



A GUARANTEE FOR AFRICAN GROWTH

2017



ANNUAL REPORT &
FINANCIAL STATEMENTS

Contents

CORPORATE INFORMATION	8
Board of Directors	10
Management	11
AGF Human Resource Management	14
MESSAGE FROM THE CEO	6-7
STATEMENT ON CORPORATE GOVERNANCE	20-21
AGF PERFORMANCE HIGHLIGHTS AS AT 31 Dec 2017	24-25
■ Our Achievements	26
■ Results at a Glance	28
■ AGF Results Chain	30
■ Guarantee Performance Results	30
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2017	38-39
■ Commentary of the Directors	40
■ Certificate from the Secretary	41
■ Independent Auditors' Report	42-43
■ Consolidated Statement of Profit or Loss	51
■ Consolidated Statement of Comprehensive Income	52
■ Consolidated Statement of Financial Position	53
■ Statements of Changes in Net Assets attributable to Shareholders	54
■ Consolidated Statement of Cash Flows	55
■ Notes to the Financial Statements	56

KEY DATA



Since AGF was founded, our purpose has been clear: We are here to help the private sector, mainly Small and Medium Sized Enterprises, to play their role as engines of growth in Africa. We are confident that properly funded SMEs can help drive African countries' economies to greater heights.

FELIX A. BIKPO
Chief Executive Officer, AGF

84

Partner Financial Institutions implementing AGF guarantee products

38

Countries where AGF products are implemented

USD 1.4B

SME financing unlocked via Partner Financial Institutions

19 000

SMEs that have been supported by AGF guarantees

89 000

Additional jobs created by SMEs supported by AGF guarantees

African Guarantee Fund is owned by



Our Development Partner





MESSAGE FROM THE CEO

Dear Shareholders,

I begin this address with a sense of pride and much gratitude. With only six years of operation, African Guarantee Fund has been assigned an AA- rating by Fitch Ratings - one of the “Big Three International credit rating agencies”. This is the first time a guarantee fund in Africa has been assigned this status and the second Africa-based entity – after African Development Bank’s “AAA” – to be recognized in this way. Since our establishment, our strategy has been built on implementing a proven business model, leveraging high quality technical expertise and putting in place a strong governance framework. The AA- rating serves to confirm this strategy.

I am also pleased to report that 2017 was another year that saw your institution move closer to its ultimate objective: mobilizing private resources for the development of SMEs across the continent with the objective of generating enhanced growth in the African SME sector, thereby creating more employment and driving economic growth.

The improved macroeconomic environment in the continent and our continued efforts towards balancing financial sustainability and desired social impacts helped us deliver a set of good results.

Social Impacts

AGF’s long-term strategic goal is to create a lasting impact on the SME-landscape in Africa, thus, a strong and sustainable partnership with financial institutions remains critical. AGF leverages its strength, expertise, and its shareholders’ resources to influence the behavior of Partner Financial Institutions (PFIs) in easing finance

to SMEs. As at the end of December 2017, AGF’s guarantee products were implemented by 84 PFIs, across 38 countries in Africa.

As of December 2017, AGF has cumulatively issued USD 710 million of guarantees. This has enabled PFIs to increase the available financing for SMEs to about USD 1.4 billion out of which a total of 0.9 billion has been disbursed to SMEs at an average tenor of 48 months. This translates to about 62% utilization rate to-date.

Enabling SMEs to access funding to finance green and climate resilient investments, is one of the key objectives of the company. In that regards, the green finance component, constitutes 11% of our entire guarantee portfolio and has already triggered some positive externalities that are real, verified, and sustainable. These include the creation of about 10,000 jobs, enabling more than 80,000 households to access clean, reliable, and affordable solar energy.

Increase in the number of PFIs implementing AGF’s guarantee products has equally increased the number of SMEs accessing financing. Since inception, about 19,000 SMEs have been financed by PFIs under AGF’s guarantee. 6,000 of these SMEs are owned by women entrepreneurs and about 11,000 are owned by youth. In 2017 alone, 4,600 SMEs accessed finance through AGF’s guarantees. These are SMEs which under normal circumstances would not have accessed financing.

Job creation is among the key social challenges that AGF seeks to address through empowering SMEs in order to enable them foster sustainable development, and reduce poverty in the Continent. As at December 2017, about 89,000 additional jobs were directly created by the SMEs benefiting from AGF’s guarantee, while an almost equal number of jobs have been sustained by the supported SMEs.

Business Performance

2017 was another breakthrough year for our Institution. Our comprehensive net income stood at USD 2.9 million, an increase of 41% from last year despite an exceptional USD 5 million of credit cost due to the deterioration of the economic environment in one of the countries where AGF operates. We recorded USD 13 million of revenues mainly driven by the guarantee activity and reflecting a good underlying performance across our activities. A translation gain of USD 6.7 million, due to the appreciation of the USD vis-a-vis the Euro, is also a major contributor to our revenues. Compared to the previous year, our operating expenses remained rather stable.

Despite the exceptional cost of credit of this year, the average Non-Performing Loan ratio which resulted into a claim payment over the last 6 years stands at 1.85%, much below AGF’s loss norm of 3%. In 2017, we continued to apply the fund’s risk management strategy

to arrive at a diversified set of risks through a diversified portfolio, a periodic and regular changes to the portfolio, an adequate market research, including excellent risk and opportunity analyses. The main objective of the company Investment Policy still remains to earn a maximum risk-adjusted return on its capital that is compatible with keeping the capital intact in the medium and long term and being able to settle all obligations in full and as they fall due.

Our Institution continues to improve its control environment as a response to the changing business environment. It is for this reason, that in 2017, AGF fully adopted, a proactive approach towards committing resources and energy in the implementation of Enterprise Risk Management. A proactive Enterprise Risk Management (ERM) Framework is vital in creating and protecting stakeholders’ value while fully integrating risk management in the organization’s governance structure and decision making process.

We could not be able to deliver these results without our people. The most valuable asset of the company remains its Human Capital. We continue to build, develop and manage our staff as a long-term investment in achieving our goals. We continuously ensure that human capital is aligned to key strategies through enhancement of capabilities and talent management which includes performance management and succession planning.

Corporate Governance

AGF has improved its governance framework in order to ensure that at least five critical elements of the organization’s governance program are taken into account—talent, performance, strategy, governance and integrity. In each of these respective elements, stakeholders expect that the Board of Directors is not solely serving as a monitor of management programs.

This is the reason why the Board of Directors of the Company submitted an enhancement of the corporate governance framework of the Company in April 2017, in order to promote the highest standards of corporate governance within the Company and for the Company to adopt and comply with all the principles of good corporate governance.

2017 saw the resignation of Mr. Baba Issah as independent Director, after 6 years of Directorship and the appointment of Mrs Sari NIKA as resident Director.

Looking Ahead

The objective of the Institution over the next 4 years is to contribute to the reduction of the SME funding gap in Africa, estimated at USD 155 billion, by 1%. This implies:

- Easing the access to USD 1.5 billion of financing at an average tenor of 5 year

- Supporting 10,000 SME per annum
- Creating roughly 30,000 jobs per annum.

Maintaining or improving our current rating is among our key business objectives. The banking sector still remains the major source of financing for SMEs. Almost all banks in different regions of Africa concur that the SME market is essential. For efficiency purposes AGF will continue to use the channel of the banking sector to reach its ultimate target, the SMEs. Therefore, reinforcing the trust with these financial institutions with a strong rating is key. A strong rating will contribute to facilitate the access to finance of the African SME’s segment for the following reasons in addition to the traditional benefits that AGF provides to its Partners Financing Institutions:

- Significant improvement of the quality of Financial Institutions SME’s portfolio
- Address appropriately the regulatory issues related to Basel II & III and IFR 9

Another critical success factor of this strategy is the availability of resources. The setting up of durable and efficient solutions to overcome the needs of SME’s in Africa passes through the acquisition of stable investors which will also contribute to strengthen the financial autonomy of AGF. One of the most important asset of a guarantee fund is its credibility. Among the criteria on which the credibility is set, financial strength has a key position. In this regard, the capital and other resources of AGF have to be in line with its ambitious objectives. As from 2017, the company embarked on a crucial fund raising mission. The additional capital injection required is USD 420 million. The first closing is scheduled for the end of year 2018 with USD 120 million. Considering the expressions of interest and commitment shown, this is indeed very feasible. The second tranche of capital, expected in 2019, is USD 80 million, the balance in 2020/2021.

In closing, I am thankful to the Board members for their support and continuous guidance. I take this opportunity to also thank AGF staff for their hard work and loyalty to the company.

Finally, I would like to express my deepest gratitude to our Partner Financial Institutions for their trust that justifies the quality of our partnership.

Thank you

Felix A. BIKPO
Chief Executive Officer

CORPORATE INFORMATION

ADMINISTRATOR & SECRETARY

Rogers Capital Fund Services Ltd.
St Louis Business Centre
Cnr Desroches & St Louis Streets
Port Louis
Mauritius

REGISTERED OFFICES

MAURITIUS

C/o Rogers Capital Fund Services Ltd.
St Louis Business Centre
Cnr Desroches & St Louis Streets
Port Louis
Mauritius

KENYA

3rd & 7th Floor
Mayfair Centre
Ralph Bunche Road
Nairobi
Kenya

TOGO

68 Avenue de la
Liberation
Immeuble BOAD
Lomé
Togo

AUDITORS

Ernst & Young Mauritius
Level 9, NeXTeracom
Tower 1
Cybercity
Ebene
Mauritius

LEGAL ADVISORS

FRANCE

UGGC Avocats
47 Rue Monceau
75008 Paris
France

KENYA

Daly & Inamdar
8th Floor ABC Towers, ABC Place
P.O. Box 40034 – 00100
Nairobi
Kenya

Banks

Commercial Bank of Africa
Upper Hill Branch
Mara and Ragati Road
P.O. Box 75501-00200
Nairobi
Kenya

Barclays Bank PLC
(Mauritius)
International Banking
Division
1st Floor, Barclays House
68-68A, Cybercity
Ebene
Mauritius

Ecobank
Upperhill Branch
P.O Box 49584-00100
Nairobi
Kenya

Barclays Bank PLC (UK)
Intermediaries
London Offshore Corporate
Barclays, 16th Floor
1 Churchill Place, London, E14
5HP
United Kingdom

CFC Stanbic Bank
International Life House
Branch
P.O. Box 75501-00200
Nairobi
Kenya

Our Values

Integrity

in our relationships and transactions with our clients and among each other, we are honest, trustworthy, reliable, transparent and accountable;

Creativity

we embrace new ideas and respond swiftly to changes in our environments;

Unity of purpose

we dedicate ourselves to pursuing the agreed common goals;

Right first time

we deliver on our commitments accurately and promptly;

Customer first

we meet our internal and external customers' expectations.



Board of Directors



Morten CHRISTIANSEN
Director, Representing DANIDA



Stefan NALLETAMBY
Director, Representing AfDB



Bruno DEPRINCE
Director, Representing AFD



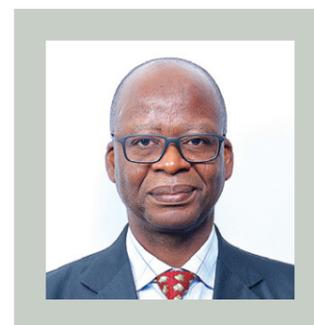
Pasi Sakari HELLMAN
Director, Representing NDF



Andrew E. TEMU
Independent Director



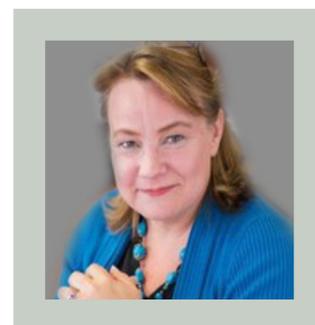
Anouchka CHUMMUN
Resident Director



Baba ISSAH
Independent Director
(June 2011 – June 2017)



Riad AUBDOOL
Resident Director

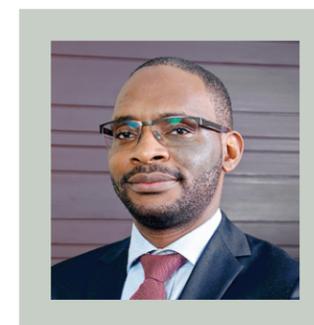


Sari NIKKA
Resident Director
(Appointed December 2017)

Management



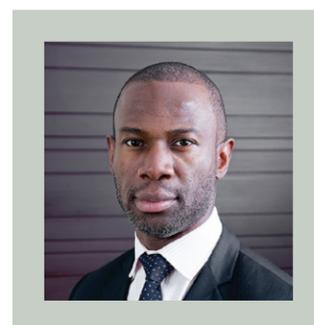
Felix BIKPO
Chief Executive Officer



Jules NGANKAM
Deputy Chief Executive Officer
& Chief Financial Officer



Adidja ZANOVI
Chief Internal Controller



David EKABOUMA
Head, Business Development



Josphat NGARUIYA
Head, Human Resources



Constant N'ZI
Chief Risk Officer



Emmanuel RUTSIMBA
Head, Monitoring & Evaluation



Franck ADJAGBA
Managing Director, GARI Fund



Juneid KODABUX
Legal Officer



Yves BOUDOT
CEO Advisor



AGF Group staff from the Kenya, Mauritius and Togo offices during the annual retreat



CORPORATE INFORMATION

AGF Human Resource Management

The most valuable asset for the company remains its Human Capital. Our strategy consists building, developing and managing the human resources as a long-term investment to achieve our goals. Our action is to ensure that human capital is aligned to key strategies through enhancement of capabilities and talent management which includes performance management, succession planning and the role of Human Resources Department (HRD) moving forward through some specific initiatives to enhance our human capital.

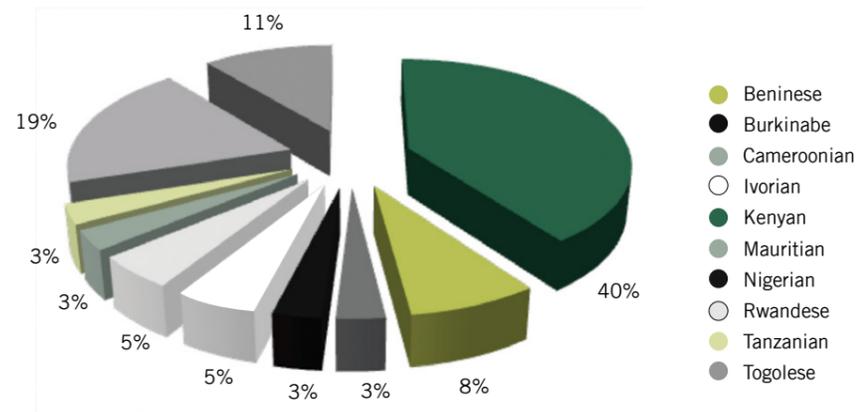
The African Guarantee Fund (AGF) has strategically positioned itself as a promoter of economic development and poverty reduction in Africa in support of its vision to be the leading non-bank Financial Institution which meets Africa's financing provider's needs, effectively serving SMEs, while maintaining our uncompromised principal as we grow.

To achieve its strategic intent, AGF recognizes the need to have a competent, motivated and dynamic workforce working towards fulfillment of this vision and mission.

The efficient administration of AGF requires that staff shall conduct work within certain generally applicable standards and conditions. At the same time, it is recognised that AGF operates and will continue to operate in an environment of evolving needs and circumstances. In order to enable AGF to respond effectively to these changes and at the same time to cater for the needs and aspirations of its staff, AGF has put in place policies in alignment with recognised best human resource management practices, and reviews these policies on a regular basis.

AGF Staff Diversity

AGF is a multi-cultural environment that brings together people of diverse backgrounds and talents with a total of 10 nationalities.



Workforce Diversity By Nationality

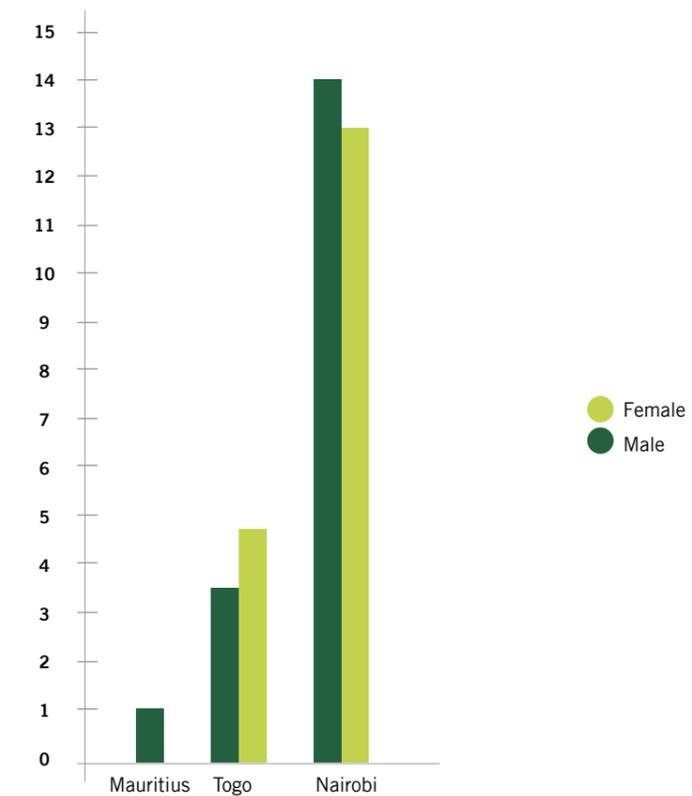
We believe the term “diversity” for us incorporates all the characteristics that make us both alike and unique – our backgrounds, cultures, nationalities, lifestyles, identities, points of view, approaches to solving problems, ways of working, and views of personal and career success. Our commitment to diversity is a business imperative tied directly to the nature of our organisation, our work and our future success. Diversity enhances our overall business performance as it enables us to gain global market understanding, attract and retain the best talent, and serve clients through the most effective solutions. AGF does not discriminate on the basis of age, sex, disability, gender or religion.

With the acquisition of the GARI Fund, the AGF team has tremendously grown both in size and capacity. As the AGF Group expands, the staff concentration is based in three countries as follows:

Staff Distribution By Gender

The current Gender composition at AGF is at Women 48% and Men 52% as follows:-

Staff Distribution by Gender



Equal opportunity employment and non-discrimination policy



INFRASTRUCTURE

Kibera Town Centre offers a one-stop shop

- Laundry services, showers, clean drinking water and toilets
- High speed internet, a computer lab and classrooms

CSR Policy

AGF's CSR mission is to contribute to the social and economic development of the community. Through a series of interventions, the company seeks to mainstream economically, physically and socially challenged groups and to draw them into the cycle of growth, development and empowerment.

Its strategy is to integrate its activities in community development, social responsibility and environmental responsibility and to include these considerations into its operations whether directly or in participation or in association with or jointly with NGOs of repute, trusts, partnership, corporates or any other organization as the Shareholders deems fit.

