



A GUARANTEE FOR AFRICAN GROWTH



2018

ANNUAL REPORT & FINANCIAL STATEMENTS

AA- Fitch Rated

(Stable Outlook)

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OUR SHAREHOLDERS

MINISTRY OF FOREIGN AFFAIRS OF DENMARK
DANIDA | INTERNATIONAL
DEVELOPMENT COOPERATION



The Danish International Development Agency



The Spanish Agency for International Development Cooperation



African Development Bank



French Development Agency



Nordic Development Fund



IFU INVESTMENT FUND FOR
DEVELOPING COUNTRIES

KFW



Through our tailored solutions, understanding of our target segments and strategic partnerships; our ability to understand the specific needs of our target markets enables us to differentiate ourselves as a leading guarantee fund.

Felix A. Bikpo
Group Chief Executive Officer, AGF



KEY DATA



100+

Partner Financial Institutions (inclusive of subsidiaries) implementing AGF Guarantee Products



40

Countries where AGF products are implemented



USD1.8B

SME financing unlocked via Partner Financial Institutions



20,500

SMEs accessing finance through AGF guarantees



120,000

Additional jobs created by SMEs supported by AGF guarantees

1. INTRODUCTION

VISION, MISSION AND VALUES

VISION

To be the leading non-bank Financial Institution meeting Africa's financing provider's needs, effectively serving SMEs while maintaining our uncompromised principals as we grow.

MISSION

The promotion of economic development and poverty reduction in Africa. In support of the vision above, AGF aims:

- To be more resource efficient;
- To build strong partnerships between financial institutions and AGF;
- To reduce the inability of SMEs to provide acceptable guarantees;
- To encourage and support banks and other financial institutions in their SME financing by sharing the risk involved;
- To support capacity development of our partners by seeking to build their existing knowledge and capacity.

VALUES

AGF is guided by the following core values:

- Integrity:** In our relationships and transactions with our clients and among each other, we are honest, trustworthy, reliable, transparent and accountable;
- Customer first:** We meet our internal and external customers' expectations;
- 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.

2. MESSAGE FROM CHAIRMAN



Andrew Temu

Chairman of the Board of Directors, AGF

It gives me great pleasure to present the Chairman's statement this year for the African Guarantee Fund (AGF).

Since its official launch in 2012 and despite the challenging environment that prevails over the business environment in Africa, AGF has grown over the past 8 years to become a symbolic and highly-valued institution that truly empowers small and medium-sized enterprises (SMEs) across the continent to grow by accessing the required financing from our partner financial institutions (PFIs.)

AGF is today a source of inspiration and a benchmark for the design and establishment of new products, models of operations and enhancing PFIs systems to efficiently serve SMEs.

We are proud to have received many accolades acknowledging that AGF has been fundamental to the sustained push for development in Africa. The proven business model and operational efficiency and

compliance have earned AGF an Insurer Financial Strength (IFS) rating of "AA-", a reflection of a very strong organization. This continues to build the confidence of both our PFIs and prospective shareholders.

The first 5-year strategic plan (2012-2017) enabled AGF to test the products being offered by the company and to prove the business model adopted. We are now in the middle of the second strategic business plan (2017-2021). This strategy is fully focused on implementing the organization's decentralization strategy through regional subsidiaries or branches models. The objective is to be closer to the PFIs and serve a greater number of SMEs. The benefits of the decentralized approach are clearly evidenced by the successful acquisition and integration of the former GARI Fund and the establishment of the now fully fledged AGF West Africa in Lomé, Togo.

On behalf of the Board, I wish to express our sincere gratitude to the founding shareholders, the Government of Denmark through Danida, the Government of Spain through AECID, the African Development Bank, and the shareholders who have joined us over the past years, the Agence Française de Développement, the Nordic Development Fund, the Investment Fund for Developing Countries (IFU) and the Development Bank KfW of Germany. We look forward to the completion of the fund-raising exercise which would allow AGF to grow further.

We also wish to acknowledge the different collaborative partnerships established for re-guarantee facilities with the Swedish International Development Cooperation Agency (SIDA), USAID, African Trade Insurance (ATIACA), GuarantCo and Afrexim.

AGF has also embarked on the green finance business, thanks to the philosophical contributions of the new funders. We have pioneered the setting up of a Green Guarantee Facility with the focus to support SMEs in the areas of sustainable energy, enhancing cleaner production systems, undertaking climate-smart agriculture and natural resource management and other diverse range of green services.

I am pleased to also report that corporate governance has been at the heart of the successes we have achieved to date and during the course of 2018 and 2019, AGF



completed the enhancement of its corporate governance framework. The Board and the various committees of the Board are now guided by the Board and Committee charters respectively. The Charters have been adopted in line with best corporate governance practices.

AGF has a bright future ahead and is fully committed to improve access to finance for SMEs – which is one of the major stumbling blocks preventing SMEs from unleashing their full developmental potential.

I wish to extend my thanks to my fellow Directors on the Board for their commitment to AGF and their sustained involvement and participation in board meetings, ad-hoc consultations and for the excellent prevailing and continued interaction with the management of the company.

On behalf of the Board, I wish to assure the shareholders and our PFIs of the continued efforts of AGF to ensure that we do all we can to achieve our vision, mission and objective to help the private sector, mainly through supporting SMEs to play their role as engines of growth in Africa. We shall continue to pursue our key mandate to assist financial institutions increase their financing to African SMEs through partial guarantee and capacity development assistance. The ultimate goal is to impact positively on employment, income and poverty reduction in the continent.

I personally wish to express my sincere appreciation again to the shareholders for the continued policy guidance, to the directors, to the AGF staff and to all those who have been with us in this exciting journey.

We sincerely look forward to working with all of them in the future to strengthen our relationship with PFIs in order to support SMEs across Africa.

Prof. Andrew E. Temu (PhD)
Chairman of the Board of Directors

3. CEO's ADDRESS



Felix A. Bikpo

Group Chief Executive Officer, AGF

Dear Shareholders,

Once again this year, I begin my address with a sense of pride about your institution as well as our partners and staff around the continent and indeed the world. As I look back over the last seven years, it is remarkable just how much we have accomplished, not only in terms of financial performance but in our contribution towards reducing the SME financing gap in order for them to play their role as the engine of growth, vital for job creation and poverty reduction.

Social Impacts

As a reminder, the objective of our 2017-2021 strategic plan is to reduce the African SME funding gap, estimated at USD 155 billion, by 1%.

This implies:

- Easing access to USD 1.6 billion of financing at an average tenor of 5 years
- To support 10,000 SME per annum
- In order to create roughly 30,000 jobs per annum.

2018 is the second year of our 5-year strategic plan. Access to finance for SMEs is a critical social impact indicator tracked in line with the mandate of AGF. The

risk-sharing guarantees extended to Partner Financial Institutions (PFIs) acts as a catalyst which unlocks resources to finance SMEs' business activities. Since inception, AGF has facilitated more than 20,000 SMEs in various sectors to access finance. It must be emphasized that this is a category of SMEs who would otherwise be locked out of the financial market due to lack of sufficient collateral required by most financial institutions. In the year 2018, and in line with our strategy, about 10,000 additional SMEs have accessed finance through AGF's partnerships with PFIs. AGF has cumulatively issued almost 1 billion USD worth of guarantees making available about USD 2 billion for SME financing out of which USD 1.3 billion has been disbursed as loans to SMEs. In terms of job creation, an estimated 120,000 additional jobs have been directly created by the SMEs benefiting from AGF guarantees since inception, out of which 30,700 jobs emanate from the year 2018. **On average women entrepreneurs own 30%, while youth own 60% of the SMEs supported.**

We strive to increase our contribution to a better environment and a sustainable use of natural resources in order to reduce climate change impact. In this regard we are proud to report that **11% of our guarantee portfolio since inception contributes to climate change.** For AGF, working on sustainable development is essential, interesting and challenging as we see a clear link between environmental benefits and business benefits.

Business Performance

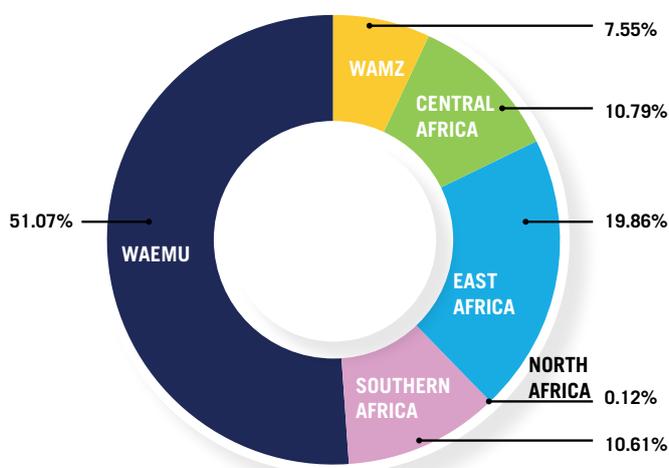
One of the critical success factors of your institution's strategy is the availability of resources. The setting up of durable and efficient solutions to overcome the needs of SMEs in Africa requires stable investors who will also contribute to strengthen the financial autonomy of the Fund. The biggest asset of AGF is its credibility and among the criteria based on which this credibility is set, the financial strength has a key position. In this regard the capital and other resources of the Fund have to be in line with its ambitious objectives. For this reason, we intend to raise USD 420 million through a Blended Finance mechanism by 2021. The fundraising exercise has seen us raise USD 90 million in the year 2018 where the existing shareholders reaffirmed their trust in AGF and injected an additional USD 21 million (NDF's USD 11M and AfDB's USD 10M). We are very pleased to welcome

our new shareholders; KfW with USD 28.5 million and IFU with USD 15.5 million and await the disbursement of EU/ACP contribution of USD 25 million.

We have continued to deliver sustainable profitability and have laid the basis to do so over the long term. We closed the year 2018 with a net income of USD 3.7 million, with a comprehensive net income of 1.3 million despite the impact of the change in the accounting regulations (IFRS 9). At USD 13 million, our revenues stood at the same level as last year, still majorly driven by the guarantee activity. Expenses came down to our target level of USD 9.6 million resulting in a cost to income ratio of 72% (below our target of 80%). Our Risk management continues to be optimal, and consequently, our cumulative default rate stands at 1.18%.

