

Borrowings and trade and other liabilities are classified as financial liabilities by the directors and are carried at amortised cost. Interest bearing loans, bank loans and overdrafts are recorded at the proceeds received, net of direct costs. Finance charges including premiums payable on settlement are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Interest expense is recognised on the basis of the effective interest method and is included under finance costs.

r) ***Offsetting***

Financial assets and liabilities are offset and the the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

s) ***Comparatives***

Where necessary, comparative figures have been changed to conform to changes in presentation in the current year.

3. Financial risk management objectives and policies

a) ***Financial risk management***

The business activities exposes the company to a variety of financial risks, which include credit risk, liquidity risk, interest rate risk and effects of changing prices. The company's overall risk management programme focuses on the acceptable level of risk and the unpredictability of the changes in the business environment and seeks to minimize potential adverse effects on its financial performance. The company does not hedge against any risks. Financial risk management is carried out by the management under the policies approved by the board of directors.

i) ***Credit risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking in to account the financial position, past experience and other relevant factors and available customer information. Credit risk is managed by setting the credit limit and the credit period for each customer.The utilisation of the credit limits and the credit period is monitored by the management on a monthly basis.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

a) Financial risk management (Continued)

The maximum exposure of the company to credit risk as at the balance sheet date is as follows:

Year ended 31st December 2019	Fully performing Kshs	Past due but not impaired Kshs	Past due & impaired Kshs	Total Kshs
Trade receivables	3,966,240	43,165,074	5,535,655	52,666,970
Other receivables	30,991,008	-	-	30,991,008
Cash and cash equivalents	15,037,334	-	-	15,037,334
Gross financial assets	49,994,582	43,165,074	5,535,655	98,695,312
Year ended 31st December 2018				
Trade receivables	1,468,270	8,953,773	-	10,422,043
Other receivables	21,344,607	-	-	21,344,607
Cash and cash equivalents	41,155,974	-	-	41,155,974
Gross financial assets	63,968,850	8,953,773	-	72,922,623

The ageing analysis of trade receivables is as analysed follows:

	2019 Kshs	2018 Kshs
Not past due	3,198,780	1,168,839
Past due 0-30 days	767,460	299,430
Past due 31-60 days	9,464,762	888,458
Past due 61-90 days	31,987,995	1,687,277
Past due more than 90 days	7,247,973	6,378,037
	52,666,970	10,422,043

Past due trade receivables are not impaired and continue to be paid. The company does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up on recoverly of past due receivables.

ii) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities.

The directors have developed a risk management framework for the management of the company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due.

The company manages liquidity risk by continuously reviewing forecasts and actual cashflows, and maintaining banking facilities to cover any shortfalls.

The table below summarises the ageing analysis of financial liabilities.

Year ended 31st December 2019	Less than one month Kshs	Between 2-3 months Kshs	Between 4-12 months Kshs	Over one year Kshs
Trade and other payables	21,279,296	42,101,851	6,498,881	2,424,829
Borrowings	-	-	70,935,550	107,518,250
Gross financial liabilities	21,279,296	42,101,851	77,434,430	109,943,079

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

a) Financial risk management (Continued)

ii) Liquidity risk

Year ended 31st December 2018	Less than one month Kshs	Between 2-3 months Kshs	Between 4-12 months Kshs	Over one year Kshs
Trade and other payables	13,919,518	26,205,014	1,026,617	625,254
Borrowings	-	50,707,800	93,596,284	19,877,458
Gross financial liabilities	13,919,518	76,912,814	94,622,902	20,502,712

iii) Market risk

Market risk is the risk that the fair value or future cashflows of financial instruments will fluctuate because of changes in market price and comprises currency risk and interest rate risk.

a) Currency risk

Currency risk arises on financial instruments that are denominated in foreign currency. The company has financial instruments denominated in foreign currency as follows:

Year ended 31st December 2019		
Foreign Currency	**USD**	**EUR**
Amount in reporting currency	**Kshs**	**Kshs**
Cash at bank	2,271,405	115,422
Trade and other payables	(111,727)	-
Borrowings	(324,276,800)	(56,850,000)
Net exposure	(322,117,122)	(56,734,578)
Amount in original currency	**USD**	**EUR**
Cash at bank	22,102	991
Trade and other payables	(1,103)	-
Borrowings	(3,200,000)	(500,000)
Net exposure	(3,179,000)	(499,009)
Year ended 31st Dec. 2018		
Foreign Currency	**USD**	**EUR**
Amount in reporting currency	**Kshs**	**Kshs**
Cash at bank	30,134,749	117,530
Trade and other payables	(415,387)	-
Borrowings	(106,080,718)	(58,100,825)
Net exposure	(76,361,355)	(57,983,295)
Amount in original currency	**USD**	**EUR**
Cash at bank	290,425	1,009
Trade and other payables	(4,096)	-
Borrowings	(1,046,000)	(500,000)
Net exposure	(759,671)	(498,991)

Note:

USD = United States Dollar currency
EUR = Euros currency

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

a) Financial risk management (Continued)

b) Interest rate risk

The company is exposed to cash flow interest risk on its variable rate borrowings because of changes in market interest rates. The company manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs.
The company had outstanding interest bearing loans.

b) Capital risk management

The company's objective in managing its capital is to ensure that it supports the development of its business activities and is able to continue as a going concern, while at the same time maximising the returns. The company is not subject to any external capital requirements.

The capital structure of the company consists of equity attributable to equity holders, comprising issued share capital and reserves as well as borrowings.

Net debt is calculated as total borrowings less cash and cash equivalents.
The constitution of the capital managed by the company is as folows:

	2019	2018
	Kshs	Kshs
Ordinary share capital	170,000	170,000
Redeemable preference share capital	1,024,100	168,800
Share premium	327,138,632	125,320,932
Revenue reserve	(273,363,896)	(134,109,324)
Equity	54,968,836	(8,449,592)
Borrowings	178,453,800	164,181,542
Less: Cash and cash equivalents	(15,037,334)	(41,155,974)
Net debt	163,416,466	123,025,569

4. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the company, the directors makes certain judgements and estimates that may affect amounts recognised in these financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) Significant judgements made in applying the company's accounting policies

There are no noted judgments that have been made in applying accounting policies that would have significant effects on the amounts recognised in these financial statements.

b) Key sources of estimation uncertainty

The information relating to assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in these financial statements include:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Significant judgements and key sources of estimation uncertainty (Continued)

i) Income taxes

Whether it is probable that that future taxable profits will be available against which temporary differences can be utilised.

ii) Impairment losses

Estimates made in determining the impairment losses on financial assets and non-financial assets. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. In determining whether an impairment loss should be recognised in the income statement for financial assets and non-financial assets, judgement is made as to whether there is a measurable decrease in their estimated future cash flows.

iii) Property and equipment

Estimates are made by directors in determining the useful lives and residual values to property and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

iv) Provisions

Estimates are made by directors in determining the provisions, which is based on past experience and available information and which may change based on actual cost of fulfilling the obligation.

5. Going concern

At 31st December 2019, the company reported an accumulated revenue deficit of Kshs 273,363,896 (2018: Kshs 134,109,324) after tax attributed to the loss realised over the years. Continued operations of the company are dependant upon early return to profitability and/or additional funding.

During the year, the company received additional financial support from its shareholders, financiers and donors. The shareholders are confident that the available lines of credit with the banking institution will continue, and that no material events are expected that may lead to the company's inability to meet its financial obligations or to materially curtail the scale of its operations.

In view of the foregoing, the directors consider it appropriate to prepare the financial statements on a going concern basis.