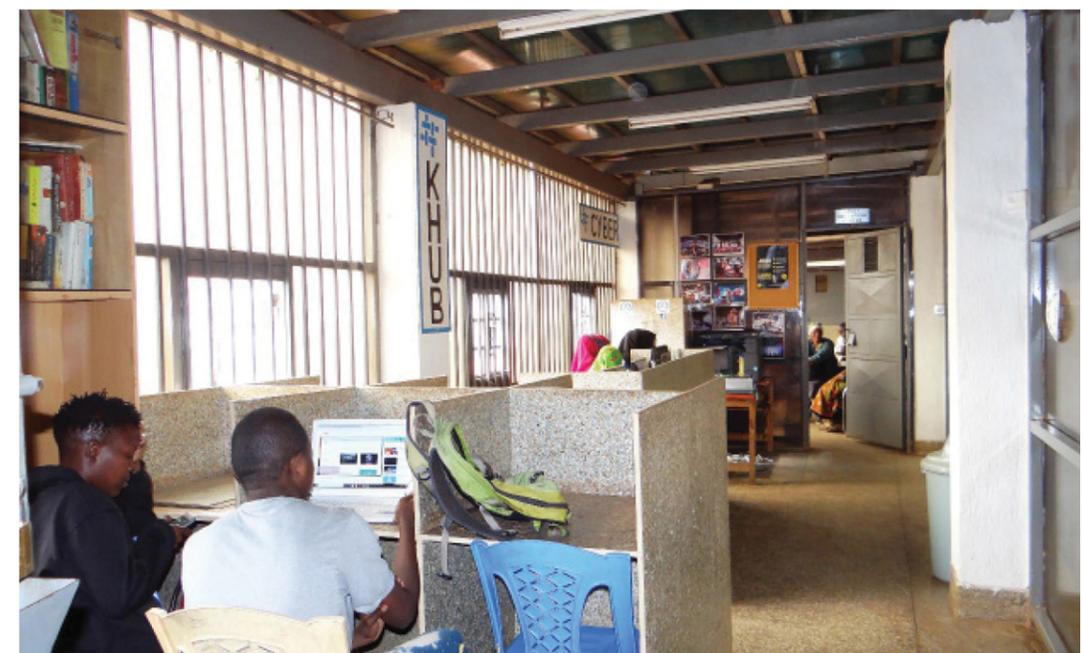
The Corporate Social Responsibility Policy functions as a self-regulating mechanism for the organisation's CSR activities and enables adherence to laws, ethical standards and international practices in this regard. The Policy serves as a guiding document to help identify, execute and monitor CSR projects in keeping with the spirit of the Policy.

As a Pan-African company seeking to operate across the entire continent, our Corporate Social Responsibility (CSR) policy re-affirms our commitment and responsibility towards the company's environment. AGF does not exist in a vacuum, but operates in a dynamic environment which includes our partners, competitors, supporters, and importantly, the communities in the countries where we operate. AGF is, therefore, part of a wider system of people, values, diverse cultures and levels of development, and nature.

We see ourselves as beneficiaries of this diverse environment, hence our desire to give back.

In 2017, AGF partnered with the Human Needs Project (HNP) to improve the livelihood of people living in Kibera, the largest slum in Kenya.

Human Needs Project is a Non-Governmental Organisation founded by Connie Nielsen and David Warner that builds sustainable community centers in slums. HNP works towards provision of clean water, toilets, showers, adult education, skills training, micro-lending, Internet access with a focus on women and youth.





SUSTAINABILITY
Sustainable Clean Technology

- State-of-the-art recycle/reuse water system
- 40 solarpanels to heat water



SOKO - Kenya

Soko is a Nairobi based ethical fashion brand that uses recycled materials such as cow horn, brass and wires. Founded in Kenya by 3 female entrepreneurs, the company works with over 2,100 artisans from across East Africa, creating luxury jewelry and exporting its fine goods across the globe, opening up international markets for local artisans and developing mobile tools to allow direct payments to the artisans' mobile phones. Through this business, an additional 5,000 jobs are maintained by the network of artisans working with SOKO.

Soko's vision is to grow into a full manufacturing platform, supporting small-scale boutique design and brands within East Africa, by offering technical expertise as well as an expanded Global marketplace. This impact aligns with the AGF's commitment to support the transformation of SMEs into viable and sustainable entities, playing a major role in the economic growth and poverty reduction in Africa.

Soko has since been able to access a working capital of USD 700,000 from the Grassroot Business Fund. The company makes an annual turn-over of about USD 2million, and also contributes to the economy of Kenya.



- Annual turnover of about USD2M
- 2,100 artisans directly engaged
- Over 5,000 jobs maintained through artisan network
- Over 10,000 people as indirect beneficiaries



STATEMENT ON CORPORATE
Governance

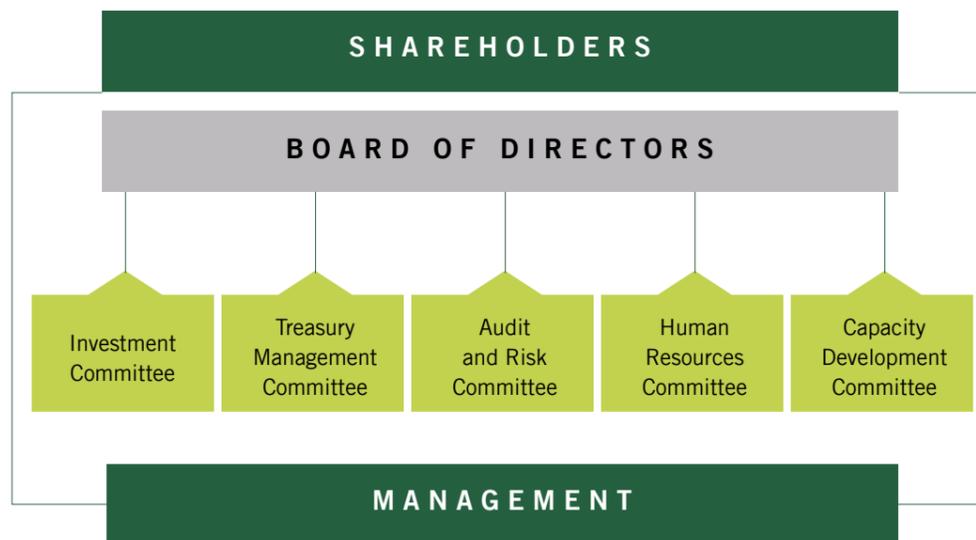
STATEMENT ON CORPORATE GOVERNANCE

Introduction

One of the African Guarantee Fund's (AGF) core values is effective corporate governance. The Board of Directors (the BOD) of AGF is at the core of AGF's system of corporate governance and is ultimately accountable and responsible for the performance and affairs of the Company. Good corporate governance is regarded as critical to the success of the business of the Company and the board is unreservedly committed to applying the fundamental principles of good governance – transparency, integrity, accountability and responsibility - in all dealings by, in respect of and on behalf of the company. The Board of Directors is the representative of the shareholders and has the duty of validating financial results, review of Group performance, protecting assets, and counselling the CEO on strategy. Directors are also responsible for ensuring proper and sound corporate governance within the Group. AGF is vigilant to uphold best practice in corporate governance. In this regard, the Board has entrenched company policies and guidelines in line with the regulatory framework of everywhere we operate.

Corporate governance permeates all levels of management and this has guided AGF and created value for the benefit of shareholders.

AGF Governance Structure



STEVEN FEEDS Ltd. – Tanzania

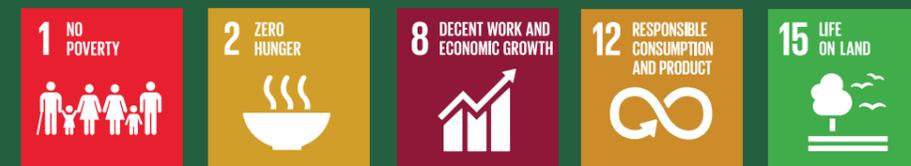
Steve Komba is a young farmer from Tanzania, who, like many small-scale farmers, faced serious challenges of obtaining feeds for his dairy cows. This challenge ignited a desire to start a business of producing animal feed – for cattle, pigs, chicken, etc. Steve's story is long, but inspirational for the youth. Having started small, with just two part-time employees, Steve gradually opened a company called Steve Feeds Ltd and moved to rented premises.



Despite the initial challenges of accessing working capital to grow his business, Steve did not give up; even after several regrets from financial institutions he approached for financing. Through the African Guarantee Fund's (AGF) partnership with financial institutions to ease funding to SMEs, Steve Feeds was able to acquire a loan to boost its business. The loan enabled Steve Feeds to buy better grinding machines and meet the rising clientele, with higher demand for his produce. The loan enabled the company to procure more raw materials. The company produces animal feeds from materials such as bones, fish, limestone, maize, rice husks, and soya bean and sunflower waste.

The impacts of Steve Feeds Ltd transcend economic to social and environmental benefits. The company currently employs 20 full-time staff, up from 2 people in 2010. The business turn over has more than tripled, and its business output has grown from selling about 10 tons per month to more than 50 tons of produce per month. The SME has acquired land to build a bigger factory, and plans to move to its new premises in early 2019.

One key environmental impact generated by Steve Feeds Ltd is the use of waste material to produce animal feed. These include waste products such as husks from maize and rice, and from animal bones, by products from sunflower and soya beans which would otherwise be dumped everywhere causing pollution and other negative effects to the environment. These are instead used as critical raw materials to produce animal feed, and a business income to the company and suppliers.



- From 2 part-time to 20 full-time staff: 100% youth
- Increased turn-over: USD5,000 to USD50,000/annum
- Production capacity increased from 120 – 600 tonnes/annum
- Recycles by-products into animal feeds
- Acquisition of multiple income-generating assets
- Plans to move from rented to own premises in early 2019

AGF Performance Highlights

AS AT 31 DECEMBER 2017



PERFORMANCE HIGHLIGHTS AS AT 31 DECEMBER 2017

Our Achievements

AGF is AA- Fitch Rated

The African Guarantee Fund has been assigned an Insurer Financial Strength (IFS) rating of “AA-” (Very Strong) by Fitch Ratings. This rating reflects AGF’s financially strong owners, very strong capital position, low investment risk, proven business model as a provider of local currency guarantees for Small and Medium-Sized Enterprises in Africa.



AGF West Africa Ground Breaking Ceremony



In December 2015, AGF completed its first external growth operation with the acquisition of the Guarantee Fund for Private Investments in West Africa (the GARI Fund). In November 2017, we held a ground breaking ceremony at the site of AGF’s future office building in Lome, Togo. The event was graced by Togo’s Prime Minister Honourable Komi Sélom KLASSOU, Finance Minister Honourable Sani YAYA and 10 other ministers. Also present at the event were the AGF Group Board of Directors and other stakeholders.

Green Finance Conference



African Guarantee Fund in partnership with International Trade Centre and Nordic Development Fund (NDF), have collaborated to expand access to climate-focused finance for small and medium-sized enterprises (SMEs) in Africa. The Green Finance Conference builds on the 2016 launch of a green guarantee product by AGF with the support of NDF. The Green Guarantee Facility is a specialized product designed to unlock finance for SMEs investing in low carbon, green growth and climate resilient development. The conference has so far been held in Zambia, Nairobi and Ghana.

AGF partners with ACP-EU Development Minerals Programme

The ACP-EU Development Minerals Programme has partnered with AGF, to deliver workshops on Financial inclusion for Development Minerals targeting Financial Institutions that lend to SMEs. The training aims at enhancing access to finance and business development services for SMEs operating in the Development Minerals sector.



AGF Partnerships

In 2017, AGF increased its facilitation of SME financing across the continent by signing a number of agreements with its partner lending institutions. Among these partners were Afrexim Bank, Deutsche Bank, Commercial Bank of Africa, Oikocredit International, UNTU Capital, Zimbabwe Microfinance Fund, CRDB Bank and NMB Bank. Over and above the underlying benefits that AGF’s partnership accords its Partner Financial Institutions, our strong rating goes even further in facilitating access to finance for African SMEs.



AGF at the European Development Days



AGF was represented by its CEO, at a high level panel discussion at the European Development Days (EDD) in June 2017. Themed “Investing in Development”, the forum brought together Heads of States, business leaders and stakeholders to share new insights on sustainability, inclusivity, peace and prosperity, focusing on the roles of youth, women and the private sector in development cooperation. Among the members of the panel that AGF was part of included Nobel Peace Prize Laureate Muhammad Yunus and SDG Advocate Jeffrey Sachs.

PERFORMANCE HIGHLIGHTS AS AT 31 DECEMBER 2017

Results at a Glance

	38 Countries where AGF guarantee products are implemented	USD 710M Value of Guarantees issued to PFIs	
	84 Partner Financial Institutions	11% Proportion of Guarantees issued in green finance	
	19 000 SMEs accessing guaranteed loans	90,000 Estimated number of jobs maintained	
	USD 1.4B Available financing for SMEs	5,800 Female ownership of SMEs receiving guaranteed loans	
	USD 960M Loans disbursed to SMEs	12,000 SMEs owned by youths	
	89,000 Estimated number of additional jobs created	1 500 Staff of PFIs and SMEs trained	
	USD 770M Additional revenue generated by SMEs	977 Staff of PFIs and SMEs trained in Green Finance	

SHAMISO FARM – Zimbabwe

Shamiso Farm is a privately owned family business run by Samson Chauruka and his wife. The farm is located on the outskirts of Harare, Zimbabwe. After starting off 50 dairy cattle, the entrepreneurs have since ventured into poultry and pig farming. To-date, Shamiso Farm has over 1,200 pigs, 300 ducks, and broiler chicken turn-over of 120,000 birds annually. Shamiso Farm has recently opened up an abattoir at the farm in a bid to take advantage of the massive opportunities in value addition by selling meat and other processed meat products.

The firm has also ventured into crop farming with one hectare under maize farming and three hectares with sugar beans to diversify animal nutrition.

The biggest challenge for Shimiso farm was access to Agro financing. The traditional model in Zimbabwe, especially for SME's, has been expensive short term financing. However, the farm was able to acquire financing from UNTU Capital (an AGF Partner Financial Institution) to grow its agro-business projects.

Shamiso farm has been receiving financial capital from UNTU Capital for the last 2 years. Since then, the farm's loan portfolio, which includes a revolving fund, has steadily grown, and the farms turnover has grown to 2 million dollars annually.

Currently, the farm employs 25 full time staff impacting over 200 people, and an additional 10 part time workers. These are some of the social impacts associated with the AGF guarantees, and transcend a whole-value-chain including individual SME owners, staff and their families, supplies, and the government which receives taxes from the SMEs.

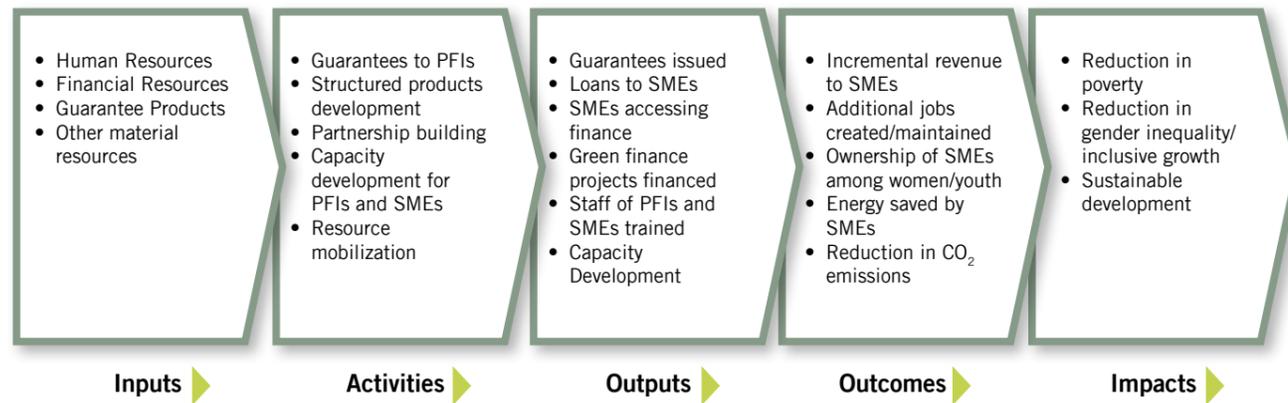


- Annual turnover of about USD 2million
- Sells over 120,000 broilers annually
- Rears over 1,200 pigs annually
- Employs over 35 people directly
- Over 200 indirect dependants

PERFORMANCE HIGHLIGHTS AS AT 31 DECEMBER 2017

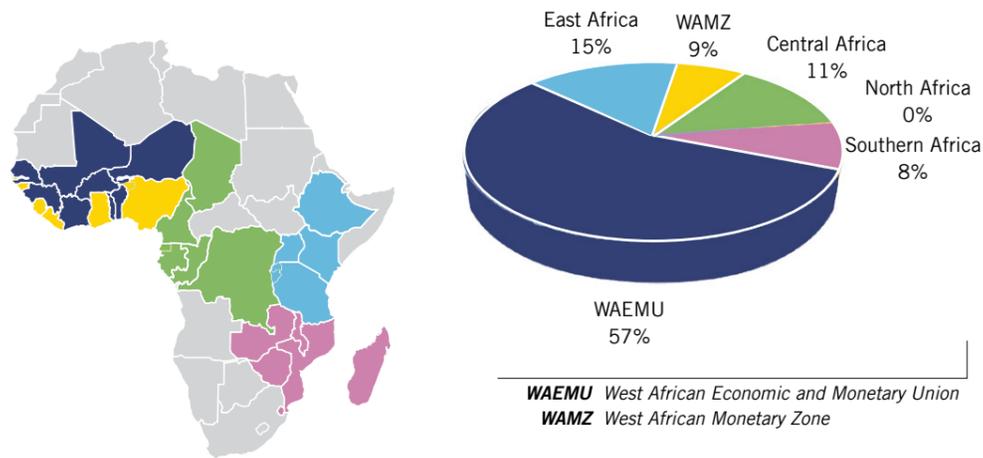
AGF Results Chain

The AGF Results Chain below illustrates how inputs (resources) are crucial for the activities we implement, the outputs (products and services) we generate, and how these gradually yield to our desired outcomes (changes), and contribute to the overarching goals (impacts) in the countries where we operate.