This year, your institution successfully went through the exercise of adjusting its business model and financials to the change in accounting regulations (IFR9). Despite the USD 21 million adjustment to the shareholders fund and the finetuning of our risk model, our committed Return on Equity remains unchanged at 3%. This proves the resilience of AGF.

The portfolio under management as of December 2018 stood at USD 515 million distributed as follows:



WAEMU West African Economic and Monetary Union
WAMZ West African Monetary Zone

We are also proud to report that AGF's AA- rating has been reaffirmed by Fitch with a stable outlook. This reflects the recognition of your company by the financial community, owing to its proven business model, its financial strength and the quality of its staff.

The consistent theme of our performance over the last seven years has been our willingness to invest continuously – in our people and our systems – to enhance our partners' experience.

Governance

Since April 2017, AGF embarked on the process of enhancing its corporate governance framework in order to promote the highest standards of corporate governance within the company. The enhanced framework was approved pursuant to the resolutions of the shareholders in June 2018 and we are pleased to report that the framework is now fully in effect.

The Constitution and the Shareholders' Agreement were amended in order to be in line with the changes in the legislation and the various codes and guidelines issued by the Financial Services Commission of Mauritius, to remove all obsolete, outdated and repetitive clauses and to ensure consistency in the various constitutive documents.

The revised constitution has been duly filed by the Registrar of Companies in Mauritius in June 2018 and the amended and restated shareholders' agreement is now in place and effective between the Company and the Shareholders.

AGF has also adopted a Board Charter since June 2018 to clarify the roles and responsibilities of the Board in accordance with the principles of good corporate governance. Charters for the committees of the Board have also been put in place.

Looking Ahead

With our reaffirmed AA- rating, we reassure our stakeholders and partners that we are here for the long haul and are committed to growing the value they derive from their investments. AGF's ability to significantly improve the quality of the Financial Institutions SME's portfolio is now reinforced.

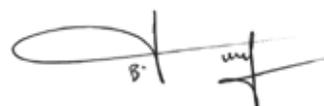
With our own resilience to IFRS 9 impacts and the confirmation of our rating, we strengthened our position to help African Partner Financing Institutions to appropriately address the regulatory issues related to Basle II and III and IFRS9.

We will continue to invest in expanding our African footprint through our people, our technology and our

strong shareholders. We will also continue to cement strategic partnerships with recognised industry leaders to achieve our objective of reducing the SME financing gap.

Certainly, the critical success factors remain the availability of stable resources. We will continue with our fundraising exercise with the objective of injecting an additional USD 330 million in the coming years. Your institution has to be a USD 500 million Fund by year 2021 (as we mark 10 years since we began our operations) in order to materially influence the access to finance for African SMEs.

This will not be possible without the continuous guidance of the Board of Directors and the hard work and commitment of our staff. I hereby extend my gratitude to each and everyone in the team.

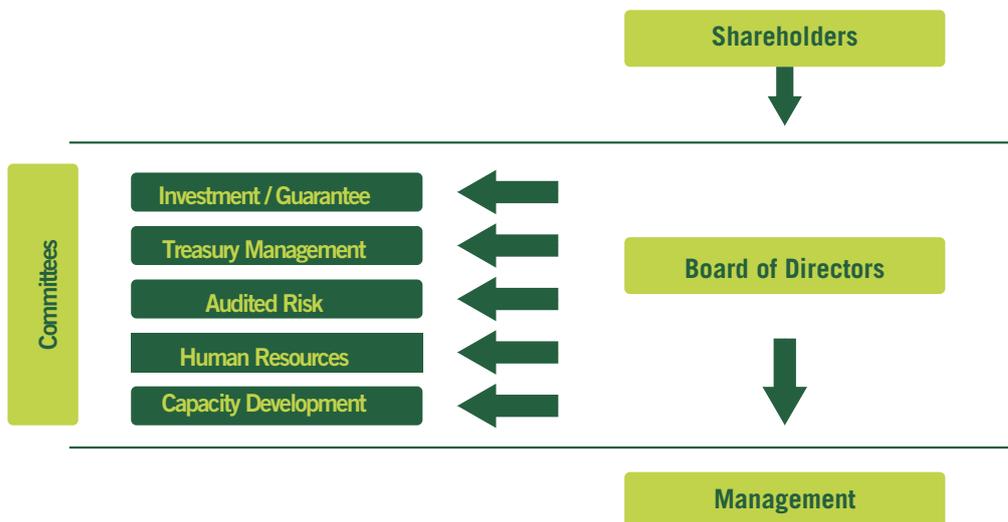


Felix A. Bikpo
Group Chief Executive Officer

4. STATEMENT ON CORPORATE GOVERNANCE

At African Guarantee Fund for Small and Medium-sized Enterprises Ltd (“AGF” or the “Company”), we believe that sound and effective corporate governance is fundamental to enhancing our Board of Director’s (“The Board”) ability to guide the Management in its efforts to generate sustainable value, enhance business integrity and maintain investors’ confidence towards achieving the corporate vision and mission. We uphold standards – transparency, integrity, accountability and responsibility - of corporate governance that reflect applicable legal and regulatory requirements and a thoughtful approach to emerging practices.

The Board, the principal governance organ, is responsible for providing the leadership and business direction and comprises of Directors with a mix of skills, backgrounds, academic qualifications and experience in diverse fields essential to the company. AGF’s governance structure is depicted by the following:



The corporate governance framework has been enhanced in order to promote the highest standards of corporate governance and for the Company to adopt and comply with all the principles of good corporate governance. As part of this enhancement, the Constitution and Shareholders Agreement have been revised and a Board Charter developed. All these documents have been effective within the company since June 2018.

The Board is guided by the Board Charter which serves as a key point of reference for Directors in relation to the Board’s role, powers, duties and functions. The Board Charter sets out, amongst others, the roles and responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, as well as the relationship between the Board with the Management and the shareholders of the Company. Each Board Committee has a dedicated Charter which further describes matters specifically mandated to the Committee.

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

5. OUR PEOPLE

BOARD OF DIRECTORS



Andrew Temu
Independent Director
Chairman



Morten Christiansen
Representing DANIDA



Stefan Nalletamby
Representing AfDB



Bruno De Prince
Representing AFD



Pasi Hellman
Representing NDF
(June 2016 - 2018*)



Amadou Raimi
Independent Director
(Appointed Sep 2018)



Riad Aubdool
Resident Director



Sari Nikka
Resident Director



Anouchka Chummun
(June 2016 - 2018)

MANAGEMENT



Felix A. Bikpo
Group Chief Executive Officer



Jules Ngankam
Group Deputy Chief Executive Officer
& Chief Financial Officer



Constant N'zi
Group Chief Risk Officer



Adidja Zanouvi
Managing Director
AGF West Africa



Josphat Ngaruiya
Group Head of
Human Resources



Emmanuel Rutsimba
Group Head of Monitoring
and Evaluation



Juneid Kodabux
Group Legal Officer



David Ekabouma
Group Head of
Business Development



Franck Adjagba
Deputy Group Head of
Business Development



Ali Ballo
Ag. Group Chief
Internal Controller



Yves Boudot
Advisor to the Group CEO

OUR TEAM



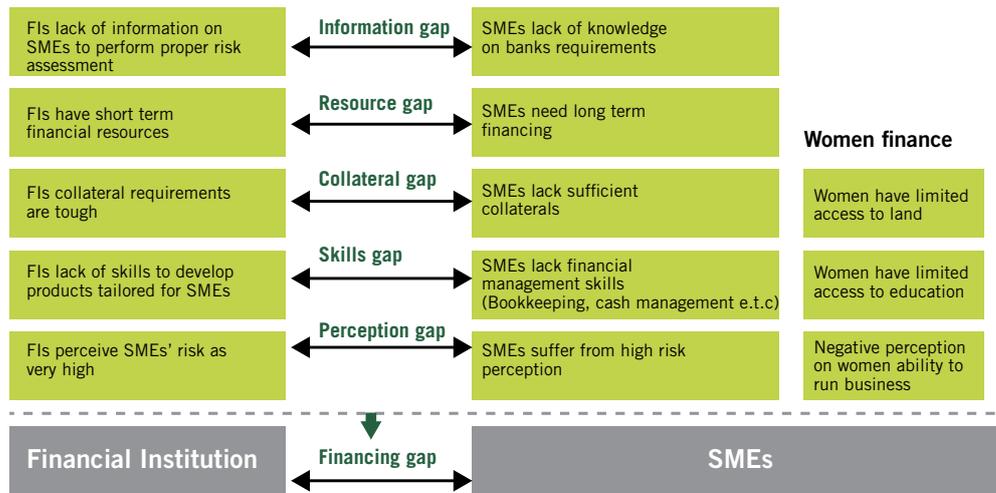


6. OUR BUSINESS: CLOSING THE SME FINANCING GAP

BUSINESS ENVIRONMENT

AGF's mission is to reduce the SME financing gap in Africa estimated at more than USD15 billion.

