Investment Memorandum

Energise Africa – SunTransfer Kenya Investments Ltd. Issue 2

2017

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An Investment in the Company is suitable only for Investors who are capable of evaluating the merits and risks of such Investment, who do not require immediate liquidity for their investment and who have sufficient resources to bear any loss which might result from such investment.

Potential Investors' attention is drawn to the content of pages 13 to 16 headed "Risk Analysis Overview" and the "Credit Write up by INRiSC" in Appendix A.1 of this document, which sets out certain risk factors relating to any Investment in Securities in companies active in emerging markets and certain risks that apply to the Company in particular. All statements regarding the Company's business, financial position and prospects should be viewed in the light of these risk factors.

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1. Introduction

This Investment Memorandum is intended to provide investors with relevant information in order to make an informed investment decision.

Keep in mind that investments of this nature carry risks. Therefore, it is recommendable to spread your investments across projects, partners, platforms and investment products and not to allocate too much of your savings and investments in what are considered high risk investments.

This offer is brought to you by Lendahand Ethex Limited, a joint venture between the Dutch impact investing platform Lendahand and the UK based positive investment platform Ethex, specifically set up to promote the Energise Africa campaign, sponsored by UK aid. Lendahand Ethex combines the strengths of both organisations in order to meet the challenge of mobilising UK based retail investors to lend to businesses undertaking solar power energy installations in Sub-Saharan Africa.

Disclaimer
The Directors of Lendahand Ethex Limited hereby declare that the information contained in this Offer Document is to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This document provides no advice on particular tax benefits that an investor may be eligible to claim in relation to an investment into the product offered. Tax incentives that may be available will vary depending the personal circumstances of each investor. Those interested in investing should do so only after reading this document in full and taking appropriate financial and other advice.

Message from the Mr. Kirubi, CEO of SunTransfer Kenya

Dear Positive Investor,

I am excited to invite you to invest in SunTransfer Kenya Investments Ltd. (SunTransfer), an off-grid solar company in Kenya with a ***bold mission*** *– transforming rural lives and livelihoods through quality off-grid solar solutions for households and small businesses.*

We are driven and inspired by the challenge of making quality solar energy accessible and affordable to off-grid communities through ***financially viable and scalable business models****. At the core of SunTransfer innovation is designing, testing and scaling* ***last-mile distribution models*** *to deliver the twin goals of accessibility and affordability of quality off-grid solar solutions.*

Investing in SunTransfer at this stage is crucial and timely because the critical systems and processes of our business model are in place, well-aligned and ready to scale. Over the past 2 years, SunTransfer has registered phenomenal growth and demonstrated significant market traction and revenue promise. We have deployed nearly 5,000 solar home systems through our pay-as-you-go (PAYGO) end-user finance platform. In 2016, total sales revenue reached nearly USD 1 million and we project to grow by 30% to hit USD 1.3 million in 2017. Our last-mile distribution network of Solar Centres has grown to 13 and our sales revenue has averaged USD 100K/month. We aim to deliver USD 120-140K/month by Q4/2017 and turn cash flow positive by end of 2018.

If you choose to invest, you can help to transform the life of a typical rural family either through a solar home system or by creating a job for a young man or woman through solar barber kits or phone charging units.

The time may be right to invest and contribute towards creating healthy, productive and sustainable communities in rural Kenya. Investors have the potential to make a difference by investing in SunTransfer, a partner with a bold mission with a proven track record.

Thank you and I'm looking forward to making a difference together!

Sincerely,

Gathu Kirubi, CEO and Co-founder

2. Summary of Offer

Issuing entity / Issuer	SunTransfer Kenya Investments Limited (“SunTransfer”)
Investment target	GBP 100,000
Minimum investment	GBP 50
Maximum investment	No maximum
Maturity	36 months
Expected interest rate	5.5% per annum
Interest payment frequency	Semi-annually
Notional repayment frequency	Semi-annually
Financial instrument	Promissory note / unsecured interest bearing bond
Seniority of debt	Senior debt investment (debt that takes priority over other unsecured or otherwise more junior/subordinated debt)
Security	Unsecured
Management fee / transaction costs	None
Non-recall period:	The Issuer (or borrower) is allowed to repay on the note/bond early after 12 months against a 1.5% prepayment fee on the amount prepaid to the investors.
Risks	This is a direct investment into a company (SunTransfer) and therefore it is recommendable that you are careful with the amount you will invest. For an overview of the associated risks, please go to section 5 or appendix A of this offer document
Reporting	The Issuer is obligated to share with Lendahand Ethex LTD its annual audited financial statements, quarterly update on financial metrics and annual social impact reports.
Know Your Client Investor	KYC procedure on investors to be performed by licensed Payment Service Provider, MangoPay (“PSP”).
Investor	An individual who commits money to this investment product with the expectation of financial return via the Lendahand.co.uk website.
Know Your Client Issuer	KYC procedure on issuer to be performed by PSP in conjunction with Lendahand (powered by Ethex) platform
Application	All investments in this offer shall be made via the Lendahand.co.uk website
Age restrictions	Investors must be 18 years or older

3. Business overview

3a. About SunTransfer

- CEO name: Gathu Kirubi
- Location: Nairobi, Kenya
- Sector: Sustainable energy projects
- Founded: 2009
- Number of employees: 73
- Turnover in 2016: USD 988,000

Registered in August 2009, SunTransfer Kenya (SunTransfer) is a solar company in Kenya with a bold mission – transforming rural lives and livelihoods through off-grid solar. We are driven and inspired by the challenge of making quality solar energy accessible and affordable to approximately 6 million off grid households in Kenya, the majority of whom are at the bottom of the pyramid (BOP). At the core of SunTransfer's innovation is designing, testing and scaling last-mile distribution models to deliver the twin goals of accessibility and affordability of quality solar energy to the BOP in Kenya.

We are energized by the difference we have made so far, distributing over 50,000 solar lanterns and nearly 5,000 solar home systems, thereby transforming the lives and livelihoods of many in some of the most rural and remote regions of Kenya. The great news is that this is just the beginning; SunTransfer's future looks bright and our promise even bigger.

Our bold mission is delivered through four key operational strategies:

1. Full energy service beyond kerosene displacement – SunTransfer recognizes that the energy demands by the Bottom of the Pyramid (BOP) go far beyond "kerosene displacement." Just like the grid-connected middle-class, BOP households and their micro-businesses require "full power" to enjoy quality lighting, entertainment, communication, refrigeration, and water pumping. Thus, our model enables BOP access to "full power" from large solar systems (20-200Wp) combined with highly efficient DC appliances to deliver Tier 3 of energy services (800Wh/day). According to the UN/Sustainable Energy for All Framework, Tier 3 goes beyond lighting to deliver sufficient energy to run basic household appliances e.g. radio, TV and tablet computer and also productive applications e.g. small fridge, a DC sewing machine, a DC grain mill or small water pump (120 gallons/hr).
2. Lease-to-own model via our "pay-as-you-go" mobile payment platform known as M-SOLAR. By enabling the BOP to pay and own quality solar systems via small instalments (e.g. €0.50 per day or €15/month), our M-SOLAR solution removes the major upfront-cost barrier faced by the BOP.
3. Further, our "lease-to-own" model converts energy expenditure into an asset purchase (solar system) and transforms the BOP from consumers of costly and polluting fuels (e.g. kerosene) into a ready mass market for clean energy, thus accelerating transition to more sustainable societies. Micro-payments are delivered via mobile phones, making our "lease-to-own" solution highly accessible, cost-effective and scalable to the large BOP market.

4. Building a rural network of solar centers (SCs) equipped with well-trained solar technicians offering the much-needed technical knowhow and after-sale service. Local assembly and "green jobs" – SunTransfer has created green jobs by recruiting and deploying solar marketing agents and solar technicians across different regions of rural Kenya.

3b. Impact

1. *Education and health*

Over 90% of rural households in Kenya still rely on kerosene for lighting. This is particularly harmful for young children and denies them the opportunity for using a bright and clean solar light for evening study. The picture on the right side shows Mr. Kirubi, demonstrating a solar lantern to parents, teachers and pupils in Nasigel primary school in Kenya.