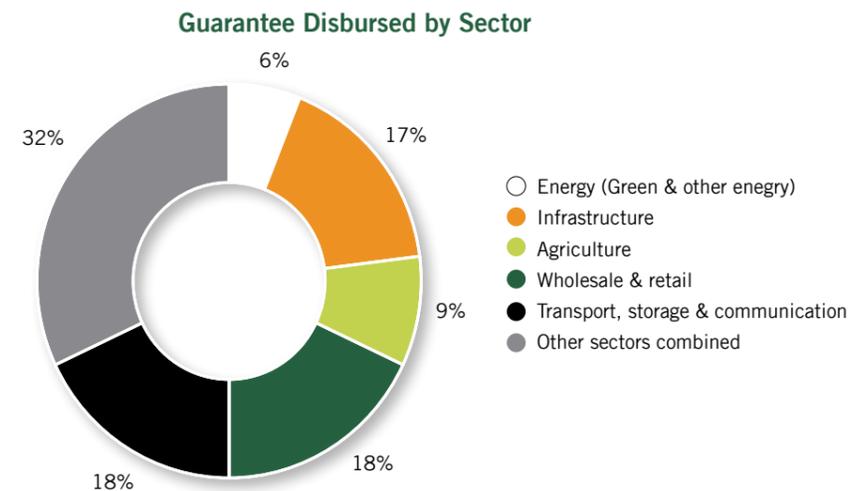
Guarantee Performance Results

Cumulatively since inception, AGF had signed 224 guarantee agreements as at 31st December 2017. This represent a total volume of guarantee agreements signed of USD 710 million. Excluding the expired guarantees, the total volume of live guarantees as at 31st December 2017 is USD 566 million. A portion of this was re-guaranteed to the tune of USD 64.9 million by our partners SIDA, DCA, ATI. The USD 710 million of total guarantees issued since inception has been leveraged by the banks by making available to SMEs up to USD 1.4 billion of financing. Out of this, USD 960 million had already been disbursed to SMEs.



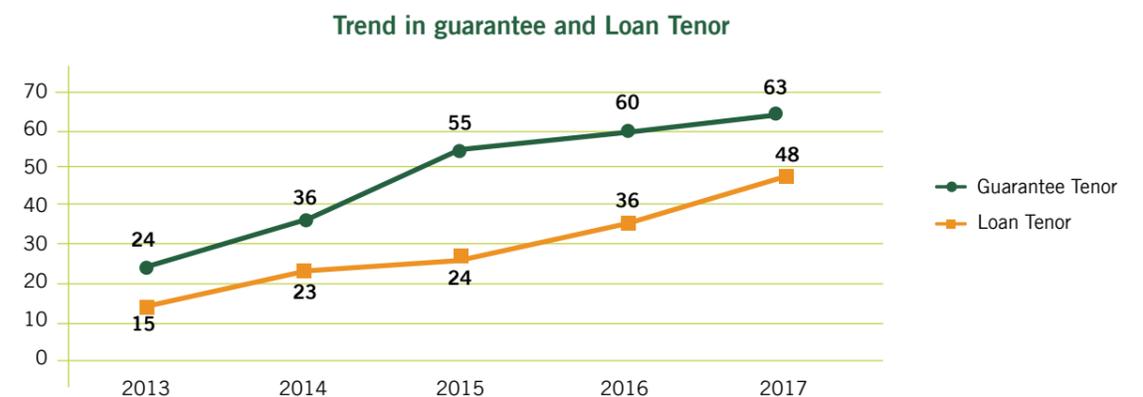
Sectoral distribution

AGF priority sectors are: Energy, Infrastructure and Agriculture. AGF strategic plan (2017-2021), has prioritized three major sectors: energy, agribusiness, and infrastructure. The three sectors, besides being major contributors to rapid economic development in Africa, also have a higher potential to create thousands of jobs for youth and women. Regardless, AGF continues to cover other sectors of the economy, apart from those that are illegal or have negative health effects to human beings.



Growth in the average loan and guarantee tenor

Loan tenor signifies the maturity period of the loan to an SME, and may have direct impact on the type of investment in which the loan will be spent. Longer loan tenor increases the opportunity for the SMEs to invest in longer-term productive ventures, which also impacts positively on the capacity of the SMEs to increase revenue generation and create more jobs. Guarantee tenor extended to PFIs by AGF has also increased to encourage PFIs to extend longer tenor to SMEs.



PERFORMANCE HIGHLIGHTS AS AT 31 DECEMBER 2017

Capacity Development support to mitigate risks associated with AGF guarantee

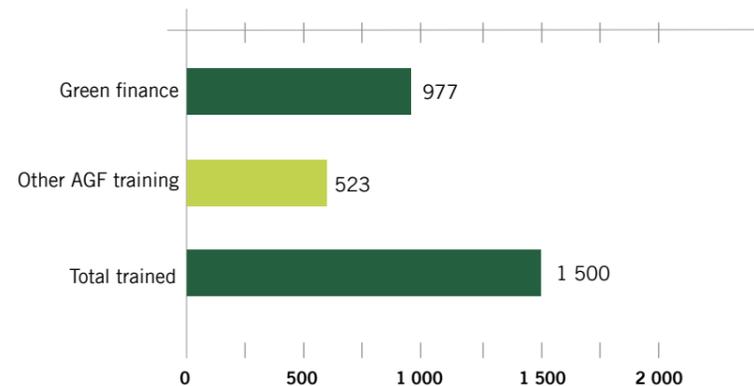
To mitigate risks associated with the guarantee, AGF extends capacity development to PFIs and SMEs. Capacity development support includes training in vital financial management skills, and improving management operational systems and information technology.



1,500 staff of PFIs and SMEs have been trained.
About 40% of the trained staff are women,
25% of the trained staff are from women-owned SMEs,
977 people received special training on green financing through the
NDF Green Guarantee Facility.

Impacts of Capacity development support:

- Reduced risk of loss among trained PFIs
- Increased SMEs loan portfolio in PFIs
- Increased number of SMEs accessing loans



Social Impacts associated with AGF Guarantee

The overriding goal of AGF is to create social impact returns through SMEs that access finance from PFIs. Social impacts are generated when SMEs use the loans to boost their businesses, increase production, increase their return on investments, and create jobs for youth and women in Africa. This section also provides highlights of some impact stories as told by a few of the SMEs that have benefited from AGF's partnerships with PFIs. Their voices illustrate a sample of SMEs behind the numbers AGF periodically reports to its shareholders.

At the end of each story, we identify UN Sustainable Development Goals (SDGs) associated with the social impacts highlighted in the story.

VOCAL CENTRE - Gabon

Eric Fernand Boundono is the founder of Vocal Centre, the first offshore call center in Gabon and Central Africa. The Vocal Centre specializes in remote customer relationship management (telephone, SMS, and social networks). After acquiring his education in Europe, Ferdinand returned home in Gabon with big dreams in business, but was frequently faced by harsh reality. Banks in Gabon are generally more comfortable financing projects in the timber/wood or oil sectors than in new technologies. Mr. Boundono's attempt to secure financing from local banks was not fruitful. The argument from financial institutions was that there was not enough analysis on the feasibility of this area of activity to properly judge its viability in Gabon. Mr. Boundono became frustrated, but could not give up his dream.

Mr. Boundono persevered, and later secured a business deal with a major telecom company based in Gabon. This signing was a relief and a boost for his young business. Gradually, Mr. Boundono spread his network in Gabon and its neighbouring countries. Unfortunately his financial difficulties persisted and frequently had a weak cash-flow due to delays in payments by clients. Ultimately, this problem was resolved when Mr. Boundono's secured financing from Orabank (one of AGF partners), and this enabled Mr. Boundono's business to timely pay its bills and other business commitments.



- Annual turnover of more than USD1million
- Employs 180 staff, and plans to double the number by end of 2018
- Currently has 70% utilization and plans a 24-hour service by end of 2018
- Has offered internship opportunities to over 900 youth

PERFORMANCE HIGHLIGHTS AS AT 31 DECEMBER 2017

Growth in the number of SMEs accessing loans from our Partner Financial Institutions

The principle goal of AGF guarantee is to enable as many SMEs as possible to access finance through its partner financial institutions. Accessing finance broadens the ability of SMEs to grow, increase production and create jobs for youths and women.



Over 19,000 SMEs have accessed finance through AGF partner financial institutions. Most of them would not otherwise access finance under normal commercial terms of loans due to lack of adequate collateral and their credit history. AGF's target is to reach 50,000 SMEs by 2021.

However, this will have to be accompanied by a robust risk assessment of business opportunities to limit the portfolio at risk to an average of 3% throughout the implementation period.

Growth in the number of additional jobs created by SMEs under AGF Guarantees

Job creation is a key social change that AGF seeks to achieve at the SME level through guarantees to PFIs. Not only do SMEs which access finance through AGF guarantee generate wealth, but also create thousands of jobs for youth and women, hence contributing to poverty reduction in Africa.



About 54,000 additional jobs have been directly created by supported SMEs in 2017. These are full-time-equivalent jobs. Cumulatively since 2013, supported SMEs have created over 89,000 jobs.

Over 90,000 jobs have been maintained by SMEs as a result of accessing finance.

An average of 5 new jobs are created by each of the financed SMEs.

AGF's plan is to enable the creation of at least 150,000 jobs by supported SMEs by 2021.

Catalysing ownership of SMEs by youth and women

Challenges of accessing finance to start and grow business are disproportionately heavier amongst youth and women entrepreneurs in Africa. AGF guarantee enables such category of entrepreneurs to obtain finance from PFIs.



About 5,800 SMEs accessing loans guaranteed by AGF are owned by women entrepreneurs. Most of them have also received additional capacity development through AGF support.

Some AGF partner financial institutions have established special business financing products for women entrepreneurs.

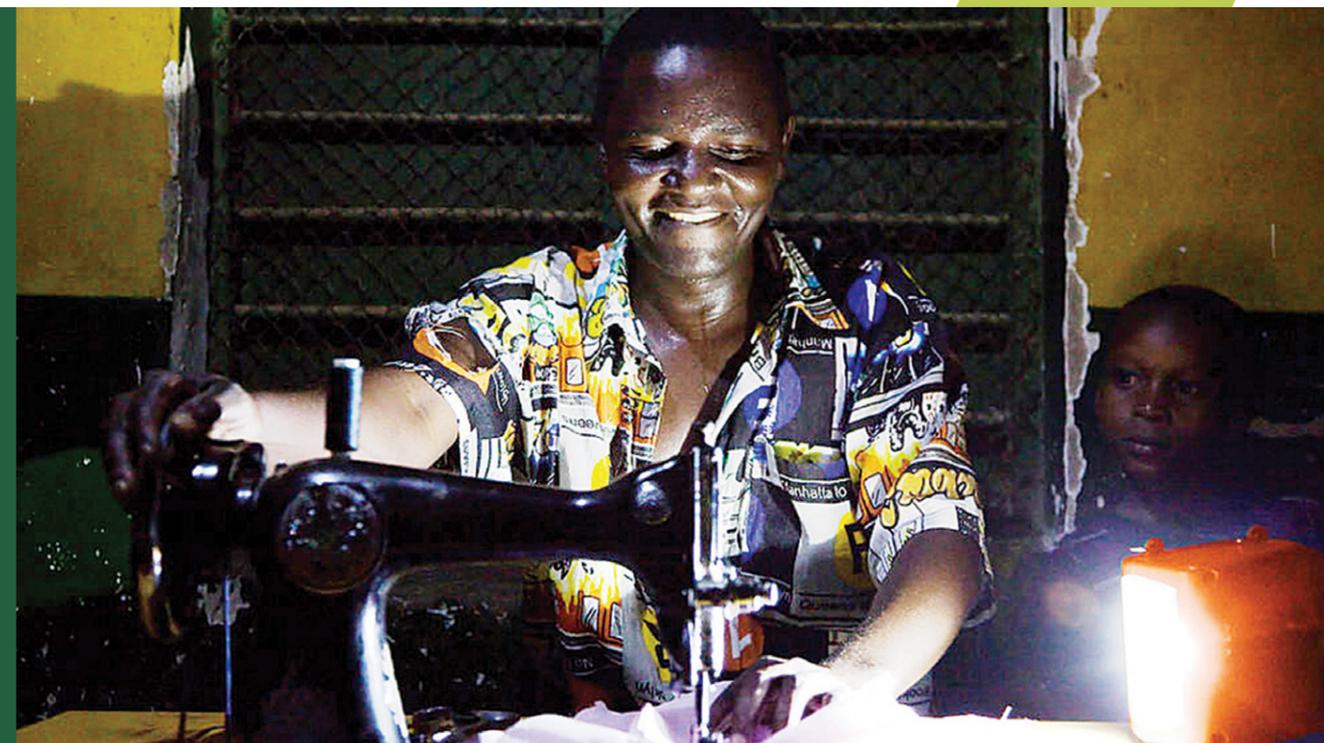
About 11,600 SMEs are owned by young entrepreneurs as a result of our engagement (between the ages of 18-35 years).

Incremental revenue created by SMEs benefiting from AGF facilities

Besides creating additionality in form of job creation, SMEs who receive loans through AGF guarantee also generate revenue, which is a proxy indicator for increased production and sales.



Over USD 700 million in additional revenue generated by SMEs benefiting from AGF guarantee



RENEWABLE SOLAR ENERGY - BBOX Rwanda Ltd

Through partnership between AGF and the Deutsche Asset Management, BBOX Rwanda Ltd secured a facility to invest in a solar energy distribution business in Rwanda to help address energy access problems faced by the rural off-grid population. Within just a year of implementation, the 3-year solar energy distribution business is impacting communities. According to BBOX Rwanda, 4GW hours of solar energy are generated (through the home solar equipment sold to households). This is their estimated total solar power output.



- 4GW hours of solar energy generated
- Over 200 direct jobs created, and over 500 indirect jobs
- Over 50,000 households connected (about 250,000 people)
- About USD 2.4m to be saved on fuel energy expenses
- Over 60,000 tons of CO₂ to be offset annually
- Over 60,000 school-going children access clean and reliable lighting

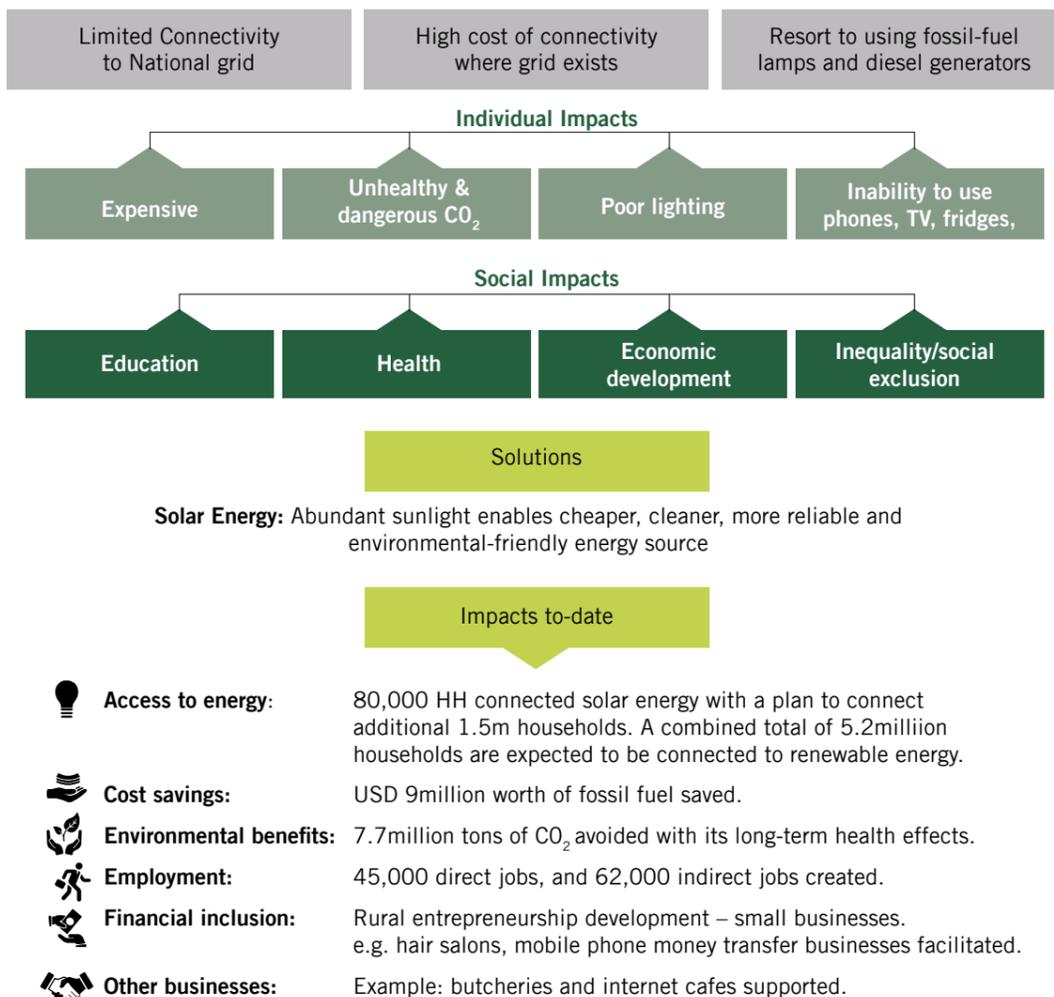
PERFORMANCE HIGHLIGHTS AS AT 31 DECEMBER 2017

Contributing to the Global Sustainable Development Goals (SDGs) of reducing the effect of climate change

The African Guarantee Fund for Small and Medium-Enterprises (AGF) believes that there is a strong correlation between the sustainability of the Africa economic growth, energy consumption, and environmental protection. In this regard, AGF's strategy over the next five years (2017-2021) is to mobilize partnerships in support of climate-friendly projects.

AGF implements a green guarantee facility in partnership with the Nordic Development Fund (NDF). This partnership led AGF to launch a green finance guarantee, which is extended to Partner Financial Institutions (PFIs) so as to ease access to finance by SMEs investing in 'green projects'. Such projects include, but not limited to: renewable energy production, recycling, smart-agribusiness and afforestation.

Launched in May, 2016, the green guarantee facility (GGF) covers four pilot countries: Cote d'Ivoire, Ghana, Kenya, and Zambia. Three projects, worth USD 8.3 million are being implemented in renewable energy. Below are pictorial displays of the problems they are solving, and the impacts to-date.



PEG - Ghana's Renewable Solar Energy

Over the last decade, Ghana has experienced severe electricity supply challenges costing the nation an average of US \$2.1 million in loss of production daily. The situation persists although installed generation capacity has more than doubled over the period; increasing from 1,730 MW in 2006 to 3,795 MW in 2016. Addressing Ghana's electricity challenges requires diversification of electricity generation through hydro power, and other renewable energy sources, for which the country has huge potential. This is the potential that PEG-Ghana sought to exploit through the business of delivery and installation of home solar kits to thousands of off-grid customers in rural parts of Ghana.

Founded in 2013, PEG-Ghana Ltd is the largest off-grid solar company in Ghana. Through a partnership between AGF and Oiko-Credit, PEG-Ghana Ltd received a credit facility to expand its business enterprise in Ghana. The company's customers are able to use existing mobile payments (e.g. MTN Money, Tigo Cash, and Airtel Money) to pay for a home solar lighting system on a "pay-per-use" basis, making the transition to cleaner energy much more affordable, especially to low-income users. Through this partnership thousands of people now have access to light, heating, mobile phone charging, and for appliances such as radios, fridges, television, etc.