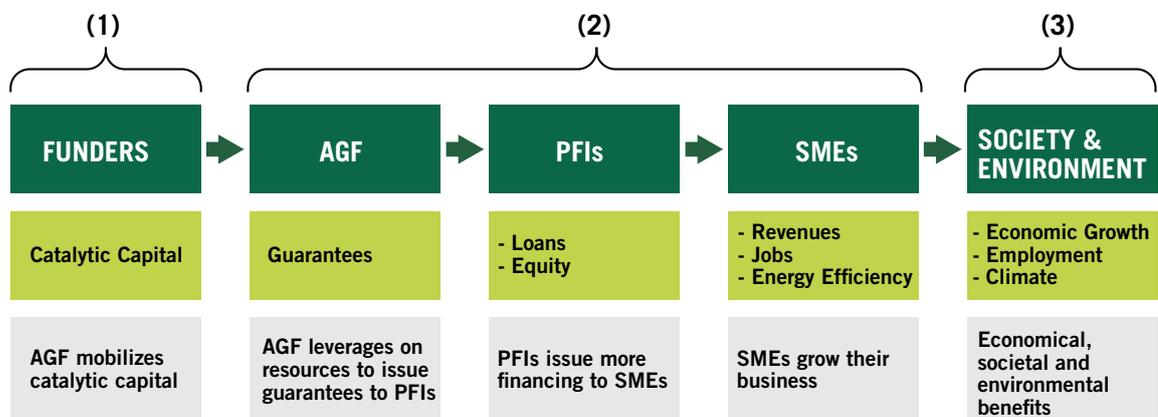
Challenges leading to the SME Financing Gap



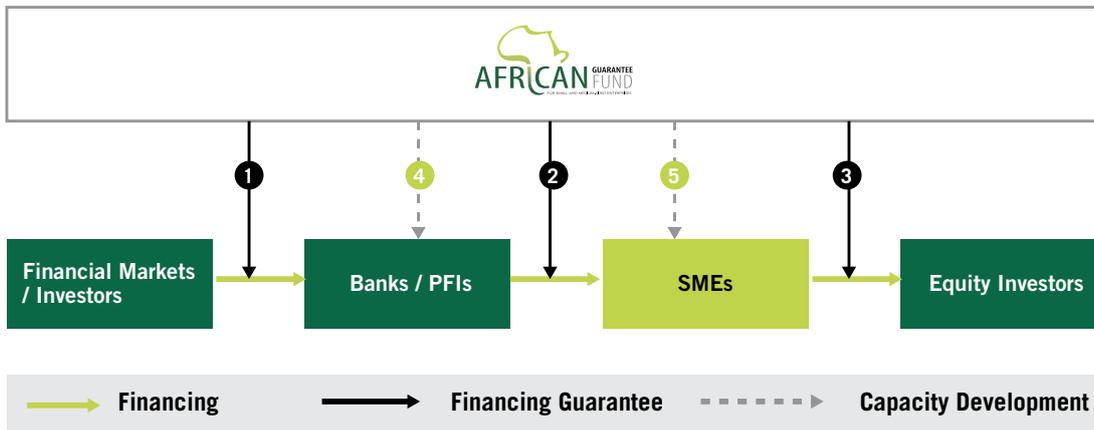
BUSINESS MODEL

AGF business model seeks to:

- (1) **MOBILIZE** catalytic capital, in order to
- (2) **UNLOCK** and **CHANNEL** private capital from financial institutions to SMEs, in order to
- (3) **IMPACT** positively on poverty reduction through job creation for youth and women and climate change



Products designed to close the financing gap



- 1** Bank Fund Raising Guarantee to reduce the resource gap
- 2** Loan Guarantees (portfolio and individual) to reduce the collateral and perception gap
- 3** Equity Guarantee to reduce the resource gap and perception gap
- 4** Capacity Development to PFIs to reduce the information gap, skill gaps and perception gap
- 5** Capacity Development to SMEs to reduce the information gap, skill gap and perception gap

7. OUR RESULTS: DRIVING THE GROWTH OF THE PRIVATE SECTOR

RESULTS AT A GLANCE

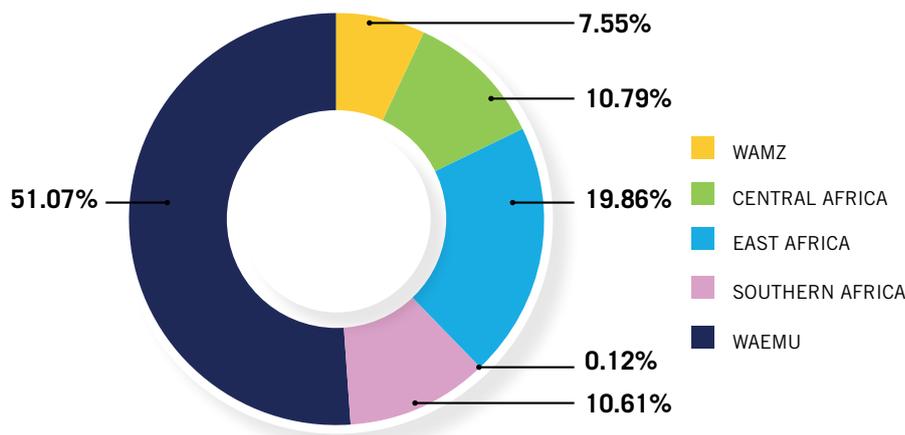


PERFORMANCE HIGHLIGHTS

Business Performance

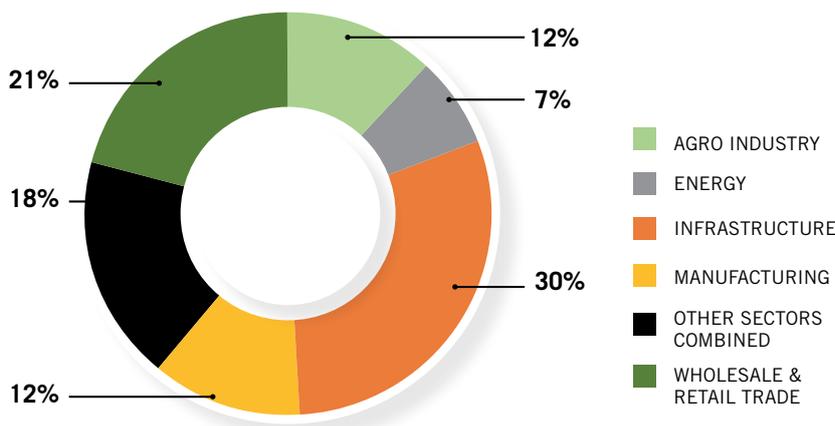
Guarantee Activity

Since inception, AGF has signed 261 guarantee agreements as at 31st December 2018. This represents a total volume of guarantee agreements worth USD 878 million. With the exclusion of expired guarantees, the total volume of live guarantees issued as at 31st December 2018 is USD 515 million. A portion of this was re-guaranteed to the tune of USD 80.7 million by our partners SIDA, DCA and GuarantCo. The USD 900 million of total guarantees issued since inception has been leveraged by the banks by availing up to USD 1.8 billion of financing to SMEs. Out of this, USD 1.33 billion has already been disbursed to SMEs.



Sectoral Distribution

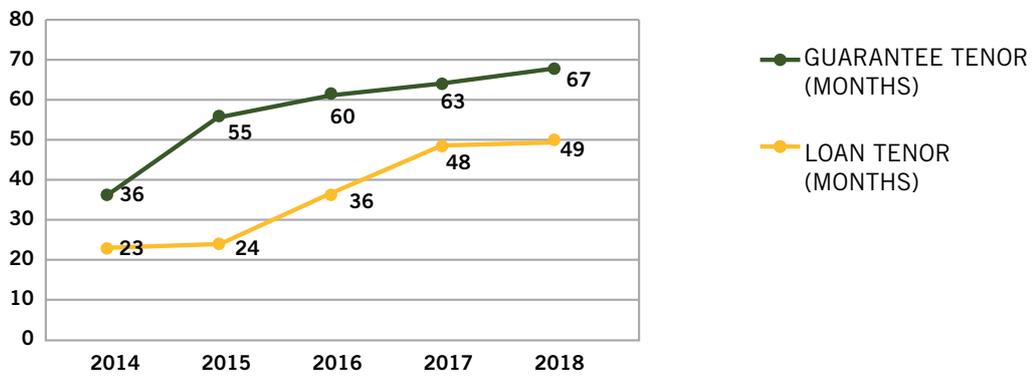
AGF's strategic plan (2017-2021), has prioritized three major sectors: energy, agribusiness, and infrastructure. The three sectors, besides being major contributors to rapid economic development in Africa, also have a higher potential in creating thousands of jobs for youth and women. AGF continues to cover other sectors of the economy, apart from those that do not adhere to local and international environmental, social and health and safety standards.



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 tenors extended to PFIs by AGF has also increased, encouraging PFIs to extend longer tenors to SMEs.

Trends in Guarantee and Loan Tenor



IMPACT

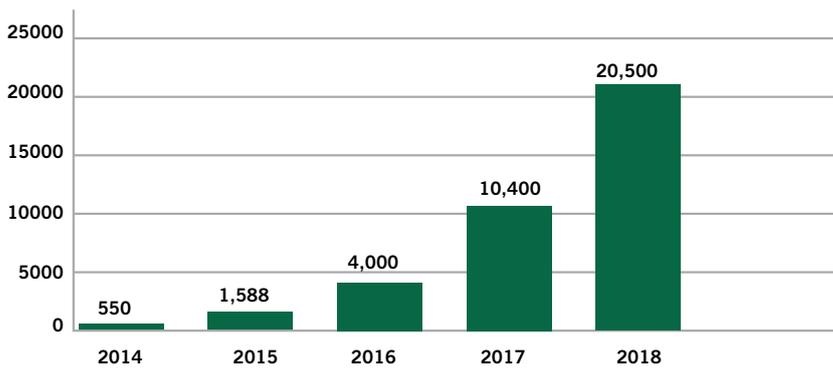
Social impact

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

The overriding performance indicator of AGF is enhancing access to finance for SMEs. AGF guarantees triggers the confidence of PFIs to extend credit facilities to SMEs.

Progressively, AGF guarantees have enabled 20,500 SMEs to access financing, which effectively broadens their ability to grow, increase production, innovation, and create jobs in the economy. Most of the SMEs supported by AGF guarantees are those that would normally not qualify for such facilities under existing commercial terms, especially as regards to collateral.

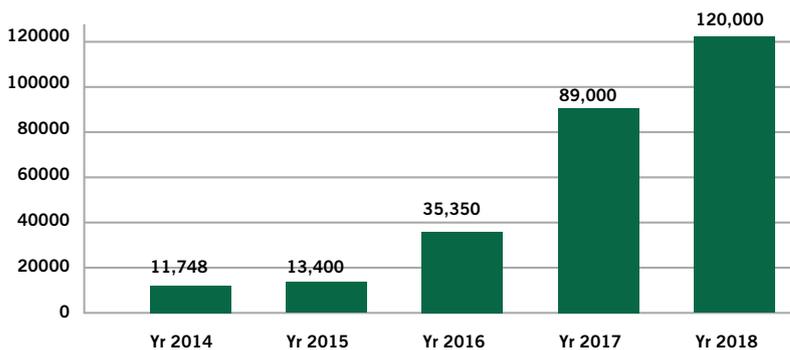
SMEs Growth (cumulative)



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

The major social impact contributed by AGF through guarantees to PFIs is the jobs created when SMEs access finance for their businesses. Since inception, an estimated 120,000 additional jobs have been directly created by the SMEs benefiting from AGF guarantees, while about 122,000 jobs have been sustained by the supported SMEs. On average, six jobs are created by each of the SMEs financed through AGF guarantees.