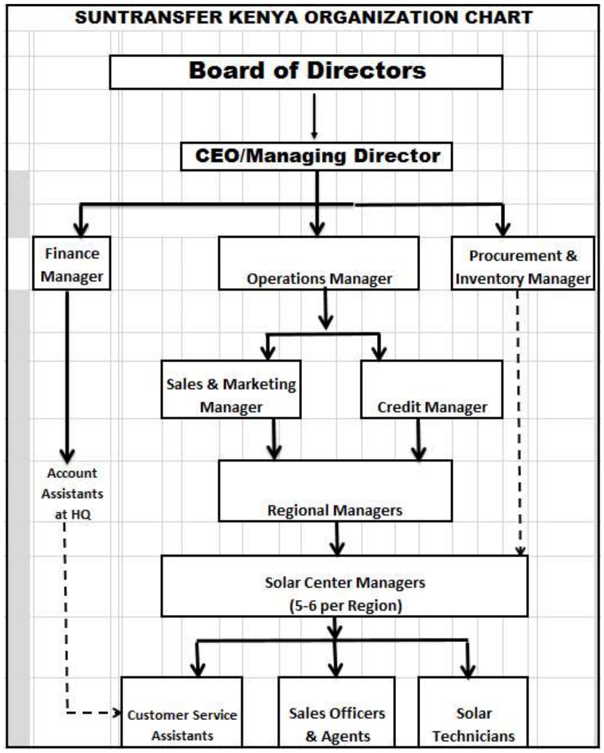
2. *Solar pumps to improve food security and adaptation to climate change.*

Rainfed small holder farming is the backbone of Kenya's food security and the primary source of livelihoods for over 7.5 million farmers. However, with rapid decline in rainfall due to climate change, the livelihoods of millions of farmers are at stake.

To mitigate this challenge, SunTransfer has started distributing solar water pumps made by Futurepump, for which it won the Ashden Award in 2016. The solar water pump enables a typical farmer to grow crops for 3 seasons per year (as opposed to a single season for rainfed farming), earning roughly USD 50-80/season. When used to displace a petrol pump, the solar pump can deliver up to USD 300 in financial savings per year by replacing fuel, labour and maintenance of traditional irrigation pumps, not to mention savings in CO_2 emissions.

Apart of low running costs, the Futurepump is also quite portable and easy to assemble, thus permitting active involvement of women and youth in farming of high value crops, which is crucial for creating green jobs in rural Africa.

3c. Organisational Structure



3d. Management Team

Gathu Kirubi (founder & CEO)

Kirubi is a self-made solar energy entrepreneur, a strategic thinker and a team builder. He brings over 15 years of deep passion and proven business acumen in creating and implementing innovative business models for delivering off-grid solar solutions to communities and micro-enterprises in rural Kenya. In 2001, he was the Program Manager for the Renewable Energy Technology Assistance Programme (RETAP), a UNDP funded NGO, where he established and managed a US$1 million microfinance scheme to finance improved cook stoves for rural schools and SMEs in East Africa. In 2001, he won the prestigious Ashden Award (UK) for his innovation and leadership in energy access for the BOP in Africa. In 2004, Kirubi won another prestigious e8 global scholarship Award to the University of California, Berkeley where he earned both an MSc and PhD in Energy and Development.

Bernard Kinyanjui (Operations Manager)

Bernard is a dynamic and resourceful team leader, with a knack for mentoring and motivating diverse teams to deliver results. He brings over 10 years of relevant experience in credit and micro-finance having worked as a Credit Officer and Branch Manager in Faulu Kenya Deposit Taking Microfinance. Bernard served as the Operations Manager (2013-2014) for Nuru East Africa, an off-grid Solar Company, and also as Project Manager in charge of Youth Enterprise at the County Government of Kiambu, Kenya. In addition to developing and deploying a diverse range of sales growth channels at SunTransfer, Bernard has been instrumental in expanding the network of Solar Centers across Kenya. Bernard holds a BA (HRM) and is also a Certified Public Secretary (K) and an Associate Member of the Institute of Human Resource Management (Kenya).

Jotham Maina (Finance Manager)

Jotham is a young and focused finance professional with strong analytical skills in financial management and accounting. Jotham's career started as an Internal Auditor at White Rose Dry Cleaners Ltd (2010-12), where he developed keen professional interest and skills in internal financial controls and tracking compliance with a wide range of statutory obligations. With over six years experience in Finance and Accounting, Jotham has demonstrated competence in the critical roles of financial analysis, planning and reporting. Jotham holds a B.Com (Finance) and is also a Certified Public Accountant of Kenya.

Ben Kimathi (Training and Marketing Manager)

Ben is a critical thinker and a skilled marketer. He joined SunTransfer in May 2011 as a junior marketing officer and one year later he was promoted to a Solar Center Manager, thanks to his charisma, flare for marketing and stamina to take on new challenges. Ben's resourcefulness and networking skills have been instrumental in developing and testing different marketing strategies, forging new partnerships, and growing the network of our Solar Centers in rural Kenya. Prior to joining SunTransfer, Ben worked as Team Leader at the Sustainable Africa Youth Foundation and also as Customer Service Assistant at Equity Bank. Ben holds a BSc (Environmental Sciences) and is pursuing MSc in the same field.

3e. Awards

- In 2012 –the Africa Enterprise Challenge Fund (AECF)
- In 2014 – up-scaling Award from DEG of Germany (*Deutsche Investitions- Und Entwicklungsgesellschaft Mbh*)
- In 2014 – Energy Access Award known as "Sustainable Energy Services Africa - SESA" from the Ministry of Foreign Affairs, the Dutch Government
- In 2017 - Low-Cost Housing Challenge Award from the Habitat for Humanity, Atlanta, USA.

4. Business in detail

In this section, a more in depth financial analysis is presented and entails a financial analysis, offers a few key financial ratios that describe the liquidity and solvency position, and a brief cash flow analysis as based on the credit analysis in the appendix.

For the sake of building a more complete overview of the business and the opportunity at hand, Lendahand also has a strategic partnership with INRiSC, a boutique consulting firm that delivers a credit write-up report. Their analysis takes a more analytical approach to the risks of the investment.

For a more complete picture of the credit worthiness of SunTransfer, it is recommendable to read the full report in the appendix.

Financial analysis

INRiSC reviewed the consolidated annual accounts 2012 until 2016. In this period revenues have risen substantially. In 2016 SunTransfer had profitable core operations, but operated at a minor net loss taking into account interest payments and taxes. It did grow their working capital base that mainly consists of accounts receivable and inventory. INRiSC indicated that according to the company's projections most ratios significantly improve over the duration of a three-year period.

In 2014, SunTransfer suffered a total after-tax loss of Kenyan Shilling (KES) 2.4 million (around EUR 20,000), of which currency loss contributed 121% (KES 2.7 million or approx. EUR 23,085). In other words, SunTransfer would have made a small profit of KES 0.5 million (approx. EUR 3,085) had the currency loss not been so high. A similar trend was noted in 2015 where currency loss (KES2.4 million/ EUR 22,080) contributed nearly 50% of the total loss after tax (KES 5.1 million or approx. EUR 46,920). Currency risks arise because of foreign currency funding and SunTransfer imports inventory in USD, trades locally in KES and re-pays imports in USD. The company is looking for local currency funds in order to mitigate their exposure to such risk.

The consolidated projections are based on a financial model provided as is by SunTransfer Kenya. The projections are based on the sales of goods in Kenya and includes the loan portfolio profits (lease-to-own; payplan). INRiSC was able to obtain a good overview of the financials of the company going forward. Please note that INRiSC did not test the reality of the projections in terms of market share captured, underlying price levels, costs related to the realization of the product or its components. Nor did we test for consumer payment behavior, payment terms or consumer default rates and loan losses for Kenya.

Key financial ratios, realized and projected, excluding notes issuance				
	2016	2017	2018	2019
Current ratio	2.59	1.90	1.43	1.32

Total debt/EBITDA	31.40	9.78	4.98	3.34
Gearing	-14.75	28.66	8.93	4.12
Own and Assoc. M/Tot Assets	0.01	0.03	0.05	0.08
Interest cover ratio	0.71	1.40	2.43	2.69
Debt service cover ratio	0.71	1.40	2.43	2.69
cash / (3m R+I)	-12.22	-4.11	-5.56	0.01

Financial Ratio Table.

Liquidity

SunTransfer has a long cash cycle, due to two issues. Firstly, the payment plans from PAYGO (accounts receivables) on their books can have an 18-month duration. Secondly, the company is faced with long supply lead times in comparison to Western standards. The effect of this is that the current ratio[1] is quite positive due to the large portion of current assets. Which is positive as the company can cover its short-term liabilities from current assets. It also shows however that stock rotation could be low (high inventory levels), that there are large accounts receivables (due to PAYGO) and long payment terms utilized in connection with the trade payables. If SunTransfer is able to sell more of its receivables to a third party, SunTransfer would receive its cash more quickly, transferring the collections of the accounts receivables to the financing company. In combination with realizing a higher stock rotation this would improve the cash conversion and thus their ability to service to its debt considerably.