	2019 Kshs	2018 Kshs
6. Revenue		
Sale of goods	672,636,928	232,014,901
Service income	14,056,523	8,162,267
	686,693,451	240,177,168
7. Cost of sales		
Cost of goods sold	615,045,256	218,049,169
	615,045,256	218,049,169
8. Other income		
Grants and donations	-	3,458,120
Bank interest	174,099	107,438
	174,099	3,565,558

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019	2018
9. Direct costs	**Kshs**	**Kshs**
Warehouse and depots operating expenses	89,442	1,503,625
Communication costs	571,049	181,430
Transport and storage costs	41,185,949	13,942,510
Warehouse and depots repair and maintenance	14,928,277	8,878,793
Warehouse and depots rent expense	11,390,897	5,549,900
Travelling expenses	4,800,547	3,335,523
	72,966,160	33,391,781

10. Operating expenses		
Employee benefits expenses		
Salaries and wages	104,168,925	80,318,796
Staff medical insurance	3,784,422	1,266,497
Staff welfare	2,626,834	2,342,456
Defined contribution pension - NSSF	657,580	892,781
	111,237,760	84,820,530
Other operating expenses		
Communication costs	2,097,323	2,013,591
Bank service charges	2,641,461	1,557,792
Legal and professional fees	20,739,576	3,187,888
Stamp duty	803,080	-
Marketing and advertisement	5,219,665	1,741,016
Auditors' remuneration	413,375	200,000
Travelling expenses	1,916,967	628,882
Training and conferences	1,265,169	862,722
Printing and stationery	734,096	1,076,531
Office rent and service charge	3,615,360	3,173,541
Repairs and maintenance	2,021,263	219,296
Insurance	3,210,882	3,784,387
Licenses and permits	857,014	877,165
Depreciation	10,404,043	7,910,040
Amortisation	275,554	712,586
Electricity and water	332,597	128,919
Donations, fines and penalties	396,056	77,410
Cleaning expenses	28,523	77,436
Security expenses	2,575,006	783,460
Motor vehicle expenses	4,480,595	2,713,674
Provisions for bad debts	5,535,655	-
Exchange loss on foreign currencies	542,555	2,345,437
	181,343,577	118,892,303

11. Finance costs/(income)		
Interest expense	10,176,324	2,475,488
Foreign exchange gain on borrowings	(976,285)	(3,396,187)
	9,200,039	(920,699)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Loss before tax

The following items have been credited / charged in arriving at the operating loss before tax:

	2019	2018
Items credited	Kshs	Kshs
Interest income	174,099	107,438
Grants and donations	-	3,458,120
Items charged		
Depreciation	10,404,043	7,910,040
Amortisation	275,554	712,586
Foreign exchange loss	542,555	2,345,437
Interest expense	10,176,324	2,475,488
Defined contribution pension - NSSF	657,580	892,781
Auditors' remuneration	413,375	200,000

13. Taxation

a) Income tax credit

Deferred income tax (Note 16)	(52,432,910)	(36,935,079)
	(52,432,910)	(36,935,079)

Income tax is calculated at 30% of the estimated assessable tax loss for the year.

b) Reconciliation of tax credit to the expected tax based on the accounting loss

The tax on the company's loss before income tax differs from the theoretical amount that would arise using the statutory income tax rate currently enacted as follows:

	2019	2018
	Kshs	Kshs
Loss before income tax	(191,687,482)	(125,669,827)
Tax calculated at tax rate of 30%	(57,506,245)	(37,700,948)
Tax effect on:		
Expenses not deductible for tax purposes	5,073,335	11,973,960
Income not subject to tax	-	(11,958,060)
Income tax	(52,432,910)	(37,685,048)

c) Tax recoverable

At 1st January	320,904	10,226
Tax paid during the year:		
– Motor vehicle advance tax	89,280	36,000
– Withholding tax	455,267	274,678
At 31st December	865,451	320,904

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Property and equipment

Year ended 31st Dec. 2019	Computer equipment	Motor vehicles	Furniture & fittings	Office equipment	Total
Cost	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
At 1st January	2,510,889	34,374,187	728,653	2,350,828	39,964,556
Additions	1,039,278	23,981,086	329,849	10,912,010	36,262,223
At 31st December	3,550,167	58,355,273	1,058,502	13,262,838	76,226,779
Depreciation					
At 1st January	939,959	7,303,214	174,139	377,460	8,794,772
Charge for the year	626,948	8,984,234	92,996	699,866	10,404,043
At 31st December	1,566,907	16,287,448	267,134	1,077,326	19,198,815
Net Book Value					
At 31st December	1,983,260	42,067,825	791,367	12,185,512	57,027,964