Number of jobs created by supported SMEs (cumulative)



Catalysing financial inclusion and ownership of SMEs among youth and women

Tracking AGF guarantees' contribution to financial inclusion for both male and female entrepreneurs is an important social impact indicator for AGF. Since inception, about 14,350 SMEs out of 20,500 SMEs supported through AGF guarantees are owned by male entrepreneurs, while women own about 6,000 SMEs (70% and 30% respectively). In terms of age-group, about 12,300 SMEs are owned by youth entrepreneurs.

Incremental revenue created by SMEs benefiting from AGF facilities

Besides creation of additional jobs, SMEs who receive financing through AGF guarantees also generate revenue, which is a proxy for increased production and sales. Cumulatively, since inception, SMEs supported by AGF guarantees have received about USD 1.3 billion in financing, which is estimated to generate about USD 4 billion in revenue. Incremental revenue for SMEs also enhances opportunities for further investments, such as business expansion, product development, product marketing, and this further catapults other growth innovations.

Environmental Impact

AGF believes that there is a strong correlation between the sustainability of Africa's economic growth, energy consumption, and environmental protection. AGF is also aware that significant destruction to the environment results from human activities in search for growth and development.

While AGF's financial guarantees remain a vital mechanism to facilitate SMEs to access finance for their entrepreneurial activities, some of these activities, if not controlled, might have disastrous social and environmental impact. AGF has committed to consistently ensure that its shareholders, Board members, staff and partners not only subscribe to this commitment, but also promote its fundamental principles and practices regarding environmental sustainability.

Since 2016, AGF undertakes annual self-assessment to estimate the extent to which its guarantee portfolio meets social and environmental impact standards, as outlined in the Equator Principles III (2013). Results show that all the projects placed under AGF guarantees from 2016 to 2018 are categorized as having minimal or no potential environmental or social impacts.

Contributing to the Global Sustainable Development Goal of reducing the effect of climate change

To-date, 11% (about USD 143 million) of the entire AGF portfolio disbursed has components of green investments, reinforcing AGF's commitment to supporting sustainable and climate-friendly investments (also aligned to United Nations Sustainable Development Goal (SDG) #7 i.e. ensuring access to affordable, sustainable, and modern energy for all). The Green financing initiative of AGF has been reinforced by a special Green Financing Guarantee Facility supported by the **Nordic Development Fund** (NDF) since 2017.

Through the joint green financing initiative of AGF and NDF, about 245 SMEs have accessed finance and implemented various activities aimed at adapting and mitigating the effects of the environment. About 80% of the SMEs are implementing renewable energy (solar energy) projects.

By the end of 2018, a total of 84,000 households had been connected to clean solar energy, directly creating about 28,000 jobs. About 45,000 indirect jobs have been created through off-shoot businesses at the village level, resulting in other socio-economic impacts.

WHAT OUR CLIENTS SAY

“AGF came in a very timely way to work with us on a portfolio risk sharing guarantee which has really worked for us. The relationship has also grown to include capacity building and it has been quite resourceful. The partnership has enabled us to close certain gaps we had in terms of supporting SMEs in the market.”

Commercial Bank of Africa – Kenya

“Capacity building by AGF has had the biggest impact for Credit Bank. The intensive training sessions have helped the staff to really understand the needs of SMEs and to be able to do proper credit appraisals, which then informs trade financing as well as structured finance for SME’s.”

Credit Bank - Kenya

“Our partnership with AGF has enabled us to develop tools & competency to better serve SMEs. We now have a wholly dedicated SME team. As we communicated our aspirations to AGF they walked with us and helped us implement our strategy through capacity development.”

UNTU Microfinance - Zimbabwe

“Our search for partners who can help us increase our operations in Africa, especially West Africa, led us to AGF who assist us to take on more risks. The guarantee allows us to implement our lending strategies especially those pertaining to social and environment standards.”

Oiko Credit - Pan African

“In Côte d’Ivoire, the SME financing need is estimated at USD 7 billion but only less than USD 3 billion is covered. Thanks to this partnership we hope to play an active role in financing the national economy. Within 3 years, we had already doubled the guarantee facility issued by AGF to our group.”

Banque Atlantique – Côte d’Ivoire

2018 MILESTONES

AA - RATING REAFFIRMATION

African Guarantee Fund was the first private financial institution in Africa to be assigned an Insurer Financial Strength (IFS) Rating at 'AA-' (Very Strong) by Fitch in November 2017. This rating was reaffirmed in November 2018, with a Stable Outlook.

This will go a long way in helping to reduce the SME financing gap. Lending to SMEs will now be eased as the rating brings a very strong comfort to our partner lending institutions when complying with regulatory requirements.

OUR CAPITAL INCREASE

In 2018, AGF successfully concluded USD 90 million first closing of its fundraising campaign. AGF's key objective to reduce the SME financing gap is to be achieved by raising USD 320 million additional capital over the next 4 years.

OUR PARTNERSHIPS

SUPPORTING SMEs IN THE INFRASTRUCTURE SECTOR



AGF through a re-guarantee transaction with GuarantCo, has increased its guarantee capacity to enable financing of SMEs in the infrastructure sector. AGF can now support larger local currency transactions for SMEs involved in infrastructure.

SUPPORTING SMEs IN THE DEVELOPMENT MINERALS SECTOR



AGF in partnership with the ACP-EU Development Minerals Programme delivered workshops on Financial Inclusion for Development Minerals with an objective of enhancing access to financing and business development services for SMEs operating in this sector. The workshops were conducted in Uganda, Nigeria, Zambia, Cameroon and Guinea.

SUPPORTING SMEs IN THE GREEN SECTOR



In response to climate change challenges and in the context of Nationally Determined Contributions (NDCs), AGF in partnership with Nordic Development Fund, International Trade Centre, the African Development Bank and the Government of Côte d'Ivoire, held a conference on financing green growth in Africa.

The conference, held in Côte d'Ivoire, was followed by a workshop aimed at providing both financial institutions and SMEs with enhanced expertise in financing & seeking financing in low-carbon development.

SUPPORTING SMEs IN THE TRADE SECTOR



AGF's re-guarantee agreement with Afreximbank, enables it to increase its guarantee capacity for SME financing. The re-guarantee is expected to benefit about 20,000 SMEs across Africa, who, in turn are expected to create more than 40,000 jobs into the economies of African countries.



AGF supported Commercial Bank of Africa to deliver a Supply Chain Financing platform for SMEs in East Africa. The platform is an innovative solution that leverages technology to address some of the key concerns affecting SMEs, mainly lack of sufficient working capital to enable them finance new projects.

SUPPORTING SMEs IN THE AGRICULTURAL SECTOR



AGF's guarantee agreement with FDH Bank unlocks financing and facilitates promotion, growth and development of SMEs in Malawi. Through FDH Bank, AGF will increase financing of SMEs in agribusiness which will greatly increase Malawi's economic growth.



SCB Cameroun
Groupe Attijariwafa bank

AGF through a guarantee agreement with SCB Cameroon facilitated financing of the construction of Neo Industry's cocoa plant in Douala. Over and above job creation, the project impacts on thousands of families who are directly dependent on the income from cocoa farming.

OUR CORPORATE SOCIAL RESPONSIBILITY

AGF's Corporate Social Responsibility aims to contribute towards community development, social responsibility and environmental responsibility.

AGF is grateful to the society for their support in the organisation's growth and development. We believe that no organization can make sustainable development without patronage from the society.

TREE PLANTING

AGF conducted a massive tree planting activity at Kereita Forest located in the central region of Kenya. The forest forms part of the Aberdare Forest Range where a lot of conservation efforts are being carried out.



SCHOOL DONATION

AGF further donated a cooking stove and three-in-one printer to Munyaka Primary School whose students greatly took part in the tree planting exercise.



KENYATTA HOSPITAL RENOVATION

AGF in partnership with West African Women's Trust Fund (WAWT) successfully renovated and provided essential minor equipment to the Children's Emergency Unit at Kenyatta National Hospital in Kenya.

WAWT is an association of West African Women based in Kenya whose mandate is to raise funds to provide quality education, medical and social support for the less privileged with a focus on young girls and children in Kenya.



8. CONSOLIDATED FINANCIAL STATEMENTS

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1. CORPORATE INFORMATION

DIRECTORS	DATE OF APPOINTMENT	DATE OF RESIGNATION
Andrew Ephraim Temu	15-Jun-11	
Morten Christiansen	7-Apr-14	-
Riad Aubdool	30-Jun-15	-
Stefan Luis Francois Nalletamby	4-Jan-16	-
Pasi Sakari Hellman	21-Jun-16	-
Anouchka Cheysta Chummun	22-Jun-16	31-May-18
Bruno Raymond Andre Deprince	28-Oct-16	-
Josephine Waithira NGure (alternate to Mr. Stefan Luis Francois Nalletamby)	7-Jan-16	
Charles Corliss Wetherill (alternate to Pasi Sakari Hellman)	21-Jan-16	
Sari Helena Nikka	4-Dec-17	-
Amadou Roufai Raimi	3-Sep-18	

MANAGEMENT	POSITION
Felix A. Bikpo	Chief Executive Officer
Jules Ngankam	Deputy CEO & Chief Finance Officer
David Ekabouma	Head of Business Development
Constant Nzi	Chief Risk Officer
Josphat Ngaruiya	Head of Human Resource
Ali Ballo	Acting Chief Internal Controller
Emmanuel Rutsimba	Head of Monitoring and Evaluation
Adidja Zanouvi	Managing Director, AGF West Africa
Franck Adjagba	Deputy Head of Business Development

ADMINISTRATOR & SECRETARY

Rogers Capital Fund Services Ltd
 Rogers House
 5, President John Kennedy Street
 Port Louis
 Republic of Mauritius

CORPORATE INFORMATION (CONT'D)

REGISTERED OFFICES

MAURITIUS

Rogers Capital Fund Services Ltd
Rogers House
5, President John Kennedy Street
Port Louis
Republic of Mauritius

KENYA

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

LEGAL ADVISERS

FRANCE

UGGC Avocats
47 Rue Monceau
75008 Paris
France

KENYA

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

AUDITORS

Ernst & Young
9th Floor, NeXTeracom, Tower 1
Cybercity
Ebene
Republic of Mauritius

BANKERS

MAURITIUS

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

KENYA

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

UNITED KINGDOM

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

Ecobank

Gikomba Branch
Muindi Bingu Street
P.O Box 49584 – 00100
Nairobi
Kenya

Commercial Bank of Africa
Upper Hill Branch
Mara and Ragati Roads
P.O Box 30437 – 00100
Nairobi
Kenya

2. CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors of African Guarantee Fund – for Small and Medium-sized Enterprises Ltd (“AGF” or the “Company”) has the pleasure in submitting the Corporate Governance Report for the financial year ended 31st December 2018.