Solvency

Gearing[2] improves during the recorded time. The 'flip' from negative to positive gearing is due to the fact that the company had a negative equity holding in 2016 which became positive due to a conversion of a mezzanine loan[3] into preferred shares in 2017. What needs to be taken into consideration is that the balance sheet is 'inflated' by the financing of a considerable amount of accounts receivable and the amount of payables in comparison to the equity of the company. This means that if all sales were direct cash payments the company would have had a much shorter balance sheet. This inflation creates additional funding requirements. The second reason is the business is expected to turn profitable in 2017, due to which net profits could be added to the reserves of the company. If the company is able to keep to the projected growth path gearing and solvency will continue to improve, bearing in mind the increasing funding requirement as a result of said growth.

Cash flow analysis Issuer

As mentioned, the cash cycle of the Company is long due to the accounts receivable and long supply lead times. In 2016 the Company still operated at a minor net loss. The operating cash flow in 2016 was positive for the first time during our review period; overall however, the year experienced a negative operating cash flow. The outlook for this year

[1] The current ratio measures a company's ability to pay short-term and long-term debt obligations.

[2] Gearing refers to the debt to equity ratio and compares a company's own equity or capital to funds borrowed by the company

[3] Mezzanine debt is, for example, a subordinated debt instrument that represents a claim on a company's assets that is senior to that of common shares

(2017) is that they will be profitable and able to service the existing debt that they have, even though the company has significant Debt / EBITDA[4] levels. The asset conversion of the company is negative during the entire review period. The company hopes to match the rising accounts receivables with a correlating rise in the accounts payable. It is unclear to INRiSC at the moment if the suppliers are willing accept these long payment terms. This is often seen done by dominant buyers in the supply chain as this forms a cheap form of credit without affecting ratios. If this is not the case the asset conversion will be negatively affected, and the debt service capability of the company will be influenced. It might also be the case that applicable accounting rules state that these terms are too long to be considered current liabilities. This may lead to a restating as long-term debt, also affecting solvency ratios.

5. Risk analysis overview

This section of the offer document provides an overview of some of the associated risks with this investment opportunity.

The investment team of Lendahand, comprising of 4 investment managers with a combined experience of 30+ years in investment management and investment banking, performs a light due diligence. This process comprises of many hours of desk research, calls/meetings with the investee, gathering market intelligence and competitor data as well as talking to experts. After data is gathered, a more in-depth analysis takes place. Not only with regards to financial aspects such as audited statements, balance sheet and cashflow projections, but also with respect to operational activities, quality of the management team, clients and market fit, ownership and governance. In general, the investment team will also perform an on-site visit, possibly after a pilot phase.

Before an investment decision is made, the investment team of Lendahand gathers all documents/information and writes an investment memo that is presented to a Credit Committee. This committee consists of 3 experienced individuals with relevant backgrounds:

- Michael Looft – former Kiva Regional Director Asia and Europe
- Daphne Pit – former Manager of the Green and Inclusive Economy team at Doen Foundation
- Peter Heijen – CEO and Founder of Lendahand

5a. Risk factors to take into consideration

Outlined below are some of the more general risks associated with investing in unlisted and unsecured bonds such as the one presented in this offer document. Further, some of the risks that apply to this investment are provided which may cause late repayments or loss of invested capital. Please be aware that there might be other, not so obvious risks, that apply as well. This therefore is in no way a full and complete overview of all the associated risks.

[4] Earnings Before Interest, Taxes, Depreciation, and Amortization

Risks of investing in unlisted, unsecured bonds

By investing in an unsecured bond, you are lending your money to a business (SunTransfer), with all the risks that this involves. It is also difficult to get out of the investment early. Unsecured bonds are 'fixed interest' investments. This means that the interest rate on the money you lend is set in advance. However, interest payments on your money and the return of your capital are not guaranteed and depend on the performance of SunTransfer.

Your capital is at risk and you may lose some, or all, of your initial investment. You should only invest if you can afford to lose all of your investment.

Company-specific risks

- The solar assets may not perform as well as forecasted due to manufacturing errors even though the company prizes itself for the high-quality systems, end-clients might not be willing/able to repay, competitors may enter the market with superior product/service and suppliers may default.
- SunTransfer may be unable to raise sufficient future capital to sustain its operations and expansion plans.
- Operational costs may rise faster than anticipated.
- Management and key staff turnover could affect the performance of the company
- High defaults among clients might occur, which might result in the company going bankrupt and high reclaiming costs of systems. This could result in financial loss for SunTransfer, cause reputational damage and therefore cause investor losses.
- In most emerging markets, different currencies are used that are more volatile than their counterparties used in developed countries. Even though SunTransfer borrows in GBP and repays in GPB, it has revenue streams in Kenyan Shilling ("KES"). If the KES were to depreciate, the company's day to day operations could be affected which in turn could influence the ability to repay its hard currency debt obligations. This is a common obstacle that solar companies must be able to cope with. It would be great for the industry if international investors are able to provide local currency funding, limiting foreign exchange risks for the companies. Lendahand Ethex Ltd. recognizes this risk and has therefore set up a small foreign exchange (FX) fund to cover potential losses to a certain extent.

Risks for Lendahand Ethex Ltd

- The platform may go bankrupt. In order to prevent investors from losing their money, the notes/bonds are held in a 'collective depot' that is administered by Hands-on B.V. (parent company of Dutch based Lendahand) as allowed by the Dutch Financial Authority (AFM) under its licence. The note/bondholders are the owners of this depot. This is a clear segregation from the assets of the Hands-on B.V. The flow of money is also segregated, namely via the payment service provider (Mango Pay) of the Lendahand Ethex platform.
- Since the bonds will not be tradeable on a recognised exchange, they are non-readily realisable. Bondholders may be able to buy and sell bonds which the Lendahand Ethex platform might facilitate, although applicants should be aware that there is no guarantee that a willing buyer will be found.

Risks when investing in emerging markets

A brief overview of political, social and macroeconomic risks that that could influence this investment:

- The company's main operations are in Sub-Saharan Africa, therefore investors should consider of the potential for changes in the political climate. Elections often have a strong impact on the economic stability of a country and significant changes can create obstacles for foreign investors especially as new regimes might make repatriation of funds difficult/impossible.
- Political instability could have a very strong impact on economic stability, the judicial system, stability of the financial markets and institutions and other similar factors. Such risks are difficult to assess but can have a strong effect on investment returns in general. Emerging markets in essence have growing economies, more or less per definition. Nonetheless, the threats of economic downturn due to other factors as described in this section lurk beneath the surface.
- In some cases, corruption is rooted in cultural differences and thus strongly influential in people's way of life. This could also affect businesses. For example, corruption could affect a business' ability to present fair financial statements. It may add costs that are hard to predict or manage. It could make doing business difficult and make contracts void in court, which refers to the (in)stability or effectiveness of the judicial system.
- Natural disasters tend to occur more regularly in emerging markets and/or the effects have a more profound impact due to lacking emergency (government) responsiveness or general infrastructure, than is the case in developed nations and can have a profound impact on local economies and communities.
- Emerging markets may also be more receptive to being the stage of (civil) war or other types of social instability. This is largely related to the economic and political situation of a country.

All the aforementioned factors can threaten the economic and political stability of a country. In turn, these can lead to local currency devaluations, high inflation levels and negatively influence other macro-economic metrics.

Changes in government legislation

- The risk of this affecting the profitability of the company in the future is minimal. Risk would only relate to future investments made under the new government legislation that are not part of this bond offer. SunTransfer will assess each future project on its own financial merits at the time.
- The impact of Brexit: As of 29 March 2017 Britain will begin the process of leaving Europe. Aside currency fluctuations, we are confident that this will have little impact on COMPANY's activity in Africa.

5b. Contractual measures to monitor the investment

The company will have to adhere to certain covenants as stated in the agreements with Lendahand Ethex Ltd. A covenant is a formal debt agreement which is put in place to protect the investor from borrowers defaulting on their obligations.

Most relevant covenants are typically represented in terms of financial ratios that must be maintained and are used often in the financial industry. A few that Lendahand Ethex Ltd maintains with its investees are the following:

- *Leverage ratio* - Companies rely on a mixture of owners' equity and debt to finance their operations. A leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans), or assesses the ability of a company to meet financial obligations. Too much debt can be dangerous for a company and its investors. Uncontrolled debt levels can lead to credit downgrades or worse. On the other hand, too few debts can also raise questions
- *Debt service coverage ratio* - the Debt-Service Coverage Ratio (DSCR) is a measure of the cash flow available to pay current debt obligations. A DSCR greater than 1 means the entity – whether a person, company or government – has sufficient income to pay its current debt obligations. A DSCR less than 1 means it does not.
- *Cash coverage ratio* - this ratio assesses whether the company has sufficient levels of cash to meet its financial obligations.
- *Unhedged currency position* - relates to what extent a company's assets and liabilities are in a foreign currency and assesses the company's vulnerability to currency fluctuations. There is a limit of foreign currency assets that a company is allowed to maintain.