- Over 30,000 households have solar kits,
- 700 direct jobs, and over 2,000 indirect jobs created.
- 4.3m litres of kerosene saved by households (cost saving: about USD 3.4million),
- About 36,000 tons of annual CO₂ emissions avoided,
- Better and reliable lighting enhance improved learning; ability to use mobile phones, ease of mobile money transfers; increased communication and business networking.

COMMENTARY OF THE DIRECTORS

The directors present their commentary, together with the audited financial statements of AFRICAN GUARANTEE FUND- for Small and Medium-sized Enterprises Ltd (the "Company") and its subsidiary (altogether referred to as the "Group") for the year ended 31 December 2017.

Principal Activity

The principal activity of the Group is to significantly increase the access of African Small and Medium sized enterprises (SMEs) to finance from the financial sector. The Group has two lines of activity:

- Provision of partial financial guarantees on product and portfolio basis; and
- Support for capacity development of the client financial institutions to help them improve their SME financing capabilities.

The Group is composed of 2 distinct entities presented hereafter:

- African Guarantee Fund has a branch registered in Nairobi, Kenya. It is registered as a branch of a foreign entity under the Kenyan Companies Act. The main operations are held in Kenya.
- AGF West Africa registered in Lomé, Togo. It is registered as a financial institution, subject to the provisions of the banking law in the West African Monetary Union (UMOA/WAMU).

Results and Dividends

The results for the year are as shown in the statements of profit or loss and statements of comprehensive income on pages 8 and 9 respectively.

The directors do not recommend the payment of any dividend for the year under review.

Directors

The directors in office during the year are as stated on page 1.

Directors' responsibilities in respect of the financial statements

The Group's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statements of financial position as at 31 December 2017, and the statements of profit or loss, the statements of comprehensive income, the statements of changes in net assets attributable to shareholders and the statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and Companies Act 2001.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Auditors

The auditors, Ernst & Young, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual Meeting of the shareholders.

Certificate from the Secretary

Rogers Capital

CORPORATE • TECHNOLOGY • FINANCIAL

Rogers Capital Fund Services Ltd. BRN No C10012347
St. Louis Business Centre, Cnr Desroches & St. Louis, Mauritius.
T: (230) 203 1100 F: (230) 203 1150 W: www.rogerscapital.mu

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of African Guarantee Fund - for Small and Medium - Sized Enterprises Ltd under the Companies Act 2001, for the year ended 31 December 2017.



Rogers Capital Fund Services Ltd
CORPORATE SECRETARY

Date: April 11, 2018

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the financial statements of the Group and the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

This report is made solely for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest

extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Group and the Company other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.



ERNST & YOUNG DARYL CSIZMADIA, C.A (S.A)
Ebène, Mauritius Licensed by FRC

Date: **April 11, 2018**

CONSOLIDATED FINANCIAL STATEMENTS

Treasury Management

Treasury assets stood at USD 76.6 million and generated a return of 3.82%.

The fixed income assets have been invested in USD and EUR denominated securities with 87% in USD. AGF bond assets were almost all investment grade securities except for 1% in below investment grade or non-rated securities while 78% rated A- and above.

Treasury Assets

	Amount	Percentage	Return
Earning assets - Bonds	31,636,837	41%	2.83%
Earning assets - Fixed Deposits	41,637,073	54%	4.87%
Non-Earning Assets	3,329,189	4%	
Total	76,603,099	100%	3.82%

Bond Portfolio Breakdown

By Ratings	Book Value	Percentage
AA+	2,487,091	8%
AA	8,703,747	28%
AA-	5,043,061	16%
A	5,910,070	19%
A-	2,445,772	8%
BBB	3,015,049	10%
BBB-	1,156,528	4%
BB-	87,847	0%
B-	124,106	0%
Not Rated	169,913	1%
Total	31,636,837	100%

Financial Review

Statement of Comprehensive Income

(in USD thousands)	2017	2016	2015	2014	2013	2012
Operating Income	13,038	13,378	9,085	5,381	1,979	58
Operating Expenses	(11,462)	(9,571)	(6,400)	(6,205)	(3,279)	(2,736)
Grant	-	-	-	-	-	2,303
Provision for Guarantees	(5,380)	(363)	(847)	(136)	(203)	-
Profit for the period	(3,804)	3,444	1,838	(959)	(1,503)	(375)
Exceptional Item		206	1,754	-	-	-
Other comprehensive income	6,725	(1,579)	(157)	-	-	-
Total comprehensive profit for the period	2,921	2,071	3,435	(959)	(1,503)	(375)

Overview

Total income for the period amounted to USD 13.04 million compared to USD 13.38 million the previous year, down 2.5%. This slight decrease was due to write back in provisions of USD 2 million prior year 2016.

During the same period, our expenses increased by 19.8%, mainly due to provision for guarantee business of USD 5 million compared to previous year of USD 0.3million.

Income Review

Total income excluding grants

Total Income	2017	2016	2015	2014	2013	2012
(in USD thousands)						
Guarantee business	8,656	7,039	7,240	3,731	614	10
Treasury management	3,457	3,471	1,622	1,442	1,038	47
Administration Income	618	254	212	189	139	-
Foreign exchange gain	18	470	-	-	189	-
Other income	68	128	11	20	-	-
Provisions written-back	221	2,016	-	-	-	-
Total Income	13,038	13,378	9,085	5,381	1,979	58

CONSOLIDATED FINANCIAL STATEMENTS

Revenues Growth

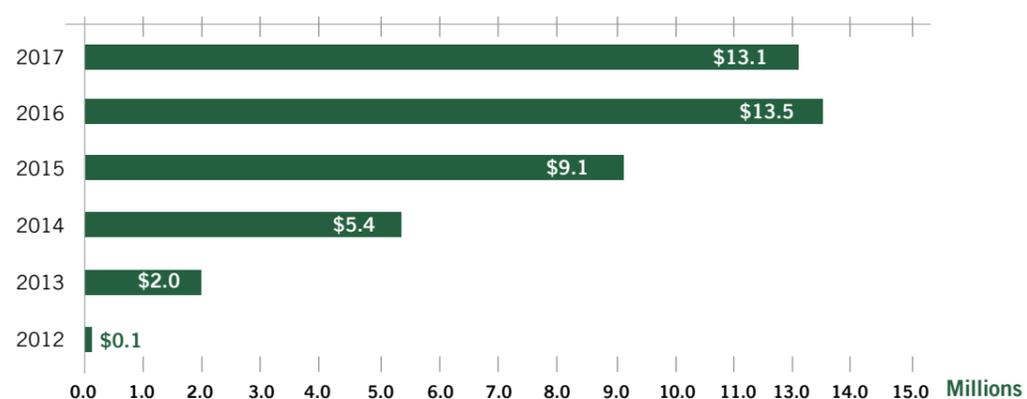
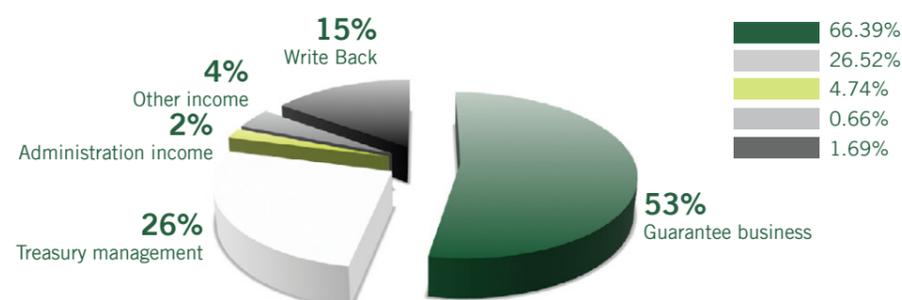


Figure 7. Revenues breakdown



Guarantee business 68%
 Treasury management 27%
 CD Administration 5%
 Other income 0



Millions	2017	2016	2015	2014	2013	2012	Percentage
Guarantee business	9	7	7	4	1	0	66%
Treasury management	3	3	2	1	1	0	26%
CD administration	1	0	0	0	0	0	5%
Foreign exchange gain	0	0	0	0	0	0	0%
Other income	0	0	0	0	0	0	1%
Provisions written-back	0	2	0	0	0	0	2%
Total Income	13	14	9	5	2	0	100%

Total Income

(in USD thousands)	2017	2016	2015	2014	2013	2012
Guarantee business	8,656	7,039	7,240	3,731	614	10
Treasury management	3,457	3,471	1,622	1,442	1,038	47
Administration Income	618	254	212	189	139	-
Foreign exchange gain	18	470	-	-	189	-
Other income	68	128	11	20	-	-
Provisions written-back	221	2,016	-	-	-	-
Total Income	13,038	13,378	9,085	5,381	1,979	58
	13,038	13,378	9,085	5,381	1,979	
	-2.54%	47.25%	68.83%	171.91%		
	-0.40%	114.03%	94.05%			

Statement of comprehensive income

(in USD thousands)	2017	2016	2015	2014	2013	2012
Operating Income	13,038	13,378	9,085	5,381	1,979	58
Operating Expenses	(11,462)	(9,571)	(6,400)	(6,205)	(3,279)	(2,736)
Grant	-	-	-	-	-	2,303
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Exceptional Item		206	1,754	-	-	-
Other comprehensive income	6,725	(1,579)	(157)	-	-	-
Total comprehensive profit for the period	2,921	2,071	3,435	(959)	(1,503)	(375)
	-2.54%	47.25%				
	19.75%	49.55%				
	1382.17%	-57.14%				
	-210.45%	87.38%				
	-100.00%	-88.26%				
	-525.89%	905.73%				
	41.03%	-39.71%				

CONSOLIDATED FINANCIAL STATEMENTS

Expenses Review

Total expenses for the period amounted to USD 16.8 million compared to USD 9.9 million the previous year. As AGF's group guarantee business growth, the provision on the disbursed amount increases. The increase in expenses was mainly due to provision in guarantee business of USD 5.3M.

Expenses	2017	%	2016	%	2015	%	2014
Staff	4,375	26%	3,980	55%	2,433	34%	2,185
FX Loss	1,048	6%	0	0%	892	12%	1,418
General provision	5,380	32%	363	5%	847	12%	136
Other Expenses	1,143	7%	805	11%	610	8%	493
Travelling	775	5%	492	7%	499	7%	339
Admin & Legal	645	4%	505	7%	423	6%	537
Marketing	441	3%	480	7%	334	5%	434
Loan Interest	0	0%	222	3%	318	4%	0
Depreciation & Armotization	465	3%	369	5%	316	4%	237
Premises	310	2%	296	4%	222	3%	233
Reguarantee	143	1%	286	4%	135	2%	128
Treasury management	80	0%	93	1%	110	2%	115
Communication	230	1%	171	2%	109	2%	84
Other Provisions	935	6%	1,070	15%			
Integation Expenses	872	5%	802	11%			
	16,842		9,934		7,247	37%	6,340
							14%

Expenses	Variences from 2016 to 2017	Variences from 2015 to 2016	Variences from 2014 to 2015
Staff	395	1,548	248
FX Loss	1,048	1,070	0
General provision	5,017	802	0
Other Expenses	337	196	116
Travelling	283	151	7
Admin & Legal	140	145	-100
Marketing	-39	82	-114
Loan Interest	-222	73	-11
Depreciation & Armotization	96	62	25
Premises	14	53	79
Reguarantee	-143	-7	159
Treasury management	-13	-17	-5
Communication	59	-96	318
Other Provisions	-136	-484	711
Integation Expenses	70	-892	-526

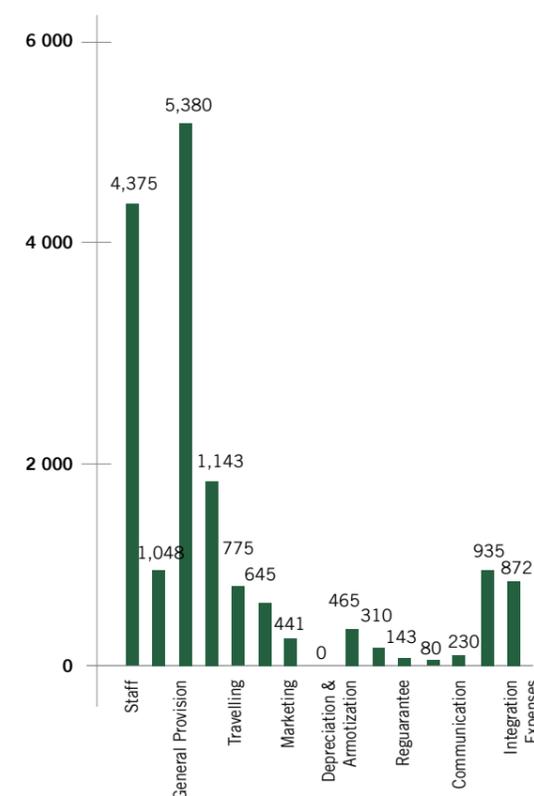


Figure 8. Expenses breakdown

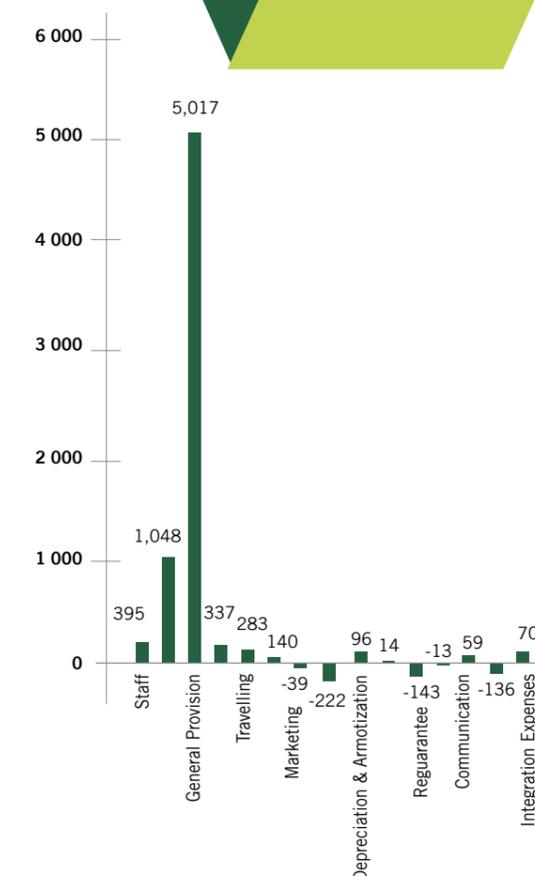
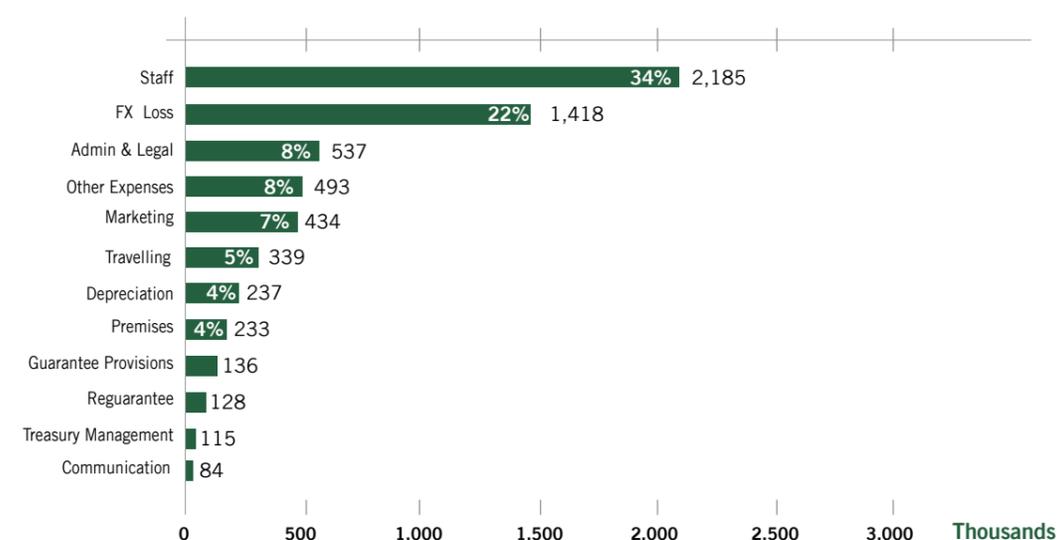


Figure 9. Variences in expenses from 2017 to 2016



CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

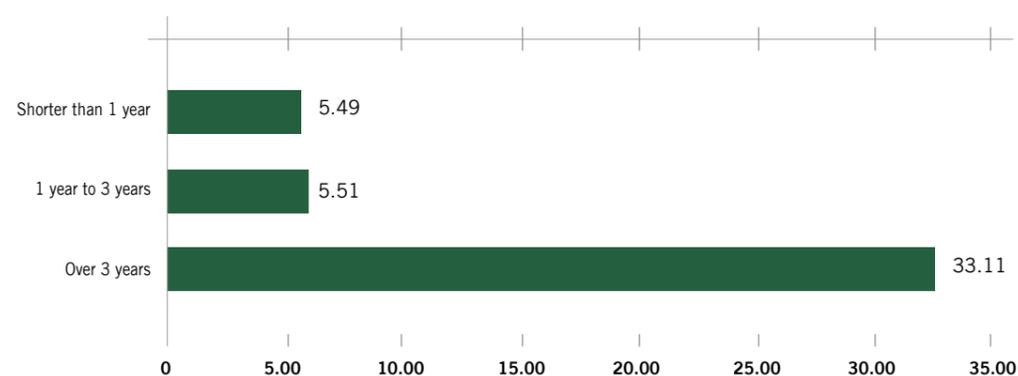
Statements of Profit or Loss For the year ended 31 December 2017

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Total	76,603,099	100%	3.82%

Bond Portfolio Breakdown

By Ratings	Book Value	Percentage
AAA	2,493,654	8%
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BB-	87,847	0%
B-	124,106	0%
Not Rated	169,913	1%
Total	31,636,837	100%