INTRODUCTION

AGF was incorporated on 28th March 2011 as a private Company limited by shares under the Companies Act 2001 and is domiciled in the Republic of Mauritius. AGF was granted a Category 1 Global Business Licence under the Financial Services Act 2007 and is authorised by the Financial Services Commission under the Securities Act 2005 to operate as a Closed End Fund.

With the aim of promoting economic development and poverty reduction in Africa, AGF provides African financial institutions with guarantees and other similar or related financial products specifically intended to support small and medium-sized enterprises (SMEs) in Africa to grow and to increase employment.

STATEMENT OF COMPLIANCE

AGF holds standards of corporate governance through awareness of business ethics and supervision of its management team by the Board of Directors.

The main objectives and functions of the Board of Directors (the “Board”) as regards Corporate Governance are to:

- determine, agree and develop the Company’s general policy on corporate governance in accordance with the applicable Code of Corporate Governance;
- select candidates for eventual Board appointments;

The Board is satisfied that it has discharged its responsibilities for the year in respect of Corporate Governance.

PRINCIPLE ONE: GOVERNANCE STRUCTURE

The Board of is fully committed to achieving and sustaining the highest standards of corporate governance with the aim of maximising long-term value creation. The Board assumes full responsibility for leading and controlling the Company. Much emphasis is on the conduct of business practices that display characteristics of good corporate governance namely discipline, integrity, transparency, independence, accountability, fairness, professionalism and social responsibility.

In addition, the Board continuously reviews the implications of corporate governance principles, practices in light of its experience and regulatory requirements.

The Board believes that strong Corporate governance is essential for delivering sustainable value, enhancing business integrity and maintaining investors’ confidence towards achieving AGF’s corporate objectives and vision.

CORPORATE GOVERNANCE REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Board Charter and Constitution

Pursuant to the recommendation of the Board, the Shareholders of the Company adopted a Board Charter on 15 June 2018. The purpose of this Board Charter is to promote the highest standards of Corporate governance within the Company and to clarify, inter alia, the roles and responsibilities of the Board in accordance with the principles of good corporate governance. This Board charter serves not only as a reminder of the Board's roles and responsibilities but also as a general statement of intent and expectation as to how the Board shall discharge its duties and responsibilities. The revised Constitution of AGF was adopted on 15th June 2018. It is in line with the Companies Act 2001.

The Board is composed of skilled, knowledgeable and experienced professionals, carefully selected to be highly effective in the governance of the organisation. They assume full responsibility for leading and controlling the organisation and for meeting all legal and regulatory obligations.

The business and affairs of the Company are managed by the Board.

The Board of AGF comprises of independently minded Directors of non-executive Directors. The Board must at all times be composed of 2 Independent Directors, that is directors appointed for their personal or professional qualities who are in a position to perform their duties without being influenced by any connection with the Company, the Shareholders or its management.

Directors are elected (or re-elected, as the case may be) on a three-year mandate and a director cannot hold office for more than two (2) terms, that is a maximum of six (6) years in total.

Subject to the Constitution, the Board is to be constituted as follows:

- At all times consist of two (2) Directors resident in Mauritius
- Each Founding Shareholder has the right to appoint one (1) Director
- Each new holder of Class B or Class C Shares who subscribes for at least USD 5 million in the Company may be given the right to appoint one (1) Director so long as they are shareholders of the Company
- Must consist at least two (2) Independent Directors.

The Board comprises of Directors with the mix of skills, backgrounds, academic qualifications and experience in the fields of:

- banking, finance, Risk management, accounting, legal, business management, information technology and investment management; and
- entrepreneurship, knowledge of target market/sector and socio-economic perspective and business development (including Small and Medium Enterprises (SMEs) in Africa).

The Board endeavours to have at all times one Director who is specialized in the following fields: Risk Management; Legal; Banking / Finance; and Entrepreneurship / knowledge of SMEs.

CORPORATE GOVERNANCE REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

A Chairman of the Board is from among the Directors of AGF by resolution of the Directors. The Chairman is responsible for the overall leadership and efficient functioning of the Board and is accountable to the Board and the Shareholders. The current Chairman of the Company is Mr. Andrew TEMU.

Under regulatory supervision of the Financial Services Commission, all officers and agents of AGF are expected to maintain a high level of ethics in their behaviour and business transactions. The transactions of AGF are carried out as per its Constitution, Shareholders' Agreement, the Board Charter and the Code of Business Conduct and Ethics, applicable to all direct and indirect employees who deal with the matters of the Company.

AGF is involved in the provision of services and its operations do not materially impact on the environment. Investing strategies include investment in sound, ethical and environmentally friendly entities. The Board has adopted a revised Environment, Social, Health and Safety Policy and Framework in November 2018.

PRINCIPLE TWO: THE STRUCTURE OF THE BOARD

The Board has attempted to create the right balance and composition in such a way as to best serve the organisation. The Board is a unitary Board and comprises 8 directors.

Improvement will be brought to the gender diversity as the Board currently comprises of 7 males and 1 female.

The profile of the current Board members is as follows:

Mr. Andrew Temu

Andrew is an Associate Professor in the Department of Agricultural Economics and Agribusiness, Sokoine University of Agriculture, Tanzania. He holds a PhD in Agricultural Economics from the University of London, United Kingdom, a Master of Science Degree from Reading University and a Bachelor of Science Degree from Sokoine University of Agriculture, Tanzania. Andrew is the current Chairman of the Board.

Mr. Riad Aubdool

Riad is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Member of the Chartered Institute of Securities and Investment. He is registered with the Mauritius Institute of Professional Accountants, both as a professional and public accountant. Riad is a member of the Mauritius Institute of Directors. Riad has 24 years of professional experience in financial services (including fund administration, set up, structuring and administration, secretarial, accounting, international tax planning, tax compliance, AML, auditing and consulting). He has administered funds/companies with AuA of approximately USD 26 Billion, which included major international financial institutions as clients. He holds directorship in investment managers/advisors and collective investment schemes (open ended and closed ended funds). He has previously been director on listed companies, both in Mauritius and overseas. He gathered his experience with 9 years at PwC Mauritius and 8 years with another management company. He is with the Rogers Group since March 2015, and is currently the Executive Director of Rogers Capital Fund Services Ltd.

Ms. Anouchka Chummun (Resigned on 31st May 2018)

Anouchka holds a Bachelor of Law with Honours [LLB(Hons)] from the University of Mauritius and a Master of Law (LLM) in International Business Law from the Middlesex University (United Kingdom). She is also a member of the Institute of Chartered Secretaries and Administrators of UK (ACIS). Anouchka has a strong background in legal and compliance having worked within the financial services sector for 10 years now in Global Business management companies and Barclays Bank Mauritius Limited. She joined Rogers Capital as Compliance Manager in July 2015.

CORPORATE GOVERNANCE REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Ms. Sari Nikka

Sari is an Advisor specialized in African Finance, majorly assisting international companies to structure and fundraise for their investments to Africa through Mauritius domiciled entities. Prior to this, she was the Chief Executive Officer of Norsad Finance Limited Botswana. She has previously worked with NORSAD Agency, Finnpartnership, Finnfund, and Finnvera Plc. She holds a Master of Science Degree in Economics and Business Administration.

Mr. Morten Christiansen

Morten is a Senior Vice President in Investment Management at the IFU headquarters in Copenhagen, Denmark. He has previously served as a Director of Investment Management, Investment Operations and Special Operations at the IFU. He holds a Masters Degree in Political Science and a Bachelor's Degree in Spanish both from the University of Århus.

Mr. Stefan Nalletamby

Stefan is the Director for the Financial Sector Development Department at the African Development Bank. He oversees divisions spanning Financial Markets Development, Financial Intermediation and Inclusion. He was previously Acting Vice-President, Infrastructure, Private Sector & Regional Integration. Prior to that he was the Coordinator of the Making Finance Work for Africa (MFW4A) Partnership, a unique platform for African governments, the private sector, and development partners to coordinate financial sector development interventions across the continent, avoiding duplication and maximizing developmental impact. Prior to his position at MFW4A, he spent 10 years in the Finance complex of the African Development Bank (AfDB). During his tenure as Advisor to the Vice President, Finance he designed and launched the African Financial Market Initiative (AFMI), which is designed to further develop local currency bond markets on the continent. Prior to that, he spent 9 years in the Treasury department, most recently as Group Treasurer. Before joining the AfDB, he spent 12 years in the international capital markets as a Bond Trader and Head of Bond Trading and Sales with BNP Paribas in Paris, Tokyo and Madrid.

Mr. Bruno Deprince

Bruno is the Regional Director of the French Development Agency (AFD) in East Africa, covering Kenya, Tanzania, Uganda, Rwanda, Burundi and Somalia. He has a 29-year career at AFD where he has worked as EAC PROPARCO Regional Representative Nairobi, PROPARCO Regional Representative Central Africa, Deputy Director French Central Bank Martinique, Deputy Director of Ghana, French Central Bank Inspector Paris and Director of Mali. He holds a Master's degree in Economics, a Specialized Graduate Degree in Development Economics and a Degree in Accounting and Financial Studies.