Lendahand Ethex Ltd will receive quarterly key performance indicators (KPI) updates in order to monitor the Company. If certain metrics deteriorate, we will engage with the Company. In certain cases, we may decide to cease the funding flow. If any of the covenants are breached we may call an event of default[5] or start a workout procedure.

The mode of investment will be a *promissory note / bond*. A promissory note is a financial instrument containing a written promise by the issuer (SunTransfer) to pay the investor a definite sum of money, either on demand or at a specific future date. In the case of this offer, it will be spread over specific future dates. The promissory note outlines all the terms pertaining to the investment, such as the principal amount, interest rate, maturity date, date and place of issuance and the issuer's (SunTransfer) signature.

In the case the company desires to repay early on the note/bond , there is a non-call period after which the company is allowed to repay early at all times against a 1.5% prepayment fee on the amount prepaid to the investors. Hence in certain circumstances, investors will receive (part) of their investments back early (including interest to date). Such early repayment option is common in the industry and provides a company with flexibility that

[5] An event of default is a circumstance that causes a lender to demand full repayment of an outstanding debt balance sooner than it was originally due.

in the end could benefit the end clients, e.g. households in rural Africa. An investor is free to reinvest the repayment in other projects on the platform.

6. Terms and Conditions

Each drawdown from the credit facility will be a note issuance according to the terms & conditions as stated here in this Example Note.

Please note that 'Article 5 Tax' is different depending on whether or not the investor has invested via an IF ISA.

Annex I
Issuance Terms UK Notes

- Issuer : SunTransfer Kenya Investments Ltd
- Underlying Project Name : Energise Africa – SunTransfer issue 2
- Depot ID : Subject to confirmation
- Issue Date : Subject to confirmation
- Maturity Date : 36 months after the Issue Date
- Currency : GBP
- Total Issue Amount : GBP 100,000
- Total number of Notes Issued : 2,000
- Interest Rate : 5.5% per annum

Amortization Schedule

1st Repayment Date	1st Principal	1st Interest	1st Total	2nd Repayment Date	2nd Principal	2nd Interest	2nd Total
01/06/2018	16,666.67	2,750.00	19,416.67	01/12/2018	16,666.67	2,291.67	18,958.33
3rd Repayment Date	**3rd Principal**	**3rd Interest**	**3rd Total**	**4th Repayment Date**	**4th Principal**	**4th Interest**	**4th Total**
01/06/2019	16,666.67	1,833.33	18,500.00	01/12/2019	16,666.67	1,375.00	18,041.67
5th Repayment Date	**5th Principal**	**5th Interest**	**5th Total**	**6th Repayment Date**	**6th Principal**	**6th Interest**	**6th Total**
01/06/2020	16,666.67	916.67	17,583.33	01/12/2020	16,666.67	458.33	17,125.00

Annex II

Restrictions on sale

The United States

The Notes have not been and will not be registered under the Securities Act. Trading in the Notes has not been and will not be approved on an exchange or board of trade or otherwise by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act. The Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons at any time. The Issuer will not offer or sell the Notes at any time within the United States or to, or for the account or benefit of, U.S. persons, and it will send to each person to which it sells Notes at any time a confirmation or other notice setting forth the restrictions on offers and sales of the Notes in the United States or to, or for the account or benefit of, U.S. persons.

Each person who enters into a subscription agreement in relation to the Notes with the Issuer will agree, with respect to the Notes being purchased by it, that it will not offer, or sell the Notes within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each person to which it sells any Securities a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. In addition the Notes will be exercisable by the holder only upon certification as to non-U.S. beneficial ownership. As used in this paragraph "United States" means the United States of America, its territories or possessions, any state of the United States, the District of Columbia or any other enclave of the United States government, its agencies or instrumentalities, and "U.S. person" means (i) any person who is a U.S. person as defined in Regulation S under the Securities Act or (ii) any person or entity other than one of the following:

(i) a natural person who is not a resident of the United States;

(ii) a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a jurisdiction other than the United States and which has its principal place of business in a jurisdiction other than the United States;

(iii) an estate or trust, the income of which is not subject to United States income tax regardless of source;

(iv) an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided that units of participation in the entity held by U.S. persons represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by U.S. persons; or

(v) a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States.

In addition, each purchaser (or transferee) and any person directing such purchase (or transfer) will represent and warrant, or will be deemed to have represented and warranted by purchasing or otherwise holding a Security that on each day from the date on which the purchaser (or transferee) acquires the Security through and including the date on which the purchaser (or transferee) disposes of its interest in the Security, that the purchaser (or transferee) is not an "employee benefit plan" within the meaning of UK/1001958/13 - 95 - 243311/70-40108501 Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Section 406 of the ERISA, a "plan" subject to Section 4975(e)(1) of the U.S. Internal Revenue Code of 1986 (the "Code"), a person or entity the assets of which include the assets of any such "employee benefit plan" or "plan," or a governmental plan that is subject to any law or regulation that is similar to the provisions of Section 406 of ERISA or Section 4975 of the Code.

TERMS AND CONDITIONS UK NOTES

of

SUNTRANSFER KENYA INVESTMENTS LIMITED, a private limited liability company incorporated under the laws of Kenya, with its registered office at P.O Box 4617, 00200 and presently holding its offices at G.J Plaza Lumumba drive, RoySambu Nairobi. (the "Issuer")

Article 1 DEFINITIONS

In these Terms and Conditions the following definitions shall have the meaning referred to below.

AFM	the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*);
Annex	an annex to these Terms and Conditions;
Business Day	any day on which banks are open for business in the place of business of the Issuer;
Energise Africa	an initiative where solar home systems providers can attract flexible debt funding via the Lendahand Ethex website in the United Kingdom (www.lendahand.co.uk);
Event of Default	each of the events stated in Article 7;
Ethex	Ethex Investment Club Ltd., a not for profit company incorporated under the laws of the United Kingdom, registered with the UK Companies House under number 07432030, with its registered office at Oxford and presently holding its offices at The Old Music Hall, 106-108 Cowley Road, Oxford, OX4 1JE, United Kingdom;
FCA	The Financial Conduct Authority of the United Kingdom;
FSA	The Dutch Financial Supervision Act (W*et op het financieel toezicht*)
Fully Funded Notice	Notice given by the Issuer to Lendahand Ethex that it accepts the funding offered accepts the funding offered via the Lendahand Ethex Website for the eligible project(s) of the Issuer and in exchange will issue the Notes in accordance

	with the Issuer Access Agreement upon issuance of the signed Fully Funded Notice;
GBP	pound sterling, the official currency of the United Kingdom;
Giro Act	The Dutch Securities Giro Act (*Wet op het giraal effectenverkeer*);
Information Request	shall have the meaning set forth in Article 10.1;
Interest Payment Date	shall have the meaning set forth in Article 3.2;
Issuance	shall have the meaning set forth in Article 2.1;
Issue Date	shall have the meaning set forth in Article 3.1;
Issuer	SUNTRANSFER KENYA INVESTMENTS LIMITED, a private limited liability company incorporated under the laws of Kenya, with its registered office at P.O Box 4617-00200 and presently holding its offices at G.J Plaza Lumumba drive, RoySambu Nairobi;
Issuer Access Agreement	The agreement concluded between the Issuer and Lendahand Ethex that allows the Issuer access to the Lendahand Ethex Website so that the Issuer can offer and issue Notes to Investors through this website;
Investors	the investors in the Notes;
Lendahand	**Hands-on B.V.**, a private limited liability company incorporated under the laws of the Netherlands, registered with the Dutch Chamber of Commerce under number 55711766 with its registered office at Amsterdam and presently holding its offices at Conradstraat 38 - D1.150, 3013 AP Rotterdam, the Netherlands;
Lendahand Ethex	**Lendahand Ethex Ltd.**, a company incorporated under the laws of the United Kingdom, registered with the UK Companies House under number 10529133, with its registered office at Oxford and presently holding its offices at The Old Music Hall, 106-108 Cowley Road, Oxford, OX4 1JE, United Kingdom. Lendahand Ethex is a 50/50 joint venture of Ethex and Lendahand that owns and operates the Lendahand Ethex Website under the campaign Energise Africa (www.lendahand.co.uk);

Lendahand Ethex Website	the internet website operated by Lendahand Ethex that allows investors to select and fund Projects by investing in the Notes (www.lendahand.co.uk);
Material Adverse Effect	means any circumstance or event which (A) has a material adverse effect for the Investor on the validity, legality or enforceability of the Notes (B) has a material adverse effect on the business, properties, assets, condition (financial or otherwise) of the Issuer, (C) impairs materially the ability of the Issuer to duly and punctually pay or perform its obligations under the Notes;
Notes	the notes of the Issuer issued in accordance with these Terms and Conditions by the Issuer;
Outstanding Amount	the principal amount outstanding under the Notes, which at the Issue Date is GBP 50 per Note and which principal amount may decrease over time based on early repayments in accordance with Article 4;
Prepayment Amount	means amounts prepaid early on the Principal Amount of the Notes, as a result reducing the Principal Amount accordingly, in accordance with Article 4.2;
Prepayment Date	shall have the meaning set forth in Article 4.2;
Principal Amount	means GBP 50 per Note as at the Issue Date, which amount may decrease if and when the Issuer makes early Repayments on the Notes;
Project	the Project as set out on the Lendahand Ethex Website;
Repayment	shall have the meaning set forth in Article 4;
Security Right	shall have the meaning set forth in Article 11.1;
Terms and Conditions	the terms and conditions of the Notes as set forth herein;
Voluntary Prepayment	shall have the meaning set forth in Article 4.2.