Notes	2017 USD	Group 2016 USD	2017 USD	Company 2016 USD
Income				
<i>Income from guarantees:</i>				
Utilization fees	3,315,281	1,521,795	1,552,735	1,095,870
Assessment and commission fees	9 2,322,154	3,193,383	1,780,537	1,832,419
Income from investments	10 3,457,492	3,471,488	1,228,544	1,364,012
Administrative income	618,183	254,298	618,183	254,298
Fair valuation gain on derivative contracts	8(b) 3,018,415	2,323,496	3,018,415	2,323,496
Net foreign exchange differences	17,921	469,611	-	457,840
Other income	11 67,861	127,867	-	-
Provisions written-back	19 220,694	2,015,795	-	-
	13,038,001	13,377,733	8,198,414	7,327,935
Expenses				
Administrative and legal fees	13 (645,493)	(505,077)	(416,137)	(345,982)
Communication expenses	13 (230,425)	(171,284)	(168,727)	(127,594)
Depreciation of property and equipment	15 (268,536)	(242,933)	(252,321)	(219,603)
Amortization of intangible assets	16 (196,760)	(126,072)	(194,467)	(117,376)
Marketing expenses	13 (440,912)	(479,582)	(348,936)	(461,132)
Other expenses	13 (1,142,568)	(805,216)	(910,833)	(448,138)
Premises expenses	13 (310,178)	(295,878)	(237,571)	(223,382)
Staff expenses	12 (4,375,441)	(3,980,142)	(3,734,862)	(2,962,879)
Travelling expenses	(774,740)	(491,727)	(660,792)	(422,918)
Treasury management fees	(79,513)	(92,652)	(77,599)	(89,242)
Other provisions	(934,659)	(1,070,186)	(565,929)	(356,181)
Guarantee expenses	(142,868)	(286,008)	(142,868)	(286,008)
Provision for guarantees	19 (5,380,287)	(362,848)	(5,380,287)	(104,924)
Net foreign exchange differences	(1,047,666)	-	(1,047,666)	-
Interest on loans and borrowings	-	(221,709)	(335,780)	(352,940)
Integration expenses	(871,974)	(802,232)	-	-
	(16,842,020)	(9,933,546)	(14,474,775)	(6,518,299)
(Loss)/profit before tax	(3,804,019)	3,444,187	(6,276,361)	809,636
Exceptional Item	-	206,114	-	-
(Loss)/profit before tax	(3,804,019)	3,650,301	(6,276,361)	809,636
Taxation	14 -	-	-	-
(Decrease)/increase in net assets attributable to shareholders	(3,804,019)	3,650,301	(6,276,361)	809,636
<i>(Decrease)/increase in net assets attributable to shareholders attributable to:</i>				
- Owners of the Company	(4,284,642)	3,098,076	(6,276,361)	809,636
- Non-Controlling Interests	480,623	552,225	-	-
	(3,804,019)	3,650,301	(6,276,361)	809,636

Director

Director

Statements of Comprehensive Income

For the year ended 31 December 2017

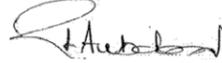
Notes	2017	Group	2017	Company
USD	USD	2016	USD	2016
		USD		
(Decrease)/increase in net assets attributable to shareholders	(3,804,019)	3,650,301	(6,276,361)	809,636
Other comprehensive Income/ (loss)				
<i>Other comprehensive Income/loss to be reclassified to profit or loss in subsequent periods (net of tax);</i>				
Exchange differences on translation of foreign subsidiary	6,724,729	(1,579,647)	-	-
Total comprehensive income/ (loss) for the year	2,920,710	2,070,654	(6,276,361)	809,636
Total comprehensive income / (loss) attributable to:				
- Owners of the Company	1,132,800	1,825,512	(6,276,361)	809,63
- Non-Controlling Interests	1,787,910	245,142	-	-
	2,920,710	2,070,654	(6,276,361)	809,636

Statements of Financial Position

For the year ended 31 December 2017

Notes	2017	Group	2017	Company
	USD	2016	USD	2016
		USD		USD
Assets				
Cash and cash equivalents		3,329,189	3,079,607	2,863,463
Held-to-maturity financial assets	8(a)	31,636,837	44,112,871	30,700,088
Other financial instruments	8(c)	41,637,073	34,438,777	1,613,885
Receivables and deposits	17	11,592,913	8,401,624	7,210,250
Prepayments		699,383	324,073	699,383
Investment in subsidiary	24	-	-	31,887,765
Intangible assets	16	1,677,117	1,519,774	1,637,891
Property and equipment	15	3,233,986	963,932	3,208,355
Derivative contracts	8(b)	16,056,747	12,526,678	12,198,093
Total assets		109,863,245	105,367,336	92,019,173
Liabilities				
Other provisions	20	1,813,386	1,040,039	-
Provision for guarantees	19	5,379,515	4,884,416	845,550
Trade and other payables	18	726,606	642,149	705,033
Loans and borrowings	25	-	-	9,499,121
Other liabilities	18	1,046,137	823,841	326,284
Total liabilities		8,965,644	7,390,445	11,375,988
Net assets attributable to shareholders		100,897,601	97,976,891	80,643,185
Represented by:				
Stated capital	22	87,191,140	87,191,140	87,191,140
(Accumulated losses)/retained earnings		(448,531)	3,836,111	(6,547,955)
Foreign currency translation reserve		4,018,553	(1,398,889)	-
Net assets attributable to shareholders		90,761,162	89,628,362	80,643,185
Non-controlling interests		10,136,439	8,348,529	-
Net assets attributable to shareholders		100,897,601	97,976,891	80,643,185

The financial statements were approved and authorised for issue by the Board of Directors onand were signed on its behalf by:


Director


Director

Statements of Changes in Net Assets attributable to Shareholders

For the year ended 31 December 2017

	Group					
	State Capital USD	Retained Earnings USD	Foreign Currency Earnings USD	Total USD	Controlling Interest USD	Non Total equity USD
At 1 January 2016	80,500,003	738,035	(126,325)	81,111,713	8,103,387	89,215,100
Increase in net assets attributable to shareholders from operations	-	3,098,076	-	3,098,076	552,225	3,650,301
Other comprehensive loss	-	-	(1,272,564)	(1,272,564)	(307,083)	(1,579,647)
Total comprehensive income for the year	-	3,098,076	(1,272,564)	1,825,512	245,142	2,070,654
Issue of shares	6,691,137	-	-	6,691,137	-	6,691,137
At 31 December 2016	87,191,140	3,836,111	(1,398,889)	89,628,362	8,348,529	97,976,891
At 1 January 2017	87,191,140	3,836,111	(1,398,889)	89,628,362	8,348,529	97,976,891
Decrease in net assets attributable to shareholders from operations	-	(4,284,642)	-	(4,284,642)	480,623	3,804,019
Other comprehensive income	-	-	5,417,442	5,417,442	1,307,287	6,724,729
Total comprehensive income for the year	-	(4,284,642)	5,417,442	1,132,800	1,787,910	2,920,710
At 31 December 2017	87,191,140	(448,531)	4,018,553	90,761,162	10,136,439	100,897,601

Capital	Issued losses	Company Accumulated USD	Total
At 1 January 2016	80,500,003	(1,081,230)	79,418,773
Issue of shares	6,691,137	-	6,691,137
Increase in net assets attributable to shareholders from operations for the year	-	809,636	809,636
At 31 December 2016	87,191,140	(271,594)	86,919,546
At 1 January 2017	87,191,140	(271,594)	86,919,546
Decrease in net assets attributable to shareholders from operations for the year	-	(6,276,361)	(6,276,361)
At 31 December 2017	87,191,140	(6,547,955)	80,643,185

Statements of Cash Flows

For the year ended 31 December 2017

	Notes	Group		Company	
		2017 USD	2016 USD	2017 USD	2016 USD
Operating activities					
(Loss)/profit before tax		(3,804,019)	3,650,301	(6,276,361)	809,636
Adjustment to reconcile (loss)/profit before tax to net cash flows:					
Non cash item:					
Provision for Guarantees		(3,225,854)	(3,102,524)	574,296	(421,730)
Depreciation of property and equipment	15	268,536	242,933	252,321	219,603
Amortization of intangible assets	16	196,760	126,072	194,467	117,376
Income from investments		(3,457,492)	(3,471,488)	(1,228,544)	(1,364,012)
Net foreign exchange differences		(523,750)	(469,611)	(523,750)	(457,840)
Fair valuation gain on derivative contracts	8(b)	(3,018,415)	(2,323,496)	(3,018,415)	(2,323,496)
Movement in working capital:					
Receivables and deposits		(3,191,289)	(2,210,354)	(1,962,028)	(2,127,952)
Prepayments		(375,310)	63,002	(375,310)	63,002
Other liabilities		4,716,596	240,267	187,970	97,105
Trade and other payables		84,457	89,822	102,313	84,296
Net cash flows used in operating activities		(12,329,780)	(7,165,076)	(12,073,041)	(5,304,012)
Investing activities					
Acquisition of property and equipment	15	(2,538,590)	(115,466)	(2,516,884)	(113,060)
Acquisition of intangible assets	16	(354,103)	(995,639)	(328,990)	(981,111)
Disposal of held-to-maturity financial assets		7,318,805	(7,884,921)	7,318,805	(7,797,742)
Proceeds on maturity of held-to-maturity financial assets		-	11,416,230	-	11,409,456
Net movement in other financial instruments		(7,198,296)	(1,902,777)	(613,885)	(1,000,000)
Interest on investments received		9,138,471	4,501,987	7,003,005	2,066,061
Net cash flows generated from/(used in) investing activities		6,366,287	5,019,414	10,862,051	3,583,604
Financing activities					
Proceeds from issue of ordinary share capital to shareholders		-	6,691,137	-	6,691,137
Proceeds from loan received from subsidiary		-	-	1,351,415	8,147,706
(Repayment of)/proceeds from bank loan		-	(21,000,731)	-	(21,000,731)
Net cash flows (used in)/generated from financing activities		-	(14,309,594)	1,351,415	(6,161,888)
(Decrease)/increase in cash and cash equivalents		(5,963,493)	(16,455,256)	140,425	(7,882,296)
Foreign currency translation		6,213,075	(1,579,647)	-	-
Opening balance		3,079,607	21,114,510	2,723,038	10,605,334
Closing balance		3,329,189	3,079,607	2,863,463	2,723,038

Notes To The Financial Statements

For the year ended 31 December 2017

General Information

The African Guarantee Fund - for Small and Medium-Sized Enterprises Ltd (the "Company") was incorporated in the Republic of Mauritius on 28 March 2011 as a private company limited by shares in accordance with the Companies Act 2001. It has been granted a Category 1, Global Business Licence by the Financial Services Commission.

The registered office is located at C/o Rogers Capital Fund Services Ltd, St Louis Business Centre, Cnr Desroches & St Louis Streets, Port Louis.

African Guarantee Fund has a branch registered in Nairobi, Kenya. It is registered as a branch of a foreign entity under the Kenyan Companies Act.

On January 27, 2015, the Company signed a purchase agreement for the acquisition of "AGF West Africa" (previously known as 'Fonds Gari') for a consideration amount of USD 31,887,765. Following the General Meeting of shareholders, this sale was finalized and

control was effective on December 18, 2015. For consolidation purpose, the subsidiary of "AGF West Africa" was fully consolidated at the effective control date which is December 18, 2015.

The principal activity of the Group is to significantly increase the access of finance from the financial sector by African Small and Medium sized enterprises (SMEs). The Group has two lines of activity:

- Provision of partial financial guarantees on product and portfolio basis; and
- Support for capacity development of the client financial institutions to help them improve their SME financing capabilities.

The financial statements of the Group for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on the date stamped on page 10.

Basis of Preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards, (IFRSs) issued by the International Accounting Standards Board (IASB).

Basis of measurement

The financial statements have been prepared under the historical cost basis except for the derivative contracts which have been fair valued. The financial statements are presented in US Dollars (USD), which is also the functional currency for the group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of African Guarantee Fund and its sole subsidiary "AGF West Africa" as at 31 December 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the

non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Use of estimates and judgements

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group's management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 5.

Changes In Accounting Policies and Disclosures

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments were applied for the first time in 2017, they did not have a material impact on the financial statements of the Group.

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

Changes In Accounting Policies and Disclosures (cont'd)

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their abilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restrict the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied amendments retrospectively. However, their application has no effect on the financial position and performance as the Group has no deductible temporary differences or assets that are

in the scope of the amendments

Annual Improvements Cycle - 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments did not have any impact on the Group.

Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

Where the standards and interpretations may have an impact at a future date, they have been discussed below:

IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition - 1 January 2018

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or

loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise either 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread, can be excluded from the designation as the hedging instrument and accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions. The application of IFRS 9 may change the

Effective for accounting period beginning on or after

• IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition	1 January 2018
• Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	-
• IFRS 15 Revenue from Contracts with Customers	Effective date
• IFRS 16 Leases	deferred indefinitely
• Clarification to IFRS 15 'Revenue from contracts with customers'	1 January 2018
• Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2019
• IFRIC interpretation 22 Foreign currency transactions and advance consideration	1 January 2018
• IFRIC Interpretation 23 uncertainty over income tax treatment	1 January 2018

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

Changes In Accounting Policies and Disclosures (cont'd)

3.2 Standards issued but not yet effective (cont'd.)

measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

Impact

Classification and Measurement

The classification and measurement requirements will be applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. In summary, on 1 January 2018, assets that were held under 'held to maturity' will be classified under 'held to collect' classification

Credit impairment

IFRS 9's credit impairment requirements apply to financial assets measured at amortised cost, those measured at fair value through other comprehensive income and financial guarantee contracts. On initial recognition a loss allowance is established at an amount equal to 12-month expected credit losses (ECL) that is the portion of life-time expected losses resulting from default events that are possible within the next 12 months. Where a significant increase in credit risk since initial recognition is identified, the loss allowance increases so as to recognise all expected default events over the expected life of the asset.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted: determined by evaluating at the balance sheet date for each customer a range of possible outcomes using reasonable and supportable information about past events, current conditions and forecasts of future

events and economic conditions. The estimation of ECL also takes into account the time value of money. The group is in the process of implementing the necessary changes in the modelling of expected credit losses under IFRS9 and the underlying credit management and financial processes. This is likely to result in a significant increase in overall credit impairment provisions when compared with the current basis of measurement.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) - effective date deferred indefinitely

This amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) was made to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- it requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations); and
- it requires the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The directors will assess the impact of the amendments when they become effective.

IFRS 15 Revenue from Contracts with Customers - effective 1 January 2018

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

A material restatement is not expected on initial application of this standard.

Clarifications to IFRS 15 'Revenue from Contracts with Customers' - effective 1 January 2018

IASB amended IFRS 15 'Revenue from Contracts with Customers' to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration - effective 1 January 2018

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration,

the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation, OR
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Company's current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment - effective 1 January 2019

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following: (i) Whether an entity considers uncertain tax treatments separately

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

Changes In Accounting Policies and Disclosures (cont'd)

Standards issued but not yet effective (cont'd.)

- (ii) The assumptions an entity makes about the examination of tax treatments by taxation authorities
- (iii) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- (iv) How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

The Company will apply interpretation from its effective date.

Since the Company operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Company may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

These amendments are not expected to have any impact on the Company.

No early adoption of these standards and interpretations is intended by the Board of directors.

Significant Accounting Policies

Foreign currency functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each subsidiary reflects the economic substance of the underlying events and circumstances of these entities. The Company is registered in Mauritius and the sole subsidiary 'AGF West Africa' is registered and operated in West African Francophone Area with Franc CFA (XOF) as functional currency.

The consolidated financial statements are presented in US Dollars (USD), which is the Holding Company's presentation currency ("the presentation currency"). Each entity within the Group determines the

functional currency and items included in the financial statements of each entity are measured using that functional currency. As of the reporting date, the results of foreign operations are translated into USD, using the following procedures:

- a) Assets and liabilities for each statement of financial position presented are translated at the year-end exchange rates;
- b) The profit or loss and cash flows of foreign entities are translated into USD;
- c) All resulting exchange differences are recognized in other comprehensive income.

The Group uses the direct method of consolidation and on disposal of a foreign operation; the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated

as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

The following table summarizes the currencies translation rates into the USD as of December 31, 2017 and 2016 and the average rates for the year ended December 31, 2017 and 2016.

Country	Currency	2017		2016	
		Closing rate	Average rate	Closing rate	Average rate
Togo	XOF	0.00183	0.00172	0.00159	0.00167
Kenya	Kshs	0.0097	0.0097	0.0098	0.0099

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss, is also recognized in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into USD at the rate of

exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

Significant Accounting Policies (cont.)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of

the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investment in subsidiary

Subsidiary undertakings are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over their operations. Control is achieved where the Company has the power to govern the financial and operating policies of an investee generally accompany a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date such control ceases.

Investment in subsidiary is shown at cost. Where an indication of impairment exists, the recoverable amount of investment is assessed. Where the carrying amount is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to profit or loss. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Cash and cash equivalents

Cash and cash equivalents disclosed in the statements of cash flows consist of cash together with other highly liquid short-term placements available on demand. These balances are subject to insignificant changes in fair value and are reported at amortized cost.

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, held-to-maturity investments or as derivatives. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Loans and receivables
- Financial assets at fair value through profit or loss
- Held-to-maturity investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 17.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments that the Group and/or the company intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Held-to-maturity investments are subsequently measured at amortized cost.

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

Significant Accounting Policies (cont.)

Business combinations and goodwill (cont'd.)

Subsequent measurement (cont.)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at

the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 5
- Financial assets Note 6
- Trade receivables Note 17

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets

that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction

costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 25.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group and/or the Company (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognized at fair value, which is generally equal to the premiums received or receivable, and then amortized over the life of the financial guarantee.

Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the

Notes To The Financial Statements

For the year ended 31 December 2017 (cont'd.)

Significant Accounting Policies (cont.)

ii) Financial liabilities

Financial guarantee contracts (cont'd.)

present value of any expected payment, when a payment under the guarantee has become probable, and the unamortized premium.

Premiums paid on financial guarantees received are amortized over the life of the exposure. Any claims under the guarantee are recognized when the rights are virtually certain.

Contracts that do not meet the criteria to be classified as financial guarantees are designated as credit derivatives and are measured in accordance with accounting policies for "Financial instruments – initial recognition and measurement".

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Group measures financial instruments such as

derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described

as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring fair value measurement, such as Derivatives.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Fair value measurement Note 7.

Property and equipment

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable

to the acquisition of the asset. Where significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Costs that are subsequently incurred are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and/or the company and the cost of the item can be measured reliably. Expenditure which does not meet these criteria is recognized in profit or loss as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are included in profit or loss.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their expected residual values.

The assets' residual values, useful lives and the depreciation method applied are reviewed, and adjusted if appropriate, at each financial year end.

The estimated useful lives of tangible assets for the current financial year are as follows:

	Years
Office, furniture and office equipment	3 to 10
Computer and accessories	3 to 5
Motor vehicles	3 to 5

There has been no change to the estimated useful lives from those applied in the previous financial year.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost includes all the costs incurred to acquire and bring to use the specific assets. These costs are amortized on the basis of the expected useful lives.

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

Significant Accounting Policies (cont.)

iv) Offsetting of financial instruments (cont.)

Intangible assets (cont.)

Expenditure subsequently incurred on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if necessary.