Mr. Pasi Hellman

Pasi was the Managing Director of the Nordic Development Fund from November 2012 to October 2018. Pasi has over 20 years of professional involvement in international matters. His past experience is particularly related to global and development issues. Since 2008, Pasi was Deputy Director General of the Department for Development Policy at the Ministry for Foreign Affairs of Finland. Prior to that, he served at Finland's embassies in the Hague and Nairobi, as well as at various departments in the Ministry. Pasi has held several board positions in international organisations. He served at the Board of Directors at the Asian Development Bank, stationed in Manila between 2004 and 2007. He has been appointed representative for Finland to the Boards of Governors of several international financial institutions. In addition, he has acted as Finland's chief negotiator in the replenishment processes of the International Development Association (IDA), the African Development Fund and the Asian Development Fund. Between 2002 and 2004, he was a member of the Board of Directors of NDF. He holds a PhD from the Turku School of Economics in Finland.

CORPORATE GOVERNANCE REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Mr. Amadou Raimi (Appointed on 3rd September 2018)

Amadou is a former Chairman of Deloitte France and former Vice-president of Deloitte World. He is currently the Chairman of A2R Consulting firm, specialized in advising companies. He has 35 years' experience in the fields of diagnostics companies, due diligence, mergers, governance and risk management, management of conflicts of interest, knowledge of the WAEMU economic environment. He has advised major French and International companies, particularly in the areas of capital opening operations or stake: Renault, Nissan, EDF. He is a Board member and Chair of the Audit Committee of Atlas Mara, I&P Development (IPDEV) and Citizen Capital Fund. Amadou graduated from ESSEC (Paris) and is a Certified Public Accountant (CPA).

Board meetings and attendance

The Board of Directors meets at least once quarterly. The following table shows the list of Board members and the number of Board meetings held during the year and the attendance of individual Directors.

		Board	Annual Meeting 2018
No. of meetings held		3	1
Directors	Note:		
Mr. Riad Aubdool	b	2	
Ms. Anouchka Chummun ¹	b	1	
Ms. Sari Nikka	b	3	
Mr. Morten Christiansen	b	3	
Mr. Bruno Deprince	b	2	
Mr. Pasi Hellman	b	3	
Mr. Amadou Raimi ²	a	1	
Mr. Stefan Nalletamby	b	3	
Mr. Andrew Temu	a	3	

Note:

'a' – Independent Director

'b' – Non-Executive Director

1 - Resigned on 31st May 2018

2 - Appointed on 3rd September 2018

AGF has an Audit & Risk Committee which is currently responsible for assessing the systems of internal controls regarding risk management, finance, accounting, financial reporting, and business practices and conduct.

PRINCIPLE THREE: DIRECTORS APPOINTMENT PROCEDURES

As per the Code, there should be a formal, rigorous and transparent process for the appointment, election, induction and re-election of Directors. AGF has a formal, rigorous and transparent procedure in place for the appointment of the Directors and also an induction program for the newly appointed Directors.

CORPORATE GOVERNANCE REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors of AGF are appointed as follows:

- i. two (2) Directors resident in Mauritius appointed by Ordinary Resolution;
- ii. each of the Founding Shareholders has the right to appoint one (1) Director, so long as they are registered as holders of Class B Shares or Class C Shares (as applicable) in the Company. Such director shall be appointed upon receipt by the Administrator of clear instructions via letter from the Founding Shareholder setting out the name of the person to be appointed as Director of the Company and such person shall be of high calibre and have the relevant experience to act as Director and such appointment shall be approved by an Ordinary Resolution at the Annual Meeting of the Shareholders or through written resolutions of the Shareholders; and
- iii. at least two (2) Independent Directors appointed by Special Resolution.

Induction

Upon his or her appointment, each Board member participates in an induction program that covers AGF's strategy, general financial and legal affairs, financial reporting by AGF, any specific aspects unique to the Company and its business activities, and the responsibilities of a Board member, as well as every other existing processes at large.

Continuous Development Programme

The Board is aware of the requirement of holding Continuous Development Programmes. The Board works on the training needs of each board member and a board retreat is held annually in Mauritius where the directors have the opportunity to update themselves on selected topics relating to the business of AGF and also generally.

Company Secretary

The Company Secretary has an advisory role in all governance-related matters concerning the Company and acts as the main point of contact for the Directors, should they require guidance on their statutory responsibilities. The principal functions of the Company Secretary include supplying the Board with high quality and timely information, collaborating with the Board in the preparation of agendas and coordinating the information flow between the Directors.

Rogers Capital Fund Services Ltd ("RCFS") has been appointed by the Board as Company Secretary.

The Board assumes full responsibility for succession planning within the Company. The Board has adopted a talent retention and succession policy for the Company.

PRINCIPLE FOUR: DIRECTORS' DUTIES, REMUNERATION AND PERFORMANCE

Legal Duties

All Directors on the Board are fully apprised of their fiduciary duties as laid out in the Companies Act 2001.

Code of Ethics

The ethical standards of the Company are defined in the Board Charter. These policies and procedures enable the Company to meet its regulatory obligations and also meet its objective of creating and operating with the highest levels of business integrity and ethical best practice.

Board Evaluation

The Code encourages the Board to undertake a formal, regular and rigorous evaluation of its own performance and

CORPORATE GOVERNANCE REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

that of its Committees and individual Directors, and produce a development plan on an annual basis. Pursuant to the Board Charter, the Board must once a year conduct a self-assessment exercise.

Conflict of Interest

The Directors must declare the nature of their interest(s), depending on the following circumstances:

- a. at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration; or
- b. if the Director is not at the date of the meeting interested in the proposed contract or arrangement, then at the next meeting held after he becomes interested; or
- c. in a case where the Directors becomes interested in a contract or arrangement after it is made, then at the first meeting of the Directors held after he becomes so interested.

A full register of interests is kept by the Company Secretary and is updated on a regular basis. The register is also available to the shareholders of the Company upon request to the Company Secretary. AGF has adopted a conflicts of interest policy.

IT Governance Policy

The Code provides that the Board is responsible for the governance of the organizations information strategy, information technology and information security. The Board has adopted an ICT Policy and Procedure Manual for AGF since November 2016.

Directors' Remuneration

AGF pays an amount of USD 5,000 per annum to RCFS, being fees payable for the services provided by the Mauritius resident directors of AGF.

The directors nominated by the shareholders are not remunerated but their travel and accommodation expenses are covered by AGF for the purposes of attending board and shareholders meetings.

The Independent Directors expense was a total amount of USD 238,704 in 2018.

Directors' Liability Insurance

AGF has in place a proper liability Directors & Officers and Professional Indemnity Insurance cover for its Directors and officers, renewable on a yearly basis, for any legal action entered against them.

The director's Liability cost for 2018 was USD 20,109

Related Party Transactions

Please refer to note 24 of the financial statements.

PRINCIPLE FIVE: RISK GOVERNANCE AND INTERNAL CONTROL

The oversight of risk management and internal control activities at the level of the Company is currently delegated to the Audit & Risk Committee which regularly reviews the effectiveness of the internal control and risk management systems of the Company. The Audit & Risk Committee also reviews the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant.

CORPORATE GOVERNANCE REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

AGF has its own Risk Management Policies and Procedures Manual and Monitoring and Evaluation Policies and Procedures Manual in place.

The main risks to which AGF is exposed are financial risks. Please refer to Note 6 & 7 of the financial statements for the measures devised to manage those risks.

PRINCIPLE SIX: REPORTING WITH INTEGRITY

The Board are required to ensure that adequate accounting records are maintained so as to disclose at any time, and with reasonable adequacy, the financial position of the Company. They are also responsible for taking reasonable steps to safeguard the assets of AGF and to prevent and detect fraud and other irregularities.

They must present financial statements for each financial year, which give a true and fair view of the affairs of the Company, and the results for that period.

The Board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Board is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

Nothing has come to the Board's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business. The financial statements are prepared from the accounting records on the basis of consistent use of appropriate accounting records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Company.

The financial statements have been prepared on a going concern basis and there is no reason to believe that the Company will not continue as a going concern in the next financial year.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001, the Financial Reporting Act 2004, the Securities Act 2005, the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 and the International Reporting Standards. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPLE SEVEN: AUDIT

Directors' responsibilities

The Directors are responsible for the preparation and fair preparation of the financial statements in accordance with International Financial Reporting Standards and all the requirements of the Companies Act 2001, and Financial Reporting Act 2004 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Any deviations on the above will be reported in the independent auditors' report attached to the financial statements.

CORPORATE GOVERNANCE REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

External Audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented. Ernst & Young was re-appointed as the statutory auditors for the financial year ended 31 December 2018 at the shareholders' meeting held in June 2018.

AUDIT FEES

Fees payable to the external auditors for audit services for the year are as follows:

	2018	2017
External Auditors	USD	USD
Audit	69,025	43,924

Internal Audit

The responsibility of monitoring the internal control systems in place has been kept at the level of the Audit & Risk Committee which is overseen by the Board, given the size and complexity of the Company.

PRINCIPLE EIGHT: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

As at 31 December 2018, the stated capital of AGF comprises of 3,954 Class B Shares of par value nil each, 10,195 Class C Shares of par value nil each, 3 Class D Shares

The shareholders of AGF are African Development Bank, The Government of Denmark, Ministry of Foreign Affairs/Danida, The Ministry of Foreign Affairs and Cooperation on behalf of the Government of Spain, Agence Francaise de Developpement, Nordic Development Fund, the Investment Fund for Developing Countries and KFW.

The annual meeting will be held in June 2019

Stakeholders

As at 31 December 2018, AGF had issued 3,954 Class B shares, 10,195 Class C shares and 3 Class D shares for a total fund size of USD 141,641,155.

Analysis of ownership

AGF had 7 Shareholders which include 3 clients of Class B, 4 clients of Class C and 3 clients of Class D as at 31 December 2018.

Shareholders' calendar

AGF has planned the following forthcoming events:

Reporting date	31 December 2018
Publication of year end results	Within six months from end of 31 December 2018

Dividend Payment

During the financial year ended 31 December 2018, the Board of Directors did not recommend the payment of dividend.