In these Terms and Conditions, unless the context dictates otherwise, references to the singular shall include references to the plural and vice versa and references to any pronoun shall include the corresponding masculine, female or neuter.

Article 2 NOTE ISSUE

2.1 The Issuer seeks to obtain the relevant (back-filled) funding for the Project, by issuing the Notes pursuant to these Terms and Conditions (the "**Issuance**"), the terms of which are attached hereto in **Annex I**.

2.2 Lendahand Ethex Ltd is an appointed representative of ShareIn Limited (Authorised and Regulated by the FCA, FRN:603332). It may market financial promotions and execute orders. Lendahand Ethex will place the Project on the Lendahand Ethex Website, ultimately allowing Investors to invest in the Notes.

2.3 The Issuer issues the Notes in accordance with these Terms and Conditions. The Investors are assumed to have taken note of and are bound by these Terms and Conditions.

2.4 The total amount of the offer and issue of the Notes is as stated in **Annex I**.

2.5 Each Note has a denomination of GBP 50.

2.6 The Issuer may, at its sole discretion redeem (part of) the Notes earlier by early repayment(s) in accordance with Article 4.

2.7 The Notes will be solely offered in the United Kingdom, or in another country of the EEA if the offer is made in accordance with the laws of such other EEA country and if Lendahand Ethex is authorised to execute orders from potential Investors in such EEA country. The Notes cannot and will not be offered in any country outside of the EEA and may not be sold or resold to Investors who are resident or citizens of other countries, such as the United States of America as set forth in **Annex II**.

2.8 The Notes will be held in accordance with the Giro Act where Lendahand acts as intermediary (*intermediair*) under the Giro Act. Lendahand is the holder of the collective depot (*verzameldepot*) of the Notes and the Issuer will treat Lendahand as the recordholder of the Notes.

2.9 In case of a sale of Notes from one Investor to another Investor, taking into account restrictions on sales, if any, the Notes will be delivered in accordance with the Giro

Act and in accordance with the the terms and conditions of Lendahand Ethex Website for Investors.

2.10 Notes do not give right to ownership, voting rights or meeting rights.

2.11 The terms and conditions of Lendahand Ethex Website for Investors contain provisions on the Notes. In case of a discrepancy between such terms and conditions and these Terms and Conditions, these Terms and Conditions will prevail insofar it concerns the Issuer and/or the Notes.

Article 3 INTEREST

3.1 The Notes are issued by the Issuer and bear interest at the interest rate as stated in **Annex I** as from the first day of the month following the Project becoming fully funded on the Lendahand Ethex Website and such date is specified in **Annex I** hereof (the "**Issue Date**") until and including the Maturity Date, or such earlier date on which the Principal Amount has been repaid in full.

3.2 For the avoidance of doubt, each Note shall bear interest as of the Issue Date, and be payable semi-annually as per the Amortization Schedule in **Annex I** (**"Interest Payment Date"**).

3.3 Interest shall be calculated on the basis of 30 (thirty) days in a month and 360 (three hundred and sixty) days in a year. Interest is calculated on the basis of the Outstanding Amount of the Notes in such year, the first year starting as of the Issue Date.

3.4 Interest will be paid on the Interest Payment Date.

Article 4 REPAYMENT OF THE NOTES AND PAYMENTS ON THE NOTES

4.1 The Notes shall be repaid by the Issuer in accordance with the Amortization Schedule attached hereto ("**Repayment**") in **Annex I**. Repayments are semi-annual and in equal instalments.

4.2 Not earlier than 12 (twelve) months after the issuance date, the Issuer may prepay the Principal Amount, in full or in part (the "**Prepayment Amount**"), on an Interest Payment Date (the relevant Interest Payment Date hereinafter being referred to in this paragraph as the "**Prepayment Date**") (the "**Voluntary Prepayment**"). In addition to the Prepayment Amount, the Issuer shall pay to the Investors on the Prepayment Date an amount equal to the sum of: (a) interest accrued on the Prepayment Amount up to the Prepayment Date, and (b) a prepayment fee of 1.5%

(one and a half percent) of the Prepayment Amount, and any legal or other fees incurred as a result of the Voluntary Prepayment or otherwise.

4.3 All payments made by the Issuer under the Notes shall be calculated and made in GBP only, and shall be deposited into the bank account of the payment services provider used by the Investors, as provided under the terms and conditions of Lendahand Ethex.

4.4 The Issuer shall, under no circumstances, have the right to suspend any payment, the right to set-off[6] or any similar right to withhold payment.

4.5 Payments made by the Issuer shall be first applied to the interest due and subsequently to the Principal Amount.

4.6 If, at any time, the Issuer is in default in the payment of any amount of principal, interest, fees or other obligations due hereunder (whether by acceleration, at maturity or otherwise), the Issuer agrees to pay an additional interest rate of 2% (two percent) per annum above the rate set forth in Article 3.1 on the then due Principal Amount until the date on which the overdue sum is paid.

Article 5 TAXES (FOR IF YOU HAVE INVESTED UNDER AN IF ISA WRAPPER)

5.1 All taxes charged in Kenya in relation to any payments made under the Notes will be paid by the Issuer.

5.2 If any tax or amounts in respect of tax must be deducted, or any other deductions must be made, from any amounts payable or paid by the Issuer under this Agreement, the Issuer shall pay such additional amounts (*make whole*) as may be necessary to ensure that the Investors receive a net amount equal to the full amount which they would have received had payment not been made subject to tax.

5.3 All taxes required by law to be deducted or withheld by the Issuer from any amounts paid or payable under the Notes shall be paid by the Issuer when due and the Issuer shall, within 15 (fifteen) days of the payment being made, deliver to the Investors evidence satisfactory to the Investors (including all relevant tax receipts) that the payment has been duly remitted to the appropriate authority.

[6] The right to set-off refers to the settlement of debt between a creditor and debtor through offsetting transaction claims.

5.4 All costs and expenses of the Investors to be made by the Investors in order to collect payment of any amount due under the Notes, irrespective as to whether these costs are judicial or extrajudicial, shall be paid and borne by the Issuer.

Article 5 TAXES (FOR IF YOU HAVE NOT INVESTED UNDER AN IF ISA WRAPPER)

5.1 All taxes charged in Kenya in relation to any payments made under the Notes will be paid by the Issuer.

5.2 All taxes required by law to be deducted or withheld by the Issuer from any amounts paid or payable under the Notes shall be paid by the Issuer when due and the Issuer shall, within 15 (fifteen) days of the payment being made, deliver to the Investors evidence satisfactory to the Investors (including all relevant tax receipts) that the payment has been duly remitted to the appropriate authority.

5.3 All costs and expenses of the Investors to be made by the Investors in order to collect payment of any amount due under the Notes, irrespective as to whether these costs are judicial or extrajudicial, shall be paid and borne by the Issuer.

Article 6 COVENANTS

6.1 Within 180 (one hundred eighty) days after the year end, the Issuer shall publish a copy of its audited financial statements through the Lendahand Ethex Website.

6.2 The Issuer shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses and consents required under any applicable law to enable the Issuer lawfully to enter into and perform its obligations under the Notes and to ensure the legality, validity, enforceability or admissibility in evidence of the Notes in its jurisdiction of incorporation.

6.3 The Issuer shall comply in all respects with all laws to which it may be subject, except when such failure to comply would not result in a Material Adverse Effect.

6.4 The Issuer shall procure that no substantial change is made to the general nature of its business from that carried on at the date of the origination of the Notes.

6.5 The Issuer shall not undertake or permit any merger, demerger, amalgamation or corporate restructuring, which has or could reasonably be expected to have a Material Adverse Effect.