The estimated useful lives of intangible assets for the current financial year are as follows:

	Years
Software	1 to 5
Website	5

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. Intangible assets that are subject to amortization and other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realization of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash generating units). Impairment losses recognized in respect of cash generating units are allocated first to

reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

Asset on which impairment losses has been recognized in prior periods are re-assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease agreements are charged to profit or loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group and/or the company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Tax

Direct taxation

Direct taxation includes current and deferred tax.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted as at the reporting date.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Indirect taxation

Indirect taxes, including non-recoverable value added tax (VAT) and other duties, are recognized in profit or loss and their classification depends on the nature of the underlying transaction.

Employee benefits

Post-employment benefits - defined contribution plans

The Group operates defined contribution plans, based on a percentage of pensionable earnings funded by both employer and employees, the assets of which are generally held in separate trustee-administered funds. Contributions to these plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

Post-employment benefits - defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The cost of providing defined benefit plans is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retain earnings through OCI in the period in which they occur. Remeasurements are not classified to profit or loss in subsequent periods.

Past service costs are recognized in profit and loss on the earlier of:

- the date of the plan amendment or curtailment, and
- the date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined liability or asset. The Group recognizes the changes in the net defined benefit obligation under 'Pension provisions' in the consolidated statement of comprehensive income. Services costs comprising current service costs, past service costs, gain and losses on curtailments and non-routine settlements

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

Significant Accounting Policies (cont.)

Employee benefits (cont.)

Termination benefits

Termination benefits are recognized as an expense when the Group and/or the company are committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the group and/or the company have made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the Group and/or the company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

Provisions are recognized when the Group and/or the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group and/or the Company expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Stated capital

The Class A, B and C shares are redeemable at the shareholder's option and are classified as financial liabilities, and measured at the redemption amount.

Class D are not redeemable, do not participate in the net income or dividends of the Company and are classified as equity.

Some financial instruments include a contractual obligation for the issuing entity to deliver to another entity a pro rata share of its net assets only on liquidation. The obligation arises because liquidation either is certain to occur and outside the control of the entity (for example, a limited life entity) or is uncertain to occur but is at the option of the instrument holder.

As an exception to the definition of a financial liability, an instrument that includes such an obligation is classified as an equity instrument if it has all the following features:

- It entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation. The entity's net assets are those assets that remain after deducting all other claims on its assets.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments must have an identical contractual obligation for the issuing entity to deliver a pro rata share of its net assets on liquidation.

For an instrument to be classified as an equity instrument, in addition to the instrument having all the above features, the issuer must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity (excluding any effects of such instrument or contract); and
- The effect of substantially restricting or fixing the residual return to the instrument holders.

The Company continuously assesses the classification of the redeemable participating shares. If the redeemable participating shares meet all the features or meet all the conditions set out, to be classified as equity, the Company will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of reclassification. If the redeemable participating shares subsequently cease to have all the features, or meet the conditions set out, to be classified as equity, the Company will reclassify them as financial liabilities and measure them at fair value at the date of the reclassification, with any differences from the previous carrying amount recognised in equity.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and/or the company and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received

or receivable, taking into account contractually defined terms of payment and excluding taxes.

Assessment fee and commission revenue

Assessment fee and commission revenue, are recognized as the related services are performed and there are no significant uncertainties in respect of related collections.

Utilization fee

The Group and the Company recognize utilization fees received and receivable as deferred premium revenue at the inception of the contract. Deferred premium revenue is subsequently recognized as earned revenue over the contractual period or expected period of the contract in proportion to the amount of guarantee given.

As premium revenue is recognized, a corresponding decrease to the deferred premium revenue is recorded. The amount of premium provided is a function of the guaranteed principal amount outstanding. Accordingly, the proportionate share of premium revenue recognized in a given reporting period is a constant rate calculated based on the relationship between the loan payments made during the reporting period to guaranteed principal amount.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

Critical accounting estimates and judgements

The Group and/or the Company make certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Functional currency

The determination of functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The directors have considered those factors therein and have determined that the functional currency of the Company is the US Dollars ("USD"), as it most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company.

Deferred tax assets

The accounting policy for the recognition of deferred tax assets is described in accounting policy pertaining to tax. A deferred tax asset is recognized to the extent that it is probable that suitable future taxable profits will be available against which deductible temporary differences can be utilized. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of suitable

future taxable profits, future reversals of existing taxable temporary differences and planning strategies. Deferred tax asset has not been recognized as the Company is still considered as being in its start-up phase and management is not expecting any liability with respect to deferred tax to arise in a foreseeable future.

Depreciation of tangible and intangible assets

Tangible and intangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment losses on financial guarantee contracts

The Group and the Company review their individually significant guarantee contracts to assess whether an impairment loss should be recorded in profit or loss. In particular management's judgement is required in the estimation amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors.

Determination of fair value of derivative contracts

Fair valuation of derivative contracts is a key source of estimation uncertainty at the reporting date that has a significant risk of causing a material adjustment in the carrying value of the derivatives.

Where the fair value of derivative contracts cannot be derived from active markets, they are determined using valuation techniques such as the discounted cash flow

model. Management uses its judgement to select the appropriate valuation methodology to assess the fair value of derivative contracts. The judgements include considerations of inputs such as average annual growth

rate in utilization, default rate, recovery rate and discount rate. Changes in assumptions about these factors could affect the reported fair value of financial instruments. In determining the fair value of investments, the Group

Financial Risk Management Objectives and Policies

adheres to the valuation guidelines issued by the International Private Equity and Venture Capital Board.

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risks (including interest rate risk and foreign currency risk) and operational risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors of the Group has established the Treasury Management, Investment/Guarantee, Capacity Development and Committees, which are responsible for developing and monitoring the Company risk management policies in their specified areas. All board committees report regularly to the Board of Directors on their activities.

Credit risk

Credit risk is the risk of a financial loss to the Group and/or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities (primarily for other receivables) and from its financing activities, including cash at bank and other financial instruments. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as mean of mitigating the risk of financial loss from defaults. Cash at banks are maintained with financial institutions having strong credit ratings.

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date was:

Cash and cash equivalents (excluding cash in hand)

6) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

	Group				Company					
	2017		2016		2017		2016			
	Balance USD	Rating Short Term	Rating Long Term	Balance USD	Rating Short Term	Rating Long Term	Balance USD	Rating Short Term	Rating Long Term	
Barclays Bank Mauritius*	110,121	B	BB+	148,523	110,121	B	BB+	148,523	A-2	BBB
Barclays Bank London*	1,513,547	A-2	BBB	500,533	A-2	BBB	1,513,547	A-2	BBB	BBB
CFC Stanbic**	548,285	B	BB-	54,710	B	BB-	548,285	B	BB-	BB-
Commercial Bank of Africa***	192	A1 (KE)	A+(KE)	238	A1	AA-	192	A1 (KE)	A+(KE)	AA-
Ecobank**	437,195	B	B	1,737,066	B	B	437,195	B	B	B
BCEAO Siège (EURO)	16,676	N/A	N/A	14,451	N/A	N/A	-	N/A	N/A	N/A
BTCI	65,017	N/A	N/A	29,082	N/A	N/A	-	N/A	N/A	N/A
ECOBANK TOGO	66,584	N/A	N/A	23,446	N/A	N/A	-	N/A	N/A	N/A
BATG	62,251	N/A	N/A	80,282	N/A	N/A	-	N/A	N/A	N/A
BOA TOGO	37,310	N/A	N/A	17,063	N/A	N/A	-	N/A	N/A	N/A
BACI	217,698	N/A	N/A	192,225	N/A	N/A	-	N/A	N/A	N/A
Total	3,074,876			2,797,619			2,609,340			2,441,070

(*) Rating by Standard & Poors, (**) Fitch National rating, (***) Rating by GCR

Amounts of USD 254,313 and USD 254,123 for the Group and the Company respectively representing cash in hand was not included in the table (2016: USD 281,988 and USD 281,968 respectively).

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

Rating	2017 USD	Group 2016 USD	2017 USD	Company 2016 USD
AAA	2,493,654	3,176,695	2,493,654	3,176,695
AA+	2,487,091	6,008,825	2,487,091	6,008,825
AA	8,703,747	8,121,874	8,524,264	8,121,874
AA-	5,297,373	5,048,609	5,297,184	5,048,609
A+	506,133	-	506,133	-
A	5,910,070	5,826,619	5,727,055	5,826,619
A-	2,445,772	2,483,281	2,445,772	2,483,281
BBB	4,528,596	11,426,103	4,336,211	11,426,103
BBB-	1,156,528	1,177,597	1,156,528	1,177,597
BB+	110,121	-	110,121	-
BB-	1,036,132	-	948,285	-
B	1,145,140	1,000,000	1,145,140	1,000,000
B-	124,106	-	-	-
Not Rated	52,251,549	45,763,276	7,210,248	7,971,261
	88,196,012	90,032,879	42,387,686	52,240,864

*Source: Bloomberg

Credit risk

Held-to-maturity financial assets, cash and cash equivalents, other financial instruments and receivables

Receivables

Conventional Rating are not available for the PLI's (Partner Lending institutions) therefore PLI's credit risks are assessed through the CAMELS (Capital Adequacy, Asset quality, Management, Earnings, Liquidity, and market Sensitivity) analysis which establishes the Lender's ability to originate and monitor credit and its overall financial condition. The CAMELS analysis is designed to take the place of private rating agency assessments that are not available for the particular bank.

CAMELS Ratings definitions

Rating of 10 to 19: strong capital level; strong asset quality and credit administration practice, superior management; more than sufficient earnings to support operations and maintain adequate capital and allowance levels after consideration is given to asset quality, growth, and other factors affecting the quality, quantity, and trend of earnings; strong liquidity levels and well developed funds management practices; and high risk management capabilities.

Rating 20 to 29: Sound in every respect. Any weaknesses are minor and can be handled in a routine manner by the board of directors and management. Most capable of withstanding the vagaries of business conditions and resistant to outside influences such as economic instability in their trade areas. Compliance with laws and regulations. Exhibit the strongest performance and risk management practices relative to the institution's size, complexity, and risk profile, and give no cause for supervisory concern.

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

Financial Risk Management Objectives and Policies (cont'd)

Receivables (cont.)

Rating 30-39: Fundamentally sound. Some weaknesses are present but are well within the board of directors' and management's capabilities and willingness to correct. Stable and capable of withstanding business fluctuations and compliance with laws and regulations. Overall risk management practices are sound relative to the institution's size, complexity, and risk profile. There are no material supervisory concerns.

Rating 40-49: Generally sound. Only moderate weaknesses are present and are generally within the board of directors' and management's capabilities and willingness to correct. Stable and capable of withstanding business fluctuations provided that weaknesses are given due attention. Receivables

Rating 30-50: Generally in compliance with laws and regulations. Overall risk management practices are satisfactory relative to the institution's size, complexity, and risk profile. There are currently no material supervisory concerns, but the bank is somewhat weaker than those in category 3 and may slip into category 5 if weaknesses are not corrected. Category 3 to 5 is the rating 30-50.

Concentration risk

Concentration risk is defined as a direct and/or indirect concentration of exposure to a single or Group of counterparties, industry or geographic region.

Market risk

Market risk arises from the Group and/or the Company's use of interest-bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The Group and the Company is not sensible to interest rate risk changes due to the fact that all coupon rates are fixed and the bonds are intended to be held to maturity.

A change in interest rates on the variable loan facility impacts the interest incurred and cash flows, but does not impact the net financial instrument position.

	Group				Company			
	Book Value 2017	Percentage	Book Value 2016	Percentage	Book Value 2017	Percentage	Book Value 2016	Percentage
Africa	59,961,568	67.99%	55,013,237	61.10%	14,153,242	33.39%	17,221,222	32.97%
Europe	13,094,489	14.85%	18,826,134	20.91%	13,094,489	30.89%	18,826,134	36.04%
America	3,941,640	4.47%	4,809,079	5.34%	3,941,640	9.30%	4,809,079	9.20%
Middle East	4,369,839	4.95%	4,436,750	4.93%	4,369,839	10.31%	4,436,750	8.49%
Asia	6,828,476	7.74%	6,947,679	7.72%	6,828,476	16.11%	6,947,679	13.30%
Total	88,196,012	100%	90,032,879	100%	42,387,686	100%	52,240,864	100%

Foreign exchange risk

Foreign currency is the risk that Group's and/or the Company's net financial asset will fluctuate because of changes in foreign currency risk.

As of 31 December 2017 and 2016 the Group and the Company's net exposure to foreign exchange risk was as follows:

	Group				Total USD 2017
	USD 2017	EURO 2017	KES 2017	XOF 2017	
Assets	90,235,034	6,328,133	53,704,161	3,801,536,644	104,252,759
Liabilities	924,643		13,221,471	393,362,530	1,772,745
Closing rate	1	1.2005	0.0097	0.00183	
Net exposure in USD	89,310,391	7,596,924	392,350	5,180,349	102,480,014

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

	USD 2016	EURO 2016	Group KES 2016	XOF 2016	Total USD 2016
Assets	55,904,395	3,710,630	26,063,954	26,727,839,934	102,559,557
Liabilities	-	-	-	922,006,289	1,465,990
Closing rate	1	1.0517	0.0098	0.00159	
Net exposure in USD	55,904,395	3,902,470	255,427	41,031,275	101,093,567

	USD 2017	EURO 2017	Group KES 2017	XOF 2017	Total USD 2017
Assets	46,468,257	6,328,133	53,704,161	-	54,585,779
Liabilities	10,402,190	-	13,221,471	-	10,530,438
Closing rate	1	1.2005	0.0097	0.00183	
Net exposure in USD	36,066,067	7,596,924	392,350	-	44,055,341

	UUSD 2016	EURO 2016	Group KES 2016	XOF 2016	Total USD 2016
Assets	57,262,646	3,710,630	26,063,954	-	61,420,542
Liabilities	8,888,740	-	-	-	8,888,740
Closing rate	1	1.0517	0.0098	0.00159	
Net exposure in USD	48,373,906	3,902,469	255,427	-	52,531,802

Financial Risk Management Objectives and Policies (cont'd)

Market risk (Continued)

Foreign exchange risk (Continued)

Sensitivity to 10 pips* will result in a corresponding movement of USD 9,599 and USD 9,582 for the Group and the Company respectively.

*Pip: A pip is the fourth digit after the decimal point. If a currency pair like EUR/USD is trading at an exchange rate of 1.3000 (1 EUR = 1.3 USD) and the rate changes to 1.3010, the price has changed by 10 pips.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting obligations from its financial liabilities. The Group's and the Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and the Company's reputation.

The Group and the Company's treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities to ensure necessary access to sufficient liquidity at all times.

The table below summarizes the maturity profile of the Group's and the Company's financial assets and liabilities at 31 December based on contractual undiscounted payments.

Financial Risk Management Objectives and Policies (cont'd)

Market risk (Continued)

Liquidity risk (Continued)

As at 31 December 2017	On demand USD	1 to 3 months USD	3 to 6 months USD	Group		Undetermined USD	Total USD
				6 to 12 months USD	1 to 8 years USD		
Cash and cash equivalents	3,329,189	-	-	-	-	-	3,329,189
Held-to-maturity financial assets	-	414,036	214,516	848,613	30,159,672	-	31,636,837
Other financial assets	8,000,562	1,013,884	9,358,454	590,586	22,673,587	-	41,637,073
Receivables and deposits	11,592,913	-	-	-	-	-	11,592,913
Derivative contracts	-	-	-	-	-	16,056,747	16,056,747
Total financial assets	22,992,664	1,427,920	9,572,970	1,439,199	52,833,259	16,056,747	104,252,759
Trade and other payables	726,606	-	-	-	-	-	726,606
Other liabilities	1,046,138	-	-	-	-	-	1,046,138
Total financial liabilities	1,772,744	-	-	-	-	-	1,772,744

As at 31 December 2017	On demand USD	1 to 3 months USD	3 to 6 months USD	Group		Undetermined USD	Total USD
				6 to 12 months USD	1 to 8 years USD		
Cash and cash equivalents	2,562,881	516,726	-	-	-	-	3,079,607
Held-to-maturity financial assets	-	1,351,793	4,775,821	802,277	37,182,980	-	44,112,871
Other financial assets	5,074,582	-	317,495	3,698,706	25,347,994	-	34,438,777
Receivables and deposits	6,394,609	107,580	210,559	1,352,847	336,029	-	8,401,624
Derivative contracts	-	-	-	-	-	12,526,678	12,526,678
Total financial assets	14,032,072	1,976,099	5,303,875	5,853,830	66,867,003	12,526,678	105,559,557
Trade and other payables	642,149	-	-	-	-	-	642,149
Other liabilities	823,841	-	-	-	-	-	823,841
Total financial liabilities	1,465,990	-	-	-	-	-	1,465,990

As at 31 December 2016	On demand USD	1 to 3 months USD	3 to 6 months USD	Group		Undetermined USD	Total USD
				6 to 12 months USD	1 to 8 years USD		
Cash and cash equivalents	2,562,881	516,726	-	-	-	-	3,079,607
Held-to-maturity financial assets	-	1,351,793	4,775,821	802,277	37,182,980	-	44,112,871
Other financial assets	5,074,582	-	317,495	3,698,706	25,347,994	-	34,438,777
Receivables and deposits	6,394,609	107,580	210,559	1,352,847	336,029	-	8,401,624
Derivative contracts	-	-	-	-	-	12,526,678	12,526,678
Total financial assets	14,032,072	1,976,099	5,303,875	5,853,830	66,867,003	12,526,678	105,559,557
Trade and other payables	642,149	-	-	-	-	-	642,149
Other liabilities	823,841	-	-	-	-	-	823,841
Total financial liabilities	1,465,990	-	-	-	-	-	1,465,990

As at 31 December 2016	On demand USD	1 to 3 months USD	3 to 6 months USD	Group		Undetermined USD	Total USD
				6 to 12 months USD	1 to 8 years USD		
Cash and cash equivalents	2,863,463	-	-	-	-	-	2,863,463
Held-to-maturity financial assets	-	363,248	196,681	680,579	29,459,580	-	30,700,088
Other financial assets	-	1,213,885	-	-	400,000	-	1,613,885
Receivables and deposits	7,210,250	-	-	-	-	-	7,210,250
Derivative contracts	-	-	-	-	-	12,198,093	12,198,093
Total financial assets	10,073,713	1,577,133	196,681	680,579	29,859,580	12,198,093	54,585,779
Loans and borrowings	-	-	9,584,360	-	-	-	9,584,360
Trade and other payables	705,033	-	-	-	-	-	705,033
Other liabilities	326,285	-	-	-	-	-	326,285
Total financial liabilities	1,031,318	-	9,584,360	-	-	-	10,615,678

Financial Risk Management Objectives and Policies (cont'd)

Market risk (Continued)

Liquidity risk (Continued)

As at 31 December 2016	On demand USD	1 to 3 months USD	3 to 6 months USD	Group		Undetermined USD	Total USD
				6 to 12 months USD	1 to 8 years USD		
Cash and cash equivalents	2,206,335	516,703	-	-	-	-	2,723,038
Held-to-maturity financial assets	-	1,351,793	4,775,821	802,277	36,339,713	-	43,269,604
Other financial assets	-	-	-	1,000,000	-	-	1,000,000
Receivables and deposits	3,241,207	107,580	210,559	1,352,847	336,029	-	5,248,222
Derivative contracts	-	-	-	-	-	9,179,678	9,179,678
Total financial assets	5,447,542	1,976,076	4,986,380	3,155,124	36,675,742	9,179,678	61,420,542
Loans and borrowings	-	-	-	-	8,147,706	-	8,147,706
Trade and other payables	873,974	-	-	-	-	-	873,974
Other liabilities	138,314	-	-	-	-	-	138,314
Total financial liabilities	1,012,288	-	-	-	8,147,706	-	9,159,994

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's and the Company's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. This responsibility is supported by the development of overall Group's standards for the management of operational risk in the following areas:

- Ethical and business standards.
- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.

- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.
- Development of contingency plans.
- Training and professional development.
- Risk mitigation, including insurance where this is effective.

Compliance with Group's standards is supported by a programme of regular reviews undertaken by the Internal Control department. The results of internal audit reviews are discussed with the management of the department to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Capital management

The principal objective of the Group when managing capital is to earn the maximum risk-adjusted return that is compatible with keeping the capital intact in the medium and long term and being able to settle all obligations in full as they fall due.

7) Fair Value Measurements

Held-to-maturity financial Assets	Group		Company 2016		Company 2015		Company 2014	
	2017	2016	2016	2015	2015	2014	2014	2013
	Carrying amount	Fair value						
	USD							
General Electric Capital	-	883,220	881,530	883,220	881,530	883,220	-	883,220
Belgium Kingdom	4,154,425	4,262,976	3,685,124	3,840,283	3,685,124	3,840,283	4,262,976	3,840,283
Croatia 2017	-	4,547,813	4,499,987	4,547,813	4,499,987	4,547,813	-	4,547,813
Bk Nederlandse Gemeenten	2,487,091	2,675,250	2,526,392	2,776,750	2,526,392	2,776,750	2,675,250	2,776,750
European investment bank	2,493,654	2,667,600	2,529,914	2,761,200	2,529,914	2,761,200	2,667,600	2,761,200
Caisse d'Amort Dette Soc	-	2,792,700	2,600,903	2,792,700	2,600,903	2,792,700	-	2,792,700
Bank of China Hong Kong	5,727,055	6,137,863	5,826,619	6,437,008	5,826,619	6,437,008	6,137,863	6,437,008
South Africa	-	352,088	4,077,551	4,567,275	4,077,551	4,567,275	-	4,567,275
Poland	2,445,772	352,088	2,483,281	2,818,131	2,483,281	2,818,131	352,088	2,818,131
African Development Bank	-	663,910	646,781	663,910	646,781	663,910	-	663,910
Kingdom of Morocco	1,036,047	1,148,750	1,042,195	1,255,000	1,042,195	1,255,000	1,148,750	1,255,000
State of Qatar	4,369,839	720,000	4,436,750	4,990,000	4,436,750	4,990,000	720,000	4,990,000
Republic of Chile	3,941,640	4,315,000	3,927,549	4,540,000	3,927,549	4,540,000	4,315,000	4,540,000
Export-Import Bank Korea	1,101,421	175,000	1,121,060	1,275,000	1,121,060	1,275,000	175,000	1,275,000
African export- import bank 2019	1,156,528	1,204,500	1,177,597	1,256,750	1,177,597	1,256,750	1,204,500	1,256,750
Banque Ouest Africaine de Développement	1,786,616	2,027,249	1,806,371	2,120,750	1,806,371	2,120,750	2,027,249	2,120,750
Banque Ouest Africaine de Développement	146,412	168,191	126,998	92,661	126,998	92,661	-	-
Société immobilière et financière de la côte africaine	183,015	214,585	198,434	320,273	198,434	320,273	-	-
Etat du Niger	52,051	37,753	-	-	-	-	-	-
Banque d'investissement et de Développement de la CEDEAO	-	60,319	47,641	254,194	47,641	254,194	-	-
Banque d'investissement et de Développement de la CEDEAO	45,973	60,319	59,594	77,025	59,594	77,025	-	-
Etat du Mali	96,998	137,449	-	-	-	-	-	-
Etat du Mali	27,108	137,449	-	-	-	-	-	-
Caisse Régionale Refinancement Hypothécaire	179,483	184,452	168,637	251,657	168,637	251,657	-	-
Shelter Afrique	117,862	161,833	131,443	179,137	131,443	179,137	-	-
Etat du Sénégal	87,847	83,911	110,520	126,204	110,520	126,204	-	-
Total	31,636,837	26,932,537	44,112,871	48,826,941	30,700,088	25,686,276	43,269,604	47,525,790

Fair Value Measurements (cont'd)

At 31 December, the Group and the Company held the following financial instruments measured at fair value:

Recurring fair value measurement of derivative contracts

	Group		Company	
	2017	2016	2017	2016
	USD	USD	USD	USD
Opening Balance	12,526,678	10,203,182	9,179,678	6,856,182
Movement during the year	3,018,415	2,323,496	3,018,415	2,323,496
FX Translation	511,654	-	-	-
	16,056,747	12,526,678	12,198,093	9,179,678

The derivative contracts have been fair valued based on the Discounted Cash Flow ("DCF") methodology at year end and is classified under Level 3 of the fair value hierarchy (2016: same).

The DCF methodology derives the value of an instrument by calculating the present value of expected cash flow or future earnings. Under the DCF methodology, the cash flow projections on a free cash flow basis have been used, including the appropriate discount rate.

Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group and/or the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flows analysis and option pricing models making as much use of available and supportable market data as possible).

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

(A) Held To Maturity Financial Assets

Fair Value Measurements (Cont'd)

Fair value hierarchy (cont.)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group and/or the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements during the year.

At 31 December 2017, the nominal amount of credit derivatives amounted to USD 296,700,737 (2016: USD 217,539,805).

The fair value of receivables and deposits, trade and other payables and other liabilities are disclosed in Note 17 and Note 18 respectively.

	Group			
	Purchase value (including commission) USD	Maturity Date	Coupon Rate	Book Value USD
2016				
General Electric Capital	1,010,523	15-Feb-17	5.40%	-
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	4,154,425
Bank Nederlandse Gemeenten	2,598,433	16-Feb-21	4.38%	2,487,091
European Investment Bank	2,596,771	16-Feb-21	4.00%	2,493,654
Bank of China Hong Kong	5,870,582	11-Feb-20	5.55%	5,727,055
Poland	2,602,338	21-Apr-21	5.13%	2,445,772
Morocco	1,058,175	11-Dec-22	4.25%	1,036,047
State of Qatar	1,137,097	11-Apr-22	5.00%	4,369,839
Republic of Chile	3,903,335	30-Oct-22	2.25%	3,941,640
Export-Import Bank Korea	4,490,130	20-Jan-22	4.50%	1,101,421
African Export-Import Bank 2019	1,165,359	29-Jul-19	4.75%	1,156,528
Banque Ouest Africaine de Développement	1,824,269	6-May-21	5.50%	1,786,617
Banque Ouest Africaine de Développement	126,998	26-Dec-21	5.95%	146,412
SIFCA	238,121	8-Aug-21	6.90%	183,015
Etat du Niger	52,051	18-Sep-20	6.00%	52,051
Banque d'investissement et de Développement de la CEDEAO	79,374	28-Mar-21	6.50%	45,973
Etat du Mali	96,998	20-Apr-24	6.50%	96,998
Etat du Mali	27,108	13-Nov-20	6.15%	27,108
Caisse Régionale Refinancement Hypothécaire	238,121	17-Jan-24	6.10%	179,483
Shelter Afrique	146,048	2-Mar-21	6.60%	117,862
Etat du Sénégal	110,520	27-Nov-21	6.50%	87,846
Total	34,420,834			31,636,837

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

(a) Held To Maturity Financial Assets (cont'd)

	Group			
	Purchase value (including commission) USD	Maturity Date	Coupon Rate	Book Value USD
2016				
General Electric Capital	1,010,523	15-Feb-17	5.40%	881,530
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	3,685,124
Croatia 2017	4,978,724	27-Apr-17	6.25%	4,499,987
Bank Nederlandse Gemeenten	2,598,433	16-Feb-21	4.38%	2,526,392
European Investment Bank	2,596,771	16-Feb-21	4.00%	2,529,914
Caisse d'amortissement de la dette sociale	2,593,450	17-Apr-20	2.00%	2,600,903
Bank of China Hong Kong	5,870,582	11-Feb-20	5.55%	5,826,619
South Africa	4,218,660	9-Mar-20	5.50%	4,077,551
Poland	2,602,338	21-Apr-21	5.13%	2,483,281
African Development Bank	650,073	2-Oct-18	1.63%	646,781
Morocco	1,058,175	11-Dec-22	4.25%	1,042,195
Export-Import Bank Korea	1,137,097	11-Apr-22	5.00%	1,121,060
Chile	3,903,335	30-Oct-22	2.25%	3,927,549
Qatar	4,490,130	20-Jan-22	4.50%	4,436,750
African Export-Import Bank 2019	1,165,359	29-Jul-19	4.75%	1,177,597
Banque Ouest Africaine de Développement	1,824,269	6-May-21	5.50%	1,806,371
Banque Ouest Africaine de Développement	126,998	26-Dec-21	5.95%	126,998
SIFCA	238,121	8-Aug-21	6.90%	198,434
Banque d'investissement et de Développement de la CEDEAO	238,121	5-Oct-17	6.75%	47,641
Banque d'investissement et de Développement de la CEDEAO	79,374	28-Mar-21	6.50%	59,594
Caisse Régionale Refinancement Hypothécaire	238,121	17-Jan-24	6.10%	168,637
Shelter Afrique	146,048	2-Mar-21	6.60%	131,443
Etat du Sénégal	110,520	27-Nov-21	6.50%	110,520
Total	46,923,705			44,112,871

2017

	Purchase value (including commission) USD	Maturity Date	Coupon Rate	Book Value USD
General Electric Capital	1,010,523	15-Feb-17	5.40%	-
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	4,154,425
Bank Nederlandse Gemeenten	2,598,433	16-Feb-21	4.38%	2,487,091
European Investment Bank	2,596,771	16-Feb-21	4.00%	2,493,654
Bank of China Hong Kong	5,870,582	11-Feb-20	5.55%	5,727,055
Poland	2,602,338	21-Apr-21	5.13%	2,445,772
Morocco	1,058,175	11-Dec-22	4.25%	1,036,047
State of Qatar	1,137,097	11-Apr-22	5.00%	4,369,839
Republic of Chile	3,903,335	30-Oct-22	2.25%	3,941,640
Export-Import Bank Korea	4,490,130	20-Jan-22	4.50%	1,101,421
African Export-Import Bank 2019	1,165,359	29-Jul-19	4.75%	1,156,528
BOAD	1,824,269	6-May-21	5.50%	1,786,616
Total	33,305,495			30,700,088

2017

	Purchase value (including commission) USD	Maturity Date	Coupon Rate	Book Value USD
General Electric Capital	1,010,523	15-Feb-17	5.40%	881,530
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	3,685,124
Croatia 2017	4,978,724	27-Apr-17	6.25%	4,499,987
Bank Nederlandse Gemeenten	2,598,433	16-Feb-21	4.38%	2,526,392
European Investment Bank	2,596,771	16-Feb-21	4.00%	2,529,914
Caisse d'amortissement de la dette sociale	2,593,450	17-Apr-20	2.00%	2,600,903
Bank of China Hong Kong	5,870,582	11-Feb-20	5.55%	5,826,619
South Africa	4,218,660	9-Mar-20	5.50%	4,077,551
Poland	2,602,338	21-Apr-21	5.13%	2,483,281
African Development Bank	650,073	2-Oct-18	1.63%	646,781
Morocco	1,058,175	11-Dec-22	4.25%	1,042,195
Export-Import Bank Korea	1,137,097	11-Apr-22	5.00%	1,121,060
Chile	3,903,335	30-Oct-22	2.25%	3,927,549
Qatar	4,490,130	20-Jan-22	4.50%	4,436,750
African Export-Import Bank 2019	1,165,359	29-Jul-19	4.75%	1,177,597
BOAD	1,824,269	6-May-21	5.50%	1,806,371
Total	45,746,402			43,269,604

Notes To The Financial Statements

For the year ended 31 December 2017 (cont.)

(b) Derivative Contracts

Fair value of derivative contracts: USD 16,056,747 and USD 12,198,093 for the Group and Company respectively (2016: USD 12,526,678 and USD 9,179,678 respectively).

Sensitivity of the fair value gain on financial guarantee contracts to its main factors:

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
If the Company's average annual growth in utilization is lower by 100 point to the management assumption (from 12.5% to 11.5%), the fair value gain will decrease by: _____	248,669	303,333	248,669	303,333
If the Company's default rate over the period of the contract is higher by 100 point to the management assumption (from 2% to 3%), the fair value gain will decrease by: _____	1,409,217	565,020	1,409,217	565,020
If the Company's average recovery rate is lower by 100 point to the management assumption (from 5% to 4%), the fair value gain will decrease by: _____	25,590	5,507	25,590	5,507
If the Company's discount rate is higher by 100 point to the management assumption (from 7.5% to 8.5%), the fair value gain will decrease by: _____	242,082	238,287	242,082	238,287
	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Opening Balance	12,526,678	10,203,182	9,179,678	6,856,182
Movement during the year	3,018,415	2,323,496	3,018,415	2,323,496
FX translation	511,654	-	-	-
	16,056,747	12,526,678	12,198,093	9,179,678

(c) Other Financial Instruments

Other financial instruments consist of long-term deposits made by the "AGF West Africa" in different West African Bank. Interests rate are fixed. Details are provided as follows:

Bank	Annual rates	Group 2017	
		Terms	Amount (USD)
BOA BENIN	6.40%	09/08/16 - 08/08/19	3,660,301
BOA SENEGAL	6.00%	17/06/15 - 16/06/18	2,745,226
BANQUE ATLANTIQUE TOGO	6.54%	15/06/15 - 15/06/18	1,830,150
BANQUE ATLANTIQUE TOGO	5.50%	04/07/17 - 04/06/20	1,281,105
CORIS BURKINA FASO	6.50%	01/08/16 - 31/07/19	2,745,226
BSIC TOGO	7.00%	26/01/10 - 27/01/19	3,660,301
BSIC TOGO	7.00%	12/02/16 - 11/02/19	457,538
BSIC TOGO	6.00%	08/06/15 - 07/06/18	915,075
ORABANK TOGO	5.95%	28/04/15 - 27/04/18	915,075
DIAMOND TOGO	6.70%	16/06/15 - 14/06/18	2,745,226
BOA TOGO	5.50%	07/04/17-06/06/20	915,075
CORIS BANK COTE D'IVOIRE	6.00%	08/06/16 - 07/06/20	4,575,376
ORABANK COTE D'IVOIRE	6.00%	08/06/16 - 07/06/20	3,660,301
UTB	5.75%	27/10/17 - 27/10/18	549,045
SOCIETE GENERALE TOGO	5.50%	24/04/17 - 24/04/20	915,075
BCEAO	0.001%	on call	8,362,411
Ecobank Kenya	3.40%	13/10/17 - 13/01/18	707,944
Commercial Bank of Africa	3.15%	11/12/17 - 11/01/18	505,941
Stanbic Bank	3.00%	21/12/17 - 21/12/22	400,000
Others	N/A	N/A	90,682
Total			41,637,073
Bank	Annual rates	Group 2016	
		Terms	Amount (USD)
BOA BENIN	6.40%	09/08/16 - 08/08/19	1,825,595
BOA BENIN	7.00%	29/01/16 - 29/12/19	3,174,948
BOA SENEGAL	6.00%	17/06/15 - 16/06/18	2,381,211
BANQUE ATLANTIQUE TOGO	6.54%	15/06/15 - 15/06/18	1,587,474
CORIS BURKINA FASO	6.50%	01/08/16 - 31/07/19	1,904,969
CORIS BANK BURKINA FASO	6.50%	30/12/13 - 30/12/16	2,381,211
BSIC TOGO	7.00%	26/01/10 - 27/01/19	3,174,948
BSIC TOGO	7.00%	12/02/16 - 11/02/19	396,868
BSIC TOGO	6.00%	08/06/15 - 07/06/18	793,737
ORABANK TOGO	5.95%	28/04/15 - 27/04/18	793,737
DIAMOND TOGO	6.70%	16/06/15 - 14/06/18	2,381,211
BOA TOGO	5.00%	11/06/14 - 10/06/17	317,495
CORIS BANK COTE D'IVOIRE	6.00%	08/06/16 - 07/06/20	3,968,685
ORABANK COTE D'IVOIRE	6.00%	08/06/16 - 07/06/20	3,174,948
UTB	5.75%	28/10/16 - 20/10/17	2,698,706
Ecobank Kenya Limited	3.00%	09/11/16 - 09/11/17	1,000,000
BCEAO Lomé (FCFA)	0.001%	on call	2,365,198
Others	N/A	N/A	117,836
Total			34,438,777

Notes To The Financial Statements

For the year ended 31 December 2017 (cont'd)

(c) Other Financial Instruments (cont'd)

Bank	Annual rates	Company 2017		Amount (USD)
		Terms		
Ecobank Kenya	3.40%	13/10/17 - 13/01/18		707,944
Commercial Bank of Africa	3.15%	11/12/17 - 11/01/18		505,941
Stanbic Bank	3.00%	21/12/17 - 21/12/22		400,000
				1,613,885
Bank	Annual rates	Company 2016		Amount (USD)
		Terms		
Ecobank Kenya	3.00%	09/11/16 - 09/11/17		1,000,000
				1,000,000

9) ASSESSMENT AND COMMISSION FEES

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Origination fees	1,440,356	2,081,341	898,739	720,377
Commitment fees	881,798	1,112,042	881,798	1,112,042
2,322,154 3,193,383 1,780,537 1,832,419				

10) INCOME FROM INVESTMENTS

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Income from held-to-maturity financial assets	1,168,465	1,276,833	1,168,465	1,276,833
Interest received on fixed-term deposits in Kenya	58,817	83,469	58,817	83,469
Interest received on term deposits in London	1,262	3,710	1,262	3,710
Interests income on Central Bank account Togo	9,093	4,709	-	-
Interests income on current account Togo	-	8,242	-	-
Interests income on term Deposits Togo	2,219,855	2,094,525	-	-
3,457,492 3,471,488 1,228,544 1,364,012				

11) OTHER INCOME

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Commissions related to previous year	67,861	127,867	-	-
67,861 127,867 - -				

12) STAFF EXPENSES

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Wages and salaries	4,271,866	3,828,501	3,639,367	2,811,238
Defined contribution pension cost	94,132	150,451	94,132	150,451
Social security contributions and similar taxes	9,443	1,190	1,363	1,190
4,375,441 3,980,142 3,734,862 2,962,879				

13) EXPENSES BY NATURE

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Administrative expenses	60,567	50,380	51,700	50,380
Board expenses	292,291	300,555	212,855	205,135
Legal and tax advisory fees	292,635	154,142	151,582	90,467
Administrative and legal fees	645,493	505,077	416,137	345,982
Telephone	177,659	119,312	144,869	105,570
Courier and postage	32,363	15,103	12,057	10,145
Others	20,403	36,869	11,801	11,879
Communication expenses	230,425	171,284	168,727	127,594
SME Championship sponsorship	185,402	212,767	173,384	194,317
Sponsorship	175,968	182,960	173,214	211,018
Adverts and Marketing Materials	79,542	83,855	2,338	55,797
Marketing expenses	440,912	479,582	348,936	461,132

Notes To The Financial Statements

For the year ended 31 December 2017 (cont'd)

Expenses by Nature (cont'd)

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Rent	206,781	191,438	140,542	125,739
Service charges	27,944	28,498	27,944	28,498
Security and maintenance	47,135	44,995	43,411	40,610
Parking and electricity	20,153	22,607	20,153	22,607
Insurance	8,165	8,340	5,521	5,928
Premises expenses	310,178	295,878	237,571	223,382
Staff recruitment	57,940	37,428	57,940	37,428
Staff training	6,890	12,330	6,890	8,405
Consultancy	203,301	163,239	95,572	157,525
Audit fees	126,599	92,381	82,675	67,626
Office supplies	69,085	57,332	55,415	41,253
Computer maintenance cost	4,769	13,190	4,769	13,190
Bank charges	476,071	190,463	467,448	15,812
Sundry expenses	197,913	238,853	140,124	106,899
Other expenses	1,142,568	805,216	910,833	448,138

Taxation

Mauritius

The Company, being the holder of a Category 1, Global Business License, is liable to income tax in Mauritius on its taxable profit arising from its world-wide income at the rate of 15%. The Company's foreign sourced income is eligible for a foreign tax credit which is computed as the lower of the Mauritian tax and the foreign tax on the respective foreign sourced income. The foreign tax for a GBL1 company is based on either the foreign tax charged by the foreign country or a presumed amount of foreign tax: the presumed amount of foreign tax is based on 80% of the Mauritian tax on the relevant foreign sourced income. In computing its total foreign tax credit, the Company is allowed to pool all its foreign sourced income. Capital gains are outside the scope of the Mauritian tax net while trading profits made by the Company from the sale of shares are exempt from tax.