Year ended 31st Dec. 2018	Computer equipment	Motor vehicles	Furniture & fittings	Office equipment	Total
Cost					
At 1st January	1,398,690	230,000	668,998	1,603,098	3,900,786
Additions	1,112,199	34,144,187	59,655	747,730	36,063,770
At 31st December	2,510,889	34,374,187	728,653	2,350,828	39,964,556
Depreciation					
At 1st January	445,697	190,468	99,200	149,367	884,732
Charge for the year	494,262	7,112,746	74,939	228,093	7,910,040
At 31st December	939,959	7,303,214	174,139	377,460	8,794,772
Net Book Value					
At 31st December	1,570,929	27,070,973	554,514	1,973,367	31,169,783

15. Intangible assets

	2019	2018
Cost	**Kshs**	**Kshs**
At 1st January	3,796,179	2,994,679
Additions	716,419	801,500
At 31st December	4,512,598	3,796,179
Amortisation		
At 1st January	3,026,760	2,314,174
Charge for the year	275,554	712,586
At 31st December	3,302,313	3,026,760
Net Book Value		
At 31st December	1,210,285	769,419

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Deferred tax

Deferred tax is calculated on temporary differences under the liability method using the principal statutory tax rate of 30% . The movement in the deferred tax account is as follows:

	2019 Kshs	2018 Kshs
At 1st January	(55,741,964)	(18,806,885)
Deferred tax	(52,432,910)	(36,935,079)
At 31st December	(108,174,874)	(55,741,964)

Deferred tax asset in the statement of financial position and deferred tax credit in the statement of comprehensive income are attributable to the following items:

Deferred tax (assets) / liabilities	At 1st January Kshs	Movement for the year Kshs	At 31st December Kshs
Year ended 31st December 2019			
Tax loss carried forward	(56,310,413)	(53,753,598)	(110,064,011)
Other temporary differences:			
Property and equipment	568,449	1,320,688	1,889,137
	(55,741,964)	(52,432,910)	(108,174,874)
Year ended 31st December 2018			
Tax loss carried forward	(18,916,090)	(37,394,323)	(56,310,413)
Other temporary differences:			
Property and equipment	109,205	459,244	568,449
	(18,806,885)	(36,935,079)	(55,741,964)

Deferred tax asset on tax losses carried forward has been recognised based on the projected future taxable profits that will be available to be utilised against the losses.

17. Inventories	2019 Kshs	2018 Kshs
Finished goods	55,706,428	36,904,564

18. Trade and other receivables

Trade receivables	52,666,970	10,422,043
Less: provision for doubtful debts	(5,535,655)	-
	47,131,314	10,422,043
Bank guarantee	-	10,000,000
Deposits and prepayments	19,395,108	9,338,471
VAT recoverable	10,730,449	1,685,232
Income tax recoverable (Note 13.c)	865,451	320,904
	78,122,322	31,766,649

The carrying amount of trade and other receivables approximates to their fair value and provisions for impaired trade and other receivables have been provided for in full.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Cash and cash equivalents	2019 Kshs	2018 Kshs
Cash at bank	14,908,721	40,990,256
Cash in hand	128,612	165,718
	15,037,334	41,155,974

20. Share capital

The share capital of the company is comprised of:

i) 2,561 authorised ordinary shares with a par value of Kshs 100 each.
ii) 1,118 authorised Series A redeemable preference shares of Kshs 19,365 each.
iii) 570 authorised Series B redeemable preference shares of Kshs 182,175 each.
iv) 8,553 authorised Series D redeemable preference shares of Kshs 23,696 each.