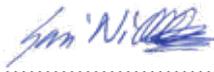
CORPORATE GOVERNANCE REPORT (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENT OF COMPLIANCE

Name of Company: African Guarantee Fund – For Small and Medium Sized Enterprises Ltd
Reporting period: Year ended 31 December 2018

We, the undersigned being the directors of African Guarantee Fund – For Small and Medium Sized Enterprises Ltd (the “Company”) confirm that, to the best of our knowledge, the Company has complied with all of its obligations and requirements under the Code of Corporate Governance (the “Code”).

On behalf of the board



.....
Director



.....
Director

Date: 19 June 2019
.....

Date: 19 June 2019
.....

3. 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 2018.

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 9 and 10 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 2018, 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.

4. CERTIFICATE FROM THE SECRETARY

CERTIFICATE FROM THE SECRETARY

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 2018.



Rogers Capital Fund Services Ltd
CORPORATE SECRETARY

Date: 19 June 2019

5. INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of African Guarantee Fund – for Small and Medium-sized Enterprises Ltd (the “Company”) and its subsidiary (the “Group”) on pages 9 to 76 which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Group and Company as at 31 December 2018, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Commentary of Directors and the Certificate from Secretary as required by the Companies Act 2001, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group and or the Company or to cease operations, or have no realistic alternative but to do so.

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.

Use of our report

This report is made solely to 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
Ebène, Mauritius



DARYL CSIZMADIA, C.A (S.A)
Licensed by FRC

19 JUN 2019

Date:

6. STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Notes	2018 (USD)	2017 (USD)	2018 (USD)	2017 (USD)
Income					
Income from guarantees:					
Utilization fees		3,766,738	3,315,281	2,004,193	1,552,735
Assessment and commission fees	9	1,498,133	2,322,154	1,251,446	1,780,537
Income from investments	10	3,277,826	3,457,492	1,066,523	1,228,544
Administrative income		218,376	618,183	218,376	618,183
Fair valuation gain on financial guarantee contracts	8(b)	1,216,918	3,018,415	1,017,466	3,018,415
Foreign exchange differences		543,597	17,921	509,877	-
Other income	11	117,666	67,861	-	-
Provisions written-back on guarantees	20	2,713,238	220,694	700,320	-
		13,352,492	13,038,001	6,768,201	8,198,414
Expenses					
Administrative and legal fees	14	(805,914)	(645,493)	(572,553)	(416,137)
Communication expenses	14	(195,908)	(230,425)	(134,816)	(168,727)
Depreciation of property and equipment	16	(256,859)	(268,536)	(250,911)	(252,321)
Amortization of intangible assets	17	(203,225)	(196,760)	(203,021)	(194,467)
Marketing expenses	14	(676,845)	(440,912)	(644,453)	(348,936)
Other expenses	14	(1,004,350)	(1,142,568)	(653,330)	(910,833)
Premises expenses	14	(290,968)	(310,178)	(245,858)	(237,571)
Staff expenses	13	(4,446,285)	(4,375,441)	(3,724,203)	(3,734,862)
Travelling expenses		(839,454)	(774,740)	(646,176)	(660,792)
Treasury management fees	27	(54,996)	(79,513)	(54,937)	(77,599)
Other provisions		(169,989)	(934,659)	(298,965)	(565,929)
Guarantee expenses	27	(712,836)	(142,868)	(712,836)	(142,868)
Provision for guarantees	20	-	(5,380,287)	-	(5,380,287)
Foreign exchange differences		-	(1,047,666)	-	(1,047,666)
Interest on loans and borrowings		-	-	(224,451)	(335,780)
Integration expenses		-	(871,974)	-	-
		(9,657,629)	(16,842,020)	(8,366,510)	(14,474,775)
Profit/(loss) before tax		3,694,863	(3,804,019)	(1,598,309)	(6,276,361)
Taxation	15	-	-	-	-
Increase/(decrease) in net assets attributable to shareholders		3,694,863	(3,804,019)	(1,598,309)	(6,276,361)
Increase/(decrease) in net assets attributable to shareholders attributable to:					
Owners of the Company		2,704,643	(4,284,642)	(1,598,309)	(6,276,361)
Non-Controlling Interests		990,220	480,623	-	-
		3,694,863	(3,804,019)	(1,598,309)	(6,276,361)

7. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Notes	2018 (USD)	2017 (USD)	2018 (USD)	2017 (USD)
Increase/(decrease) in net assets attributable to shareholders		3,694,863	(3,804,019)	(1,598,309)	(6,276,361)
Other comprehensive Income/ (loss)					
Other comprehensive Income/ loss to be reclassified to profit or loss in subsequent periods (net of tax);					
Exchange differences on translation of foreign subsidiary	12	(2,437,019)	6,724,729	-	-
Total comprehensive income/ (loss) for the year		1,257,844	2,920,710	(1,598,309)	(6,276,361)
Total comprehensive income / (loss) attributable to:					
Owners of the Company		741,380	1,132,800	(1,598,309)	(6,276,361)
Non-Controlling Interests		516,464	1,787,910	-	-
		1,257,844	2,920,710	(1,598,309)	(6,276,361)

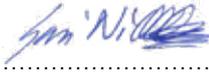
The notes on pages 60 to 127 form an integral part of these financial statements.

8. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group		Company	
		2018 (USD)	2017 (USD)	2018 (USD)	2017 (USD)
Assets					
Property and equipment	16	8,020,149	3,233,986	3,615,238	3,208,355
Intangible assets	17	2,883,116	1,677,117	2,828,939	1,637,891
Investment in subsidiary	25	-	-	31,887,765	31,887,765
Guarantee contracts at fair value through profit or loss	8(b)	15,513,323	16,056,747	12,457,020	12,198,093
Deferred income on guarantee contracts	23	(11,076,613)	-	(8,219,762)	-
Other financial instruments	8(c)	35,330,317	41,637,073	449,102	1,613,885
Debt instruments at amortised cost	8(a)	32,849,644	31,636,837	28,979,103	30,700,088
Receivables and deposits	18	8,357,346	11,592,913	5,791,852	7,210,250
Prepayments		471,455	699,383	471,455	699,383
Cash and cash equivalents		56,797,144	3,329,189	56,354,228	2,863,463
Total assets		149,145,881	109,863,245	134,614,940	92,019,173
Liabilities					
Other provisions	21	108,002	1,813,386	-	-
Provision for guarantees	20	9,640,269	5,379,515	96,309	845,550
Trade and other payables	19	321,908	726,606	270,513	705,033
Loans and borrowings	26	-	-	9,304,704	9,499,121
Deferred Income- Land grant	23	2,097,378	-	-	-
Other liabilities	19	3,722,117	1,046,137	3,632,731	326,284
Total liabilities		15,889,674	8,965,644	13,304,257	11,375,988
Net assets attributable to shareholders		133,256,207	100,897,601	121,310,683	80,643,185
Represented by:					
Stated capital	22	141,641,155	87,191,140	141,641,155	87,191,140
Share Premium		7,465	-	7,465	-
Retained earnings		(448,531)	3,836,111	(6,547,955)	(271,594)
IFRS 9 impact		(21,186,232)	-	(12,191,673)	-
Increase/(decrease) in net assets for the year		2,704,643	(4,284,642)	(1,598,309)	(6,276,361)
Accumulated losses		(18,930,120)	(448,531)	(20,337,937)	(6,547,955)
Foreign currency translation reserve	12	2,055,290	4,018,553	-	-
Net assets attributable to equity holders of the Company		124,773,790	90,761,162	121,310,683	80,643,185
Non-controlling interests		8,482,417	10,136,439	-	-
Net assets attributable to shareholders		133,256,207	100,897,601	121,310,683	80,643,185

STATEMENTS OF FINANCIAL POSITION (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

The financial statements were approved and authorised for issue by the Board of Directors on 19 June 2019
and were signed on its behalf by:



.....
Director



.....
Director

The notes on pages 60 to 127 form an integral part of these financial statements.

The notes on pages 60 to 127 form an integral part of these financial statements.

9. STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 DECEMBER 2018

Group						
	Stated capital (a)	Retained earnings/ (accumulated (losses)/gain) (b)	Foreign currency translation reserve (losses)/gain (c)	Total (a+b+c)	Non- controlling interests (d)	Total equity (a+b+c+d)
	USD	USD	USD	USD	USD	USD
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 (*)	-	(4,284,642)	-	(4,284,642)	480,623	(3,804,019)
OCI (***)	-	-	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
Impact of adopting IFRS 9	-	(21,186,232)	-	(21,186,232)	(2,170,486)	(23,356,718)
Restated opening balance under IFRS 9	87,191,140	(21,634,763)	4,018,553	69,574,930	7,965,953	77,540,883
Issue of shares	54,457,480	-	-	54,457,480	-	54,457,480
Increase in net assets (**)	-	2,704,643	-	2,704,643	990,220	3,694,863
OCI (***)	-	-	(1,963,263)	(1,963,263)	(473,756)	(2,437,019)
Total comprehensive income for the year	54,457,480	2,704,643	(1,963,263)	741,380	516,464	1,257,844
At 31 December 2018	141,648,620	(18,930,120)	2,055,290	124,773,790	8,482,417	133,256,207

(*) - Decrease in net assets attributable to shareholders from operations

(**) - Increase in net assets attributable to shareholders from operations

(***) - Other comprehensive income

The notes on pages 60 to 127 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	Company		
	Issued capital	Retained earnings (accumulated losses)	Total
	USD	USD	USD
At 1st 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
Impact of adopting IFRS 9	-	(12,191,673)	(12,191,673)
Restated opening balance under IFRS 9	87,191,140	(18,739,628)	68,451,512
At 1 January 2018	87,191,140	(18,739,628)	68,451,512
Issue of shares	54,457,480	-	54,457,480
Decrease in net assets attributable to shareholders from operations for the year		(1,598,309)	(1,598,309)
At 31 December 2018	141,648,620	(20,337,937)	121,310,683

The notes on pages 60 to 127 form an integral part of these financial statements.