Kenya

The company, Kenya's entity is entitled to tax obligations. Resident and non-resident companies are subject to income tax on income accrued or derived from Kenya. Different rates apply to resident and non-resident companies. The rate of corporate income tax for resident companies, including subsidiary companies of foreign parent companies, is 30%. The corporate income tax rate for branches of foreign companies is 37.5%. The company's Kenyan entity pays all its liable taxes including withholding tax at the rate of 5% for local goods and services & 20% for imported

goods and services, value added tax at the rate of 16% for goods and services and capital gains tax at the rate of 5% of the net gain on the transfer of property. The company's Kenyan entity has unused accumulated tax losses as at 31 December 2017.

Togo

The company, being a financial institution, under the supervision of banking commission is liable to income tax at the rate of 29%. However, the Company has an agreement with the government of Togo dated 1st April 2004, of which Article 6.1 indicates that the organization's assets, revenues and operation transactions are exempted of all taxes. This exemption applies in particular to direct taxes (e.g. corporate taxes, taxes on income from capital, taxes on financial activities) and on indirect taxes (value-added taxes, consumption taxes on petroleum products, etc.)

The unused tax losses not recognized in the books at 31 December 2017 for the Group and the Company amounted to USD 8,197,143 (Company 2016: USD 5,805,461). Deferred tax asset has not been recognized in respect of tax losses carried forward as the Directors consider that it is not probable that future taxable profits will be available against which the unused tax losses can be utilized.

Year of Assessment	Expiry Year	Group and Company	
		2017 USD	2016 USD
2012	2017	475,931	475,931
2013	2018	1,488,855	1,488,855
2014	2019	1,035,462	1,035,462
2015	2020	1,161,579	1,161,579
2016	2021	1,643,634	1,643,634
2017	2022	2,391,682	-
		8,197,143	5,805,461

15) PROPERTY AND EQUIPMENT

	Group					Total USD
	Office equipment USD	Fittings USD	Furniture USD	Computer equipment USD	Motor vehicles USD	
COST						
At 1 January 2016	187,327	1,024,087	284,786	138,061	158,606	93,743
Additions	1,150	87,810	4,372	8,202	-	13,932
At 31 December 2016	188,477	1,111,897	289,158	146,263	158,606	107,675
At 1 January 2017	188,477	1,111,897	289,158	146,263	158,606	107,675
Additions	1,316	59,064	7,078	23,603	101,742	2,345,787
At 31 December 2017	189,793	1,170,961	296,236	169,866	260,348	2,453,462
DEPRECIATION						
At 1 January 2016	(81,068)	(391,091)	(117,781)	(91,634)	(113,637)	-
Charge for the year	(23,501)	(138,611)	(36,440)	(21,458)	(22,923)	-
At 31 December 2016	(104,569)	(529,702)	(154,221)	(113,092)	(136,560)	-
At 1 January 2017	(104,569)	(529,702)	(154,221)	(113,092)	(136,560)	-
Charge for the year	(23,536)	(158,212)	(36,677)	(17,039)	(33,072)	-
At 31 December 2017	(128,105)	(687,914)	(190,898)	(130,131)	(169,632)	-
NET BOOK VALUE						
At 31 December 2017	61,688	483,047	105,338	39,735	90,716	2,453,462
At 31 December 2016	83,908	582,195	134,937	33,171	22,046	107,675
At 1 January 2016	109,259	632,996	167,005	46,427	44,969	93,744
COST						
At 1 January 2016	186,810	1,022,659	284,242	133,962	129,546	87,810
Additions	1,150	87,810	4,372	5,797	-	13,931
At 31 December 2016	187,960	1,110,469	288,614	139,759	129,546	101,741
At 1 January 2017	187,960	1,110,469	288,614	139,759	129,546	101,741
Additions	1,316	37,358	7,078	23,603	101,742	2,345,787
At 31 December 2017	189,276	1,147,827	295,692	163,362	231,288	2,447,528
DEPRECIATION						
At 1 January 2016	(80,551)	(391,091)	(117,781)	(91,634)	(113,637)	-
Charge for the year	(23,501)	(137,568)	(35,940)	(14,958)	(7,636)	-
At 31 December 2016	(104,052)	(528,659)	(153,721)	(106,592)	(121,273)	-
At 1 January 2017	(104,052)	(528,659)	(153,721)	(106,592)	(121,273)	-
Charge for the year	(23,536)	(141,997)	(36,677)	(17,039)	(33,072)	-
At 31 December 2017	(127,588)	(670,656)	(190,398)	(123,631)	(154,345)	-
NET BOOK VALUE						
At 31 December 2017	61,688	477,171	105,294	39,731	76,943	2,447,528
At 31 December 2016	83,908	581,810	134,893	33,167	8,273	101,741
At 1 January 2016	106,259	631,568	166,461	42,328	15,909	87,810

Company
Intangible Assets

COST	Group			
	Software USD	Website USD	Assets under work in progress USD	Total USD
At 1 January 2016	362,558	37,765	345,000	745,323
Additions	443,700	14,528	537,411	995,639
At 31 December 2016	806,258	52,293	882,411	1,740,962
At 1 January 2017	806,258	52,293	882,411	1,740,962
FX translation	-	2,508	-	2,508
Additions	72,192	113,913	165,490	351,595
At 31 December 2017	878,450	168,714	1,047,901	2,095,065
AMORTISATION				
At 1 January 2016	(73,941)	(21,175)	-	(95,116)
Charge for the year	(115,820)	(10,252)	-	(126,072)
At 31 December 2016	(189,761)	(31,427)	-	(221,188)
At 1 January 2017	(189,761)	(31,427)	-	(221,188)
Charge for the year	(192,911)	(3,849)	-	(196,760)
At 31 December 2017	(382,672)	(35,276)	-	(417,948)
NET BOOK VALUE				
At 31 December 2017	495,778	133,438	1,047,901	1,677,117
At 31 December 2016	616,497	20,866	882,411	1,519,774
At 1 January 2016	288,617	16,590	345,000	650,207
COST				
At 1 January 2016	362,558	27,114	345,000	734,672
Additions	443,700	-	537,411	981,111
At 31 December 2016	806,258	27,114	882,411	1,715,783
Additions	163,500	-	165,490	328,990
At 31 December 2017	969,758	27,114	1,047,901	2,044,773
AMORTISATION				
At 31 December 2016	(73,941)	(21,098)	-	(95,039)
Charge for the year	(115,820)	(1,556)	-	(117,376)
At 31 December 2017	(189,761)	(22,654)	-	(212,415)
Charge for the year	(192,911)	(1,556)	-	(194,467)
At 31 December 2017	(382,672)	(24,210)	-	(406,882)
NET BOOK VALUE				
At 31 December 2017	587,087	2,904	1,047,901	1,637,891
At 31 December 2016	616,497	4,460	882,411	1,503,368
At 1 January 2016	288,617	6,016	345,000	639,633

Notes To The Financial Statements

For the year ended 31 December 2017 (cont'd)

Receivables and Deposits

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Other receivables	11,534,273	8,348,124	7,151,610	5,194,722
Deposits	58,640	53,500	58,640	53,500
	11,592,913	8,401,624	7,210,250	5,248,222

The fair values of other receivables classified as loans and receivables are not materially different to their carrying values.

Other receivables are interest free and are repayable within a period of three months.

Trade, other Payables and other Liabilities

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Trade and other payables				
Trade payables	260,560	318,143	238,987	278,714
Accrued payables	466,046	324,006	466,046	324,006
	726,606	642,149	705,033	602,720

The carrying values of trade payables and accrued payables approximate their values at 31 December 2017 and 2016.

Trade payables are interest free and are repayable within a period of three months.

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Other liabilities				
TVAT payable	-	835	-	835
Withholding tax	6,431	72,491	6,431	72,491
Sundry liabilities	1,039,706	750,515	319,853	64,988
	1,046,137	823,841	326,284	138,314

Provision for Guarantees

Depending on the guarantee product, the Group and the Company either take a general provision between 1% and 4% of the outstanding utilized volume or specific provision on claims and impaired facilities.

The volume of financial guarantees as at 31 December 2017 stood at USD 492,318,090 for the Group (2016: USD 411,179,639) and USD 269,918,302 for the Company (2016: USD 228,137,409).

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Opening Balance	4,884,416	7,986,940	271,254	692,984
FX Movement	807,422	-	-	-
Net claims	(4,805,991)	(1,449,577)	(4,805,991)	(526,654)
Addition during the year	5,380,287	362,848	5,380,287	104,924
Provision written back	(220,694)	(2,015,795)	-	-
Reclassification from Guarantee Provision to other Provisions	(665,925)	-	-	-
Closing Balance	5,379,515	4,884,416	845,550	271,254

Other Provisions

	Group			
	Pensions USD	Litigations and other provisions USD	Others USD	Total USD
Opening Balance 1 January 2017	168,878	835,454	35,707	1,040,039
Movement in the year	107,422	-	-	107,422
Reclass from Guarantee provision to other Provisions	-	-	665,925	665,925
Closing Balance 31 December 2017	276,300	835,454	701,632	1,813,386

	Group			
	Pensions USD	Litigations and other provisions USD	Others USD	Total USD
At 1 January 2016 and 31 December 2016	168,878	835,454	35,707	1,040,039

Notes To The Financial Statements

For the year ended 31 December 2017 (cont'd)

(i) **Pensions:** This caption includes provisions and liabilities relating to employee benefits under defined benefit plans. The defined benefit plans are unfunded. Refer to Note 21 for additional details.

(ii) **Litigations and other provisions:** Since 2012 the subsidiary "AGF West Africa" has been assigned to Tribunal due to a dispute between a third party and the Company. In 2015, the Court of Appeal delivered its verdict (decision n° 0500/2014) and the Company was ordered to pay the complainant the amount of USD 835,454. In accordance with IFRS, the Company has booked a provision for the total amount claimed and definitively valued by the Court.

Defined Benefit Plan

Group

Post-employment benefits assumptions

Through the subsidiary "AGF West Africa", the Group has "long-term employee benefits under an unfunded defined benefit plan" related to compensation when employees retire from work. This compensation depends on the number of years spent by employees in the company. The annual expenses booked in the statements of profit or loss for the year ended 31 December 2016 amounted to USD 11,000. As of 31 December 2017, the total provision amounted to USD 107,422 (2016: USD 168,878). The cost has been determined using actuarial method based on the assumptions below:

	2017 USD	2016 USD
Retirement limit	60 years	60 years
Employee turnover	1% - 2%	1% - 2%
Future salary increase	2%	2%
Rate of compensation (see table below)		
Discount rate applied (Interest rate of Governments Bonds of Togo)	6.5%	6.5%

Subsidiary

Percentage to apply to the average monthly salary

< 5 years 6-10 years > 10 years

Togo

The sensitivity analysis is detailed as follows, in USD ('000):

Assumptions	Group			
	2017		2016	
	Variation	Impact on the net defined benefit obligation USD'000	Variation	Impact on the net defined benefit obligation USD'000
Future salary increase	1%	19	1%	19
	-1%	-17	-1%	-17
Discount rate	1%	-16	1%	-16
	-1%	18	-1%	18
Turnover	1%	-17	1%	-17
	-1%	20	-1%	20

22) STATED CAPITAL

Class B shares
Class C shares
Class D shares

Group and Company 2017

Number	USD
2,400	24,000,000
6,304	63,191,137
3	3
8,707	87,191,140

Class B shares
Class C shares
Class D shares

Group and Company 2016

Number	USD
2,400	24,000,000
6,304	63,191,137
3	3
8,707	87,191,140

The Company has four classes of shares namely Class A Share, Class B Share, Class C Share and Class D share. Share rights on dividend, on redemption, voting and liquidation are defined below:

Class A Share, Class B Share and Class C Share

Class A Share, Class B Share and Class C is redeemable at the option of the Shareholder or at the option of the Company.

Class A Share, Class B Share and Class C Share confer on its holder the right to attend and exercise one vote at any Shareholders' Meeting at a poll.

In the event of the winding up of the Company, the holders of Class A Shares, Class B Shares and Class C shares shall be entitled to such portion of the assets of the Company as is set out in Clause 40 of the Constitution of the Company.

Class D Share shall not be entitled to any dividend.

Class D Share shall not be redeemable.

Class D Share have no voting rights and have no right to receive notice of, attend or participate in any Shareholders Meeting for as long as there is any other Classes of Shares in issue. If at any time there is no other Classes of Shares in issue then each Class D Share shall confer on its holder the right to exercise one vote at any Shareholders Meeting at a poll.

In the event of the winding up of the Company, the holders of Class D Shares shall be entitled to US\$ 1 for each Share held.

Notes To The Financial Statements

For the year ended 31 December 2017 (cont'd)

Related Party Disclosures

During the year ended 31 December 2017 and 2016, the Company transacted with related entities. Details of the nature, volume of transactions and the balances with the related entities are as follows:

Balances	Relationship	Nature of transactions	Group		Company	
			2017 USD	2016 USD	2017 USD	2016 USD
Directors of the Company	Directors	Remuneration and allowances	212,855	205,135	212,855	205,135
Capacity Development Trust	Common directorship	Administration fees	218,183	254,298	218,183	254,29
Rogers Capital Fund Services Ltd	Administrator and Secretary fees	Administration and Secretarial Fees	45,000	42,500	45,000	42,500
			476,038	501,933	476,038	501,933

Balances	Relationship	Nature of transactions	Group		Company	
			2017 USD	2016 USD	2017 USD	2016 USD
Directors of the Company	Directors and allowances	Remuneration	212,855	205,135	212,855	205,135
Capacity Development Trust	Common directorship	Administration fees	218,183	254,298	218,183	254,29
AGF West Africa	Subsidiary	Loans and Borrowings	-	-	9,499,121	8,147,706
Rogers Capital Fund Services Ltd	Administrator and Secretary fees	Administration and Secretarial Fees	45,000	42,500	45,000	42,500
			505,792	551,502	10,004,913	8,699,208

Investment in Subsidiary

Details of the Investment are as follows;

				2017 USD	2016 USD
Unquoted Investment					
At 1 January 2017 and 31st December 2017				31,887,765	31,887,765

Name of subsidiary company	Place of incorporation	Business activity	Ownership	2017 USD	2016 USD
AGF West Africa (formerly known as Gari Fund)	Togo	Guarantee Business	80.56%	31,887,765	31,887,765

AGF West Africa was acquired during the year 2015, effective date of acquisition is 18th December 2015.

The directors have performed an impairment assessment over the investment in AGF West Africa and concluded that the recoverable amount of the investment is higher than its carrying amount. Thus, no provision for impairment is required (2016: no provision for impairment is required).

Loans and Borrowings

At 31 December 2017, the Company had an outstanding loan payable amounting to USD 9,499,121 (2016: USD 8,147,706) from its subsidiary, "AGF West Africa". This amount represents an unsecured fixed deposit bearing interest 2.5% per annum, repayable within two years.

The Company repaid a USD 21,000,000 one-year loan facility from Barclays PLC which had been borrowed during the previous year to assist with the purchase of 80.56% of ordinary shares in "AGF West Africa".

Contingent Liabilities and Commitments

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Financial guarantees (live)	566,214,142	416,652,333	334,818,302	233,610,103
Financial guarantees re-guaranteed	(64,900,000)	(5,472,694)	(64,900,000)	(5,472,694)
	501,314,142	411,179,639	269,918,302	228,137,409

Custodian fees

The Group and the Company pay custodian fee to Barclays Bank for holding its financial securities at the following rate:

Size	Price (per annum)
\$0-50m	25bps
\$50m-100m	20bps
\$100m+	15bps

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Custody fees	77,599	92,652	77,599	89,242

Notes To The Financial Statements

For the year ended 31 December 2017 (cont'd)

Contingent Liabilities and Commitments (Cont'd)

Operating lease commitments

African Guarantee Fund's branch in Nairobi's lease relating to office space is for a period of six years. They all are tenant repairing with upward rent reviews every 2 years. AGF West Africa has no leases payable.

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2017 USD	2016 USD	2017 USD	2016 USD
Properties				
Within 1 year	120,746	71,620	120,746	71,620
After 1 year but within 5 years	193,824	37,681	193,824	37,681
	314,570	109,301	314,570	109,301

Events after the Reporting date

There were no significant events after the reporting date which required disclosure or amendment to the financial statements.



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