Issued capital of the company comprise of:

i) Ordinary shares	No. of shares	Issued and fully paid up capital Kshs	Share premium on paid up capital Kshs
At 31st December 2018	1,700	170,000	-
At 31st December 2019	1,700	170,000	-

ii) Series A Redeemable preference shares	No. of shares	Issued and fully paid up capital Kshs	Share premium on paid up capital Kshs
At 31st December 2018	1,118	111,800	21,538,270
At 31st December 2019	1,118	111,800	21,538,270

iii) Series B Redeemable preference shares	No. of shares	Issued and fully paid up capital Kshs	Share premium on paid up capital Kshs
At 31st December 2018	570	57,000	103,782,662
At 31st December 2019	570	57,000	103,782,662

iv) Series D Redeemable preference shares	No. of shares	Issued and fully paid up capital Kshs	Share premium on paid up capital Kshs
At 1st January 2019	-	-	-
Issued shares for cash	8,553	855,300	201,817,700
At 31st December 2019	8,553	855,300	201,817,700

21. Borrowings

Borrowings from related parties (Note 23(i))

	2019 Kshs	2018 Kshs
Interest bearing loans	178,453,800	164,181,542
	178,453,800	164,181,542
Less: current portion	14,871,150	13,681,795
Non-current portion	163,582,650	150,499,747

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019	2018
22. Trade and other payables	**Kshs**	**Kshs**
Trade payables	72,304,856	37,264,080
Payroll liabilities	6,208,976	4,398,948
Accrued expenses	3,342,739	113,375
	81,856,571	41,776,403

The carrying amount of trade and other payables approximates to their fair value and there are no impairment provisions held against any balances.

23. Related party transactions

i) Loans from related parties

	2019	2018
	Kshs	Kshs
At 1st January	164,181,542	20,188,000
Amount received	35,126,000	147,390,114
Interest charged	10,176,324	2,475,488
Amounts repaid	(30,053,782)	(2,475,488)
Foreign currency adjustments	(976,285)	(3,396,571)
At 31st December	178,453,800	164,181,542
Split as follows;		
Current portion	14,871,150	13,681,795
Non-current portion	163,582,650	150,499,747
	178,453,800	164,181,542

The carrying amount of loan advances approximates to its fair value and there are no impairment provisions held against the related party balances.

The loan advances are denominated in United States Dollar currency and are unsecured with no fixed repayment period and terms.

The company's relationship with its related party is through common shareholding and directorship.

The loan facilities attracts interest and have a voluntary option of conversion in to shares of the company.

ii) Key management personnel compensation

	Directors' remuneration	
	2019	2018
Executive Directors	**Kshs**	**Kshs**
Salaries	16,387,920	7,907,467

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Events after the end of the reporting period

The are no non-adjusting events after the end of the reporting period that require disclosure.

25. Employees

The number of persons employed as at 31st December 2019 was 123 (2018: 94).

26. Commitments

There were no capital or operating commitments as at 31st December 2019.

27. Contingent liabilities

There were no contingent liabilities as at 31st December 2019.
All known liabilities as at 31st December 2019 have been provided for in these financial statements.

I PROCURE LIMITED

TAX COMPUTATION FOR THE YEAR OF INCOME 2019

YEAR ENDED: 31ST DECEMBER 2019

PIN: P051398626N

		2019
		Kshs
Loss before tax as per financial statements		(191,687,482)
Add:		
Depreciation	10,404,043	
Interest expense	10,176,324	
Stamp duty	803,080	
Donations, fines and penalties	396,056	
Provision for bad debts	5,535,655	27,315,158
Less:		
Wear and tear allowance		(14,806,336)
Adjusted taxable loss for the year		(179,178,660)
Tax loss brought forward:		
Year 2014 tax loss	(3,913,287)	
Year 2015 tax loss	(15,667,522)	
Year 2016 tax loss	(4,890,953)	
Year 2017 tax loss	(38,581,871)	
Year 2018 tax loss	(124,647,742)	(187,701,375)
Adjusted tax loss carried forward		(366,880,035)

WEAR AND TEAR SCHEDULE	Class II 30.0%	Class III 25.0%	Class IV 12.5%	Total
	Kshs	Kshs	Kshs	Kshs
W.D.V at 1st January 2019	1,308,266	25,645,863	2,320,825	29,274,954
Additions	1,039,278	23,981,086	11,241,859	36,262,223
Wear and tear allowance	(704,263)	(12,406,737)	(1,695,336)	(14,806,336)
W.D.V at 31st December 2019	1,643,281	37,220,212	11,867,349	50,730,841