6.6 All costs related to the obligations of the Issuer under this Article shall be borne by the Issuer.

Article 7 EVENTS OF DEFAULT

7.1 Each of the events as described hereunder constitutes an Event of Default on the part of the Issuer:

(i) the failure to pay any sum due under the Notes at the time, in the currency and in the manner required, which non-payment is not remedied within 30 (thirty) days after the due date thereof;

(ii) a representation or warranty hereunder or repeated by the Issuer in or pursuant to these Terms and Conditions is incorrect or misleading in any material respect when made or repeated;

(iii) the failure to duly perform any other obligation, including the covenants under Article 6, under or resulting from these Terms and Conditions, which non-performance, if capable of remedy, is not remedied within 7 (seven) days after the Investors' relevant notice to the Issuer which notice shall at all times be given by Lendahand on behalf of the Investors;

(iv) an attachment or execution affects any assets of the Issuer and is not discharged within 14 (fourteen) days;

(v) the Issuer under its relevant jurisdiction is declared bankrupt or is granted a moratorium or a request for bankruptcy or moratorium is filed;

(vi) the Issuer is dissolved, a resolution for its dissolution is passed or a request for its dissolution is filed;

(vii) the holders of the Notes exercise the Information Request and the Issuer does not provide the requested adequate information (to be determined at the sole discretion of the holders of the Notes) within 15 (fifteen) days;

(viii) all material authorizations, approvals, licenses and consents, required or desirable to enter into and perform the obligations under the Notes and carry on the business of the Issuer, have not been obtained and/or are not or no longer effected and are effective (which shall at all times exclude any registrations or filings);

(ix) any material debt of the Issuer in an amount exceeding GBP 100,000 (one hundred thousand pound sterling) is not paid when due nor within any originally applicable grace period, or any material debt of the Issuer in an amount exceeding GBP 100,000 (one hundred thousand pound sterling) is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an Event of Default (similar as described hereunder); or

(x) any event or circumstance occurs that, in the opinion of the Issuer, might have, directly or indirectly, a Material Adverse Effect on the Issuer´s ability to perform any of its payment obligations under the Notes, which at all times is limited to a change of control situation of the Issuer or a disposal of assets in excess of GBP 100,000 (one hundred thousand pound sterling).

7.2 The Issuer shall, without any delay, inform the Investors through Lendahand Ethex in its capacity of intermediary, in writing if an Event of Default has occurred or is likely to occur.

7.3 If an Event of Default has occurred, all Notes still outstanding, together with accrued interest and all other amounts owing under the Notes, will immediately be due and payable without any notice of default or court intervention being required.

Article 8 REPRESENTATIONS AND WARRANTIES

8.1 The Issuer explicitly represents and warrants that:

(i) The Issuer is a company, duly organized, validly existing and in good standing under the laws of its jurisdiction. The Issuer has the power to own its assets and carry on its business substantially as it is being conducted;

(ii) The Notes will constitute legal, valid and binding obligations against it in accordance with its terms and will not violate any contract of the Issuer entered into prior to the issue date of the Notes;

(iii) The Issuer is authorized and licensed and has the capacity to fulfil its obligations under the Notes, to offer and issue the Notes;

(iv) No Event or Default is outstanding or likely to result from the Notes;

(v) The Issuer's obligations towards the Investors under the Notes, unless secured, rank senior to any company director loan and at least pari passu[7] with the existing or future claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally;

(vi) The Issuer shall not pay or discharge (including, without limitation, by way of set-off or combination of accounts), or grant any guarantee, indemnity, bond, letter of credit or similar assurance against financial loss in support of, any indebtedness owed by it or any other person unless there is prior written consent of the Investors;

(vii) The Issuer shall not declare or pay any dividends upon any of its stock, or purchase, redeem, retire or otherwise acquire, directly or indirectly, any shares, or make any distribution of cash, property or assets among the shareholders, if the earning before tax over the last 12 (twelve) months is negative or an Event of Default has occurred and is continuing, or would occur; and

(viii) No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have been started or threatened against the Issuer. In any proceedings taken in its jurisdiction of incorporation in relation to the Notes, the Issuer will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

8.2 Investors will not directly approach the Issuer, but will approach Lendahand Ethex and instruct Lendahand Ethex to act on their behalf but only in accordance with the terms agreed between Lendahand Ethex and the Issuer.

8.3 The representations set out in this Article 8 shall be deemed to be given and repeated:

(a) on the Issue Date; and

(b) on each Interest Payment Date;

by reference to the facts and circumstances then existing.

Article 9 PRESCRIPTION

[7] Pari passu refers to loans, bonds or classes of shares that have equal rights of payment or equal seniority.

9.1 Claims against the Issuer for payment of principal and interest in respect of the Notes will be prescribed and become void unless made within a period of 5 (five) years after the date on which such payment first becomes due.

Article 10 Information Request

10.1 Holders of the Notes have the right to proactively ask the Issuer to be provided with additional information, true and complete, regarding the repayment of any amount due under the Notes (the "**Information Request**"). The Information Request may only be exercised in the event that circumstances justify the fear of an impending Event of Default, or in the event that an Event of Default indeed has occurred. The Information Request shall at all times be carried out through Lendahand; Lendahand will pass on any information received from the Issuer to the holders of the Notes resulting from the Information Request.

10.2 The Information Request has to be sponsored by more than (i) 50% (fifty percent) of the Outstanding Notes and (ii) 50% (fifty percent) of the number of holders of the Notes. In the event that a holder of the Notes desires to exercise the Information Request, it will inform Lendahand Ethex. Lendahand Ethex will inform Lendahand (Hands-on B.V.) as holder of the collective depot (*verzameldepot*) thereof. Lendahand (Hands-on B.V.) will then inform all holders of the Notes accordingly and ask them to vote in order to ensure that the aforesaid quorum is achieved. Lendahand (Hands-on B.V.) will collect the votes and will inform the holders of the Notes and the Issuer if the Information Request can be exercised. If so, any information shall be distributed to all holders of the Notes.

Article 11 SECURITY

11.1 The Notes are unsecured.

Article 12 MISCELLANEOUS

12.1 **Evidence**

Subject to evidence to the contrary, the records of Lendahand (Hands-on B.V.) in respect of the Notes as holder of the collective depot (*verzameldepot*) will constitute conclusive evidence of the existence and amounts of any of the obligations of the Issuer under the Notes.

12.2 Notifications

a. All notices and other communications relating to the Notes shall be sent to the following addresses:

(i) For Investors:

Lendahand Ethex Ltd.
The Old Music Hall
106-108 Cowley Road
OX4 1JE
Oxford
United Kingdom

Email address: help@lendahand.co.uk

(ii) For Issuer:

Suntransfer Kenya Investments Limited
P.o Box 4617 – 00200,
Nairobi
Kenya

Email address: kirubi@suntransfer.com

or to such address as stipulated in these Terms and Conditions or as the Issuer or Lendahand Ethex may specify, by registered mail with acknowledgement of receipt, by courier, or by e-mail.

b. Notices and other communications sent as outlined below shall be deemed to have been received by the addressee at the following times:

(i) if delivered by a courier service: at the time the communication is delivered to the addressee by the courier;

(ii) if sent by registered post: on the day specified on the receipt report;

(ii) if sent by e-mail: on the day specified on the corresponding receipt report.

12.3 Invalidity of Provisions

In the event that any provision of the Notes appears to be non-binding, the other provisions of the Notes will continue to be effective. The Issuer is obliged to replace the non-binding provision with another provision that is binding, in such manner that the new provision differs as little as possible from the non-binding provision, taking into account the object and the purpose of the Notes.

12.4 The signed Fully Funded Notice shall form an integral part of the Notes and receipt of the duly signed and executed Fully Funded Notice by Lendahand Ethex will constitute the issuance of the Notes in accordance with the Terms and Conditions thereof.

Article 13 JURISDICTION AND CHOICE OF LAW

13.1 The Notes and the Terms and Conditions of the Notes are exclusively governed by the law of England and Wales and they are subject to the exclusive jurisdiction of the courts of England and Wales.

7. Appendix

a. INRiSC credit analysis Review SunTransfer

INRiSC

CREDIT ANALYSIS REVIEW – FINAL

Version_final_F02

June 7, 2017

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Contents

1. Introduction

This memorandum concerns the high-level credit analysis in connection to Lendahand's (the '**Client**') potential bond/note issuance to SunTransfer Kenya ltd. (STKE). The scope of the review is limited to a general review of the credit-related risks in association with the issuer (SunTransfer Kenya) and the potential issue (the note request). This memorandum does not intend to provide any advice regarding a potential investment in the request under review. Client should make its own considerations and investigations regarding any investment or any offering thereof made to its customers and clients (investors) as intended. No rights can be derived from the use of this document. We note that, apart from credit risks, various other aspects might be relevant when considering an investment, e.g. (local) market circumstances, technology risk, country risk, etcetera. The analyses of such other aspects are excluded from this review. We underline that the review is meant to identify risk, not validate the business case under review commercially. Any comments made on such aspects should be seen in conjunction with credit-related analyses and have no value of their own, nor intend to indicate any deeper analyses of such underlying aspects. Information used in this review is limited (as referenced in Appendix A.1). No due diligence or verification of information received has been made. INRiSC has no further interest in the issuer (SunTransfer Kenya) or the notes issued. INRiSC is not supervised by any regulatory body.