10. STATEMENTS OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

		Group	Group	Company	Company
	Notes	2018	2017	2018	2017
		USD	USD	USD	USD
Profit /(loss) before tax		3,694,863	(3,804,019)	(1,598,309)	(6,276,361)
Adjustment to reconcile (loss)/profit before tax to net cash flows:					
Non cash item:					
Provision for Guarantees		-	(3,225,854)	-	574,296
Expected credit loss		(2,543,250)	-	(222,337)	-
Depreciation of property and equipment	16	256,859	268,536	250,911	252,321
Amortization of intangible assets	17	203,225	196,760	203,021	194,467
Amortisation deferred income on land	23	(87,392)	-	-	-
Net deferred income on guarantee contracts		2,098,312		758,539	
Income from investments		(1,006,470)	(3,457,492)	(1,066,523)	(1,228,544)
Net foreign exchange differences		1,760,342	(523,750)	758,539	(523,750)
Fair value gain on guarantee contracts fair value through profit or loss		(1,216,918)	(3,018,415)	(1,017,466)	(3,018,415)
Movement in working capital:					
Receivables and deposits		125,375	(3,191,289)	(2,113,008)	(1,962,028)
Prepayments		227,928	(375,310)	(227,928)	(375,310)
Other provisions		(1,705,384)	-	-	-
Other liabilities		2,675,980	4,716,596	3,306,447	187,970
Trade and other payables		(404,698)	84,457	(434,520)	102,313
Net claims paid		(4,336,463)	-	(446,898)	-
Net cash flows used in operating activities		(257,691)	(12,329,780)	(2,910,754)	(12,073,041)
Investing activities					
Acquisition of property and equipment	16	(2,858,252)	(2,538,590)	(657,794)	(2,516,884)
Acquisition of intangible assets	17	(1,409,224)	(354,103)	(1,394,069)	(328,990)
Investment in debt instrument at amortised cost		(2,392,746)	-	-	-
Disposal of bonds		1,125,942	7,318,805	1,125,942	7,318,805
Deposits matured during the year		6,367,548	-	1,373,945	-
Investment in bank deposit		(818,515)	(7,198,296)	-	(613,885)
Interest on investments received		1,690,432	9,138,471	1,690,432	7,003,005
Net cash flows generated/ (used in) from investing activities		1,705,185	6,366,287	2,138,456	10,862,051

The notes on pages 60 to 127 form an integral part of these financial statements.

STATEMENTS OF CASHFLOWS

Financing activities				
Proceeds from issue of ordinary share capital to shareholders	54,457,480	-	54,457,480	-
		-		
Proceeds from loan received from subsidiary	-		(194,417)	1,351,415
Net cash flows (used in)/generated from financing activities	54,457,480	-	54,263,063	1,351,415
Increase/(Decrease) in cash and cash equivalents	55,904,974	(5,963,493)	53,490,765	140,425
Foreign currency translation	(2,437,019)	6,213,073	-	-
Opening balance	3,329,189	3,079,609	2,863,463	2,732,038
Closing balance	56,797,144	3,329,189	56,354,288	2,863,463

The notes on pages 60 to 127 form an integral part of these financial statements.

11. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. 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, Rogers House, 5 President John Kennedy Street, Port Louis.

The recent changes made by the Finance (Miscellaneous Provisions) Act 2018 (“FMPA 2018”) to the Financial Services Act (“FSA”), the Global Business Category 1 Licence (GBL1) will henceforth be known as the Global Business Licence (GBL) whilst the category 2 Global business Licence (GBL2) is being abolished and replaced by the authorised company. A corporation that was licenced as a GBL 1 on or before 16 October 2017 will be exempt until 30 June 2021. As from that date, the corporation will be deemed to hold a GBL.

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 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.

2. 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 guarantee contracts at fair value through profit or loss 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 2018.

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:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

- 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 New and amended standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but did not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

	Effective for accounting period beginning on or after
IFRS 9 - Financial instruments	1 January 2018
IFRS 15 Revenue from Contracts with customers	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 using the modified retrospective approach, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

The effect of adopting IFRS 9 as at 1 January 2018 was as follows:

Group

	IFRS 9 Provisions	Prior year Provisions IAS 39	Adjustment to retained earnings
	(a)	(b)	(a-b)
Deposits and receivables	5,195,032	2,546,591	2,648,441
Debt instruments at amortised cost	18,823	-	18,823
Other financial instruments	400,698	-	400,698
Provision for financial guarantee	16,035,534	4,725,077	11,310,457
Total ECL	21,650,087	7,271,668	14,378,419

Company

	IFRS 9 Provisions	Prior year Provisions IAS 39	Adjustment to retained earnings
Deposits and receivables	3,707,857	922,110	2,785,747
Debt instruments at amortised cost	9,604	-	9,604
Other financial instruments	20,044	-	20,044
Provision for financial guarantee	796,629	398,652	397,977
Total ECL	4,534,134	1,320,762	3,213,372
Total adjustment to retained earnings			

	Company	Group
	Adjustment to retained earnings	
Total ECL	3,213,722	14,378,417
Guarantee contracts at Fair value through profit or loss	8,978,301	8,978,301
TOTAL	12,191,673	23,356,718

The nature of these adjustments are described below:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair value through other comprehensive income (FVOCI) and Fair value through profit and loss (FVTPL). The classification of

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding was done based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The following are the changes in the classification of the Group's financial assets:

- a. Receivables classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as financial instruments at amortised cost beginning 1 January 2018.
- b. Debt instruments are classified at amortised costs as these are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. There has been no change in the classification when compared to IAS 39.
- c. Guarantee contracts at fair value through profit or loss are classified based on AGF's business model to manage these contracts on a fair value basis and the cash flows arising from the contracts.
- d. Financial guarantee is initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and – under IAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under IFRS 9 – an ECL provision as set out in Note 29.
- e. Other financial instruments consist of deposits held with various banks in west Africa and were classified as loans and receivables as at 31 December 2017 as they are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as financial instruments at amortised cost beginning 1 January 2018.

The premium received is recognised in the profit or loss in Net fees and commission income on a straight line basis over the life of the guarantee.

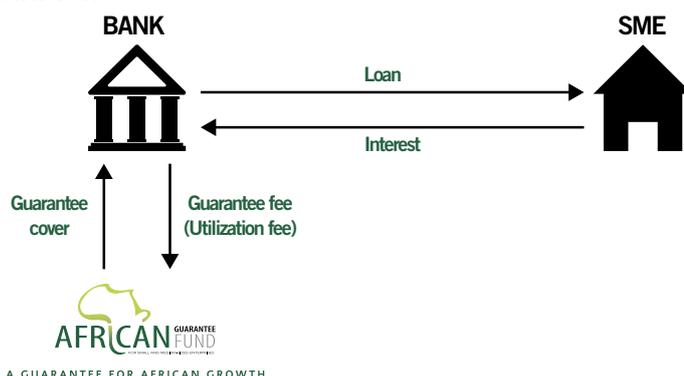
The nominal contractual value of financial guarantees where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 29.

- f. The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income (OCI), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Fund has not designated any financial liabilities at FVPL. Therefore, this requirement has not had an impact on the Fund.
- g. AGF has in its financials 3 types of products:
 - Loan Individual Guarantee (LIG)
 - Loan Portfolio Guarantee (LPG)
 - Bank's Fund Raising Guarantee (BFRG)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

(i) Loan Individual Guarantee (LIG)

a. Definition



The Loan Individual Guarantee (LIG) guarantees a single loan made by a Partner Lending Institution to a single Borrower whose identity is known.

b. Fees structures

On LIGs, AGF charges 2 types of fees:

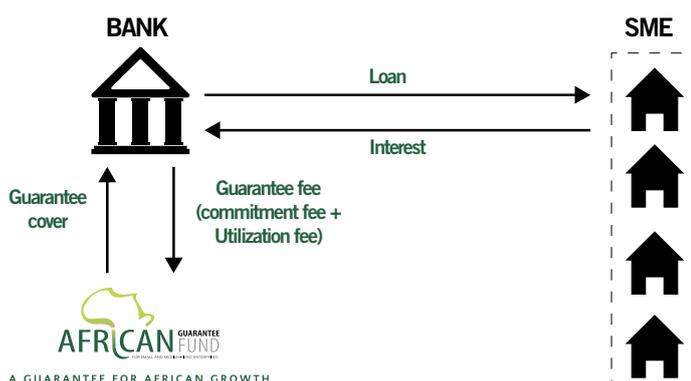
- Origination fees: Paid up front, when the agreement is signed.
- Utilization fees: Paid during the lifetime of the guarantee, with an annual fee rate depending on the risk of the product. The fees are paid on a semi-annual or quarterly basis.

c. Measurement and Classification

LIGs are treated as financial guarantee contracts and are initially measured at fair value. Subsequently, these contracts are measured at the higher of the amount initially recognised less amortisation and expected credit loss. The financial guarantees are generally issued to unrelated parties and the fair value at inception is equal to the premiums received. As no premium are received upfront on the guarantee contracts issued by the Group. The fair value is nil at initial recognition. There is no change in the classification and measurement of LIG contracts under IFRS 9, compared to IAS 39.

ii. Loan Portfolio Guarantee (LPG)

a. Definition



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

The Loan Portfolio Guarantee (LPG) guarantees a portfolio of loans made by a partner lending institution to a target Borrower segment (Qualifying Borrowers) for which the parameters have been defined but the individual borrowers are not known at the time of the guarantee agreement. The guaranteed party is not required to get approval of AGF prior the placement of each loan under the guarantee.

The LPG contracts are accounted under 'Guarantee at fair value through profit or loss' on the face of the statement of financial position.

On adoption of IFRS 9, the accounting of the loan portfolio guarantee contracts (LPG) have been realigned to the requirement of the new standard. On initial recognition, the fair value gains which were previously credited to profit or loss, are now deferred to the Statement of Financial Position and release to profit or loss on straight line basis over the life of the respective contracts.

b. Fees structures

On LPGs, AGF charges 3 types of fees:

- Origination fees: Paid up front, when the agreement is signed.
- Utilization fees: Paid during the lifetime of the guarantee, with an annual fee rate depending on the risk of the product. The fees are paid on a semi-annual or quarterly basis, and on the utilized portion.