2. Notes issuance & summary

The request concerns:

- A senior ranking, covenanted, EUR 1,000,000 + GBP 500,000 facility, the first drawdown amounts EUR 100,000, each note has a maturity of 3 years, with semi-annual, linear repayments,
- Borrower is SunTransfer Kenya, a private limited company (besloten vennootschap) based in Kenya, the majority shareholder is SunTransfer Germany Gmbh (besloten vennootschap)
- SunTransfer Kenya has activities in the installation and servicing of solar panels and electrical appliances in Kenya;
- Financing for working capital purposes.

RISK ANALYSIS OVERVIEW Positive aspects	 Negative aspects
Company	
Good management team with knowledge of local circumstances (socio-economic & regulation)	Vulnerable to socio-economic, tax regime and political situation
Successful track record in attracting outside money	
ERP system for sound operations and relevant checks and balances	
Business	
Large (untapped) market for sustainable (energy) solutions	Highly competitive market, market spoilage with inferior products
Strong strategic partners	
Scalable business model	
Developing new product lines	
Product	
Decentralized off-grid solar utilities with seemingly large demand	No unique (patented) product (commodity)
Additional sales from ancillary products	Highly competitive market which pressures margins
Commodity with broad market acceptance	
Financials	
Positive operating cash flow realized	Negative asset conversion • Large accounts receivables position (due to payplan) • Large amount of stock • large payables position
Payment behavior of the customer is well understood and adequate system of control	FX-risks have affected the company in the past and are momentarily not hedged, company is looking for local currency financing
Steady improvement of financials over the years	
Note structure	
Relative short term to maturity (3 yrs. with semi-annual repayments)	[Unsecured]

[Ranking]	Limited collateral value for recovery; due to being unsecured notes are equal to all other creditors (while company has large creditor position) behind secured lenders

3. The Borrower

3.1 The company

SunTransfer Kenya Ltd (STKE) was registered seven years ago (August 2009) as an off-grid solar company with a core mission of improving energy access to over four million households and small businesses unreached by the grid in rural Kenya. SunTransfer sells quality solar systems which it installs and provides after-sales service. The company has a supplier agreement with Solar-Connect which is an affiliate of SunTransfer Germany GmbH, a German distributor that is responsible for quality control and logistics up and to Kenya. The supplier guarantees European standards that are superior relative to the competitors in the market. SunTransfer's target group is mainly middle-class rural families.

From 2009, STKE's business model has evolved through two distinct phases: the initial phase (2009-2012) focusing on lantern distribution in partnership with key MFIs such as Faulu and KWFT followed by the second phase (2013-current) anchored and defined by a customer-centered holistic model that integrates four key elements: top-quality products, credit, technical installation and after-sale service. This holistic model is made possible by a strong team of 75 staff distributed across a network of 15 Solar Centers (SC) in different regions, including the head office in Nairobi.
To break into the off-grid solar market, STKE leveraged three key strategies. First strategy was partnering with SunTransfer Germany (STDE) and the Solar Energy Foundation (Stiftung Solarenergie, Germany) (StS-DE). SunTransfer is the technical partner for StS-DE which develops solar projects. STDE and StS-DE had gained valuable experience testing multiple end-user micro-finance models in Ethiopia since 2005. Insights from Ethiopia informed the next strategy – leveraging partnerships with different micro-finance institutions (MFIs) in Kenya. SunTransfer recognized that end-user finance was an essential market reality.

SunTransfer's first major challenge was limited access to working capital. The company's stock ran out in June 2011 and continued receiving orders that could not be adequately supplied for nearly six months, leading to serious loss of business and great disappointment to SunTransfer's MFI partners. The second, and most damaging problem, was technical in nature. A defect that was too subtle for SunTransfer to detect it during routine pre-dispatch quality control tests in the Nairobi workshop. Leading to a massive re-call of defective lamps. In total, SunTransfer re-called and replaced over 1,000 lamps. The third challenge relates to natural trends typical of many business cycles. The solar lanterns market in Kenya kicked off roughly in early 2008/2009, peaked in 2010 to 2012 and started plateauing and declining in 2012/2013. The decline was triggered by many dynamics, notably increased supply from many suppliers; product diversification beyond single lanterns to multiple-light products; and entry of pay-as-you-go (PAYGO) end-user finance platforms which expanded the range and choices of products that customers would access and afford.

ST DE assisted ST KE to manage the business loss accompanied by the supply of faulty solar lanterns and solved the issues with the supplier. Inventory-based loans were written-off and SunTransfer Germany subsequently enlarged its shareholding to a majority stake.
In early 2013, SunTransfer received seed funding from Africa Enterprise Challenge Fund (AECF). This funding enabled SunTransfer to deliver on three key milestones in setting up and expanding their business: a) opening of two more Solar centers (Wote & Sultan), b) technical training of STKE staff on PAYGO solution by a team from Solar Energy Foundation (StS) Ethiopia; c) acquiring the initial prototype inventory of solar systems (ST20) loaded with payment plan solution developed by STDE.

The key outputs in 2013 included: a) refining the holistic business model (product, after-sales, installation and credit); b) further testing of product prototypes and PAYGO technology that act as a risk management systems c) getting a better handle on costs, pricing, and value proposition; d) design of prototype M-SOLAR – our solution for managing codes used to lock/unlock the systems as part of the PAYGO model.

Key activities in 2014 included: a) operationalizing the business model by opening six additional SCs, thus growing the SC distributional network to nine; b) expanding range of solar products; c) entering the solar appliances market by introducing a high-efficient, digital NIWA TV (16”, 10W); d) deploying M-SOLAR solution for managing credit codes (tokens) for the Lease-to-Own model; e) getting a better understanding of the company’s costs (capex[8], opex[9], HR) and end-user pricing for our Lease-to-Own model; f) recruitment and training of both management and field staff as an on-going activity.

3.2 Management

In conducting this this credit review we have interviewed both Gathu Kirubi (CEO) and Jotham Maina (Finance Manager) over the phone. They seemed well versed in all business aspects and explained their case with vigor. Mr. Kirubi founded the company in 2009 and helped it grow to its current state. Mr. Maina is employed by SunTransfer since 2012, becoming their finance manager in 2015. We have further reviewed the Curriculum Vitea Mr. Bernard Kinyanjui the manager operations and Mr. Benson Kimathi marketing manager. All four gentlemen have university degrees relevant to the position they fulfill in the company.

3.3 Credit history Borrower

The company was founded in 2009. INRiSC has reviewed a relevant four-year track record of historical figures. According to the data reviewed the company has attracted a fair amount of outside funding since 2013. During this time some of the company’s debt has been restructured. Loan repayments of the grants were pushed back and inventory loans were written off with the help off ST DE enlarging their equity stake. The reason for the restructuring was because of technical difficulties with the product and due to the development of the business model, which went from solar lanterns to complete solar system and appliances combined with a payment plan. SunTransfer indicates that this has been done in agreement with its financiers.

4. Business analysis

SunTransfer seems to be effective in finding the right funding and the right partners. These two facets helped them survive difficult times. The key business activities are concentrated around the sales and after-sales of PV-panels batteries and appliances. SunTransfer offers a payment plan (payplan), to grant a larger customer base access to energy. Key business driver of SunTranfer is the sales of an off-grid solar solution, either with or without a payment plan. Around +/- 20% of sales are direct sales, the other +/- 80% of sales go through the payment plan. SunTranfer is part of the off-grid solar market that benefits from a strong base of mobile banking technology and subsequent supportive infrastructure to consumer credit activities in Africa.

Reportedly, the Niwa TV was an instant hit, sending a clear signal that diversifying the appliances market seemed a good strategy. While 2014 seems to have been a year of business validation, 2015 seems to be a year for consolidation what should lead to laying a foundation for realizing scale. The Compounded Average Growth Rate (CAGR) of the revenues during 2013 -2016 was 70%.

In order to finance working capital, the company has to attract outside funds as operating cash flow is just now breaking even. With the partnership of Venture South Kenya, SunTransfer intends to sell or finance their portfolio consisting of payment plans. This will help to shorten the cash cycle of the company and improve liquidity. At the moment, the factoring deal with VSK is a one-off funding transaction in which SunTransfer aspires to finance an amount around the EUR 600,000 of receivables that are connected to the PAYGO payment plans. SunTransfer intends to make more

[8] Capital expenditures

[9] Operational expenditures

factoring agreements in the future either with VSK or another party. The notes issuance through Lendahand will further help keep adequate stock, finance working capital and facilitate a further roll-out of the business.

SunTranfer contracted WiseDigits Ltd, a software development firm in Nairobi, to develop SIMS (or SunTransfer Information Management System). In essence, SIMS is an enterprise resource planning (ERP) tool that has been customized for ST KE with four main modules: finance, inventory, credit and HR. Of particular importance for STKE was the integration of M-SOLAR into SIMS. M-SOLAR is the solution that generates and dispatches codes (tokens) and it's linked to the Mpesa paybill # to ensure that codes are dispatched to customers upon making the due payment via the customer's mobile phone. SunTransfer developed an inclusive business model in which it also offers customer credit. Lease-to-own means that the customer does not rent the product. After the customer made a certain amount of payments the solar system it is owned by them. INRiSC did not see reports of this risk management system and thereby could not review it.

Regarding the quality of the receivables portfolio. Credit assessments are made of each customer by the sales staff by means of a list of criteria. A customer's disposable income and assets are evaluated. Payment reminders are sent automatically via text messages. The whole process is made as transparent as possible. Performance of the repayment portfolio (according to management the payment plan portfolio is consisting of 5-6% of the loans in arrears and 2% in default) is adequate for factoring parties to be partnered with SunTransfer.

5. Financial analysis Borrower

INRiSC reviewed the consolidated annual accounts 2012 until 2016. In this period revenues have risen substantially. In 2016 SunTransfer had profitable core operations (pre-tax and interest payments) but operated at a minor net loss. It did grow their working capital base that mainly consists of accounts receivable and inventory. We see that according to the company's projections most ratios significantly improve over the duration of a three year period.

In 2014, SunTransfer suffered a total after-tax loss of KES 2.4 million (around EUR 20,000), of which forex loss contributed 121% (KES 2.7 million or approx. EUR 23,085). In other words, STKE would have made a small profit of KES 0.5 million (approx. EUR 3,085) had the forex loss not been so high. A similar trend was noted in 2015 where forex loss (KES 2.4 million/ EUR 22,080) contributed nearly 50% of the total loss after tax (KES 5.1 million or approx. EUR 46,920). Forex risks arise because of foreign currency funding and STKE imports inventory in USD, trades locally in KES and re-pays imports in USD. The company is looking for local currency funds in order to mitigate their exposure to forex.

The consolidated projections are based on a financial model provided as is by SunTransfer Kenya. The projections are based on the sales of goods in Kenya and includes the loan portfolio profits (lease-to-own; payplan). INRiSC was able to obtain a good overview of the financials of the company going forward. Please note that INRiSC did not test the reality of the projections in terms of market share captured, underlying price levels, costs related to the realization of the product or its components. Nor did we test for consumer payment behavior, payment terms or consumer default rates and loan losses for Kenya.

Key financial ratios, realized and projected, excluding notes issuance	2016	2017	2018	2019
Current ratio	2.59	1.90	1.43	1.32
Total debt/EBITDA	31.40	9.78	4.98	3.34
Gearing	-14.75	28.66	8.93	4.12
Own and Assoc. M/Tot Assets	0.01	0.03	0.05	0.08
Interest cover ratio	0.71	1.40	2.43	2.69
Debt service cover ratio	0.71	1.40	2.43	2.69
cash / (3m R+I)	-12.22	-4.11	-5.56	0.01

Financial Ratio Table

5.2 Liquidity

SunTransfer has a long cash cycle, due to two issues. Firstly, the payment plans from PAYGO (accounts receivables) on their books can have an 18-months duration. Secondly, the company is faced with long supply lead times in comparison to Western standards. The effect of this is that the current ratio is quite positive due to the large portion of current assets. Which is positive as the company can cover its short-term liabilities from current assets. It also shows however that stock rotation could be low (high inventory levels), that there are large accounts receivables (due to PAYGO) and long payment terms utilized in connection with the trade payables. If SunTransfer is able to sell more of its receivables to a third party SunTransfer would receive its cash much quicker, transferring the collections of the A/R to the financing company. In combination with realizing a higher stock rotation this would improve the cash conversion and thus debt serviceability considerably.

5.3 Solvency

Gearing improves during the recorded time. The 'flip' from negative to positive gearing is due to the fact the company had a negative equity holding in 2016 which became positive due to a conversion of a mezzanine loan into preferred shares in 2017. What needs to be taken into consideration is that the balance sheet is 'inflated' by the financing of considerable amount of accounts receivable and the amount of payables in comparison to the equity of the company. Meaning if all sales were direct cash payments the company would have had a much shorter balance sheet. This inflation creates additional funding requirements. The second reason is the business is expected to turn profitable in 2017, due to which net profits could be added to the reserves of the company. If the company is able to keep to the projected growth path gearing and solvency will continue to improve, bearing in mind the increasing funding requirement as a result of said growth.

5.4 Cash flow analysis Borrower

As mentioned, the cash cycle is of the company is long due to the accounts receivable and long supply lead times. In 2016 the Company still operated at a minor net loss. The operating cash flow in 2016 was positive for the first time during our review period, overall however, the year had a negative operating cash flow. The outlook for this year (2017) is that they will be profitable and able to service the existing debt that they have, even though the Company has significant Debt/ EBITDA levels. The asset conversion of the company is negative during the entire review period. The company hopes to match the rising accounts receivables with a correlating rise in the accounts payable. It is unclear to INRiSC at the moment if the suppliers are willing accept these long payment terms. This is often seen done by dominant buyers in the supply chain as this forms a cheap form of credit without affecting ratios. If this is not the case the asset conversion will be negatively affected, and the debt service capability of the company will be influenced. It might also be the case that applicable accounting rules state that these terms are too long to be considered current liabilities. This may lead to a restating as long-term debt, also affecting solvency ratios.

6. Collateral analysis

Due to the SIMS program implemented by SunTransfer it has more grip on the consumer credit outstanding. This leads to more secure and transparent receivables portfolio. The company will be able to quickly measure non-payment and take appropriate steps, locking the goods and in the worst case repossessing the goods. The sooner the company is able to do this the more likely value can be extracted from the repossession of the goods. In the interview SunTransfer argued that the execution value of the inventory will be relatively high due to the high demand for goods like; batteries, cables and solar panels. INRiSC is not in the position to validate what the exact discount would be in distressed situation.

There is a pledge on a part of the receivables that are pre-financed by VSK, roughly EUR 600,000.

7. Risk analysis

The proceeds of the notes issuance by SunTransfer Kenya is used to purchase stock and support working capital financing needs. The company has a considerable exposure on its customers' creditworthiness. If a sufficient portion of their customer rescind their payments this will affect the company significantly. It seems that SunTransfer has taken steps in mitigating this risk by having a clear and consumer credit appraisal procedure and monitoring system in place.

Debt service of the notes depends on the capability of SunTransfer to make enough sales with credit worthy customers. The company has realized an operating cash flow neutral situation, meaning there is a now sustainable financial situation on which the company can build further. They need however to structurally improve their asset conversion cycle, in 2019 the asset conversion cycle is nearly neutral, to support debt serviceability.

SunTransfer business activities inherently have to deal with forex risk. This risk is exacerbated by the fact that there lies an exposure on both USD (suppliers and loans) and the EUR/GBP (notes/bonds) versus local currency. SunTransfer is examining if it can attract debt in local denominated currency. At the moment, the noteholders holding foreign currency in relation to the KES are exposed to Forex risk that may impact debt serviceability, as evidenced in the past.

The notes are unsecured and basically provide cash flow financing. The notes being unsecured, any recovery in case of default ranks behind senior secured lenders. In fact, the position of the noteholders is equal to other trade creditors (for as long they do not have specific preferential agreements). Seeing the large amount of creditors in case of default the noteholders will need to share the proceeds remaining after repaying secured lenders with a large group of claimants.

A. Appendices

A. 1 Information used

The information used in this analysis were obtained from Client and include:

- Meeting notes SunTransfer and Lendahand;
- Annual accounts 2014 - 2016;
- Projections SunTransfer Kenya consolidated 2017-2019;
- Equity and loan agreements;
- Share register and articles of association;
- Organizational chart (operations);
- Term sheet notes Lendahand;
- Interview conducted with management messr. Gathu Kirubi and Jotham Maina.

For more information

Complaints – Any complaints about the Investment Offer should be sent to help@lendahand.co.uk.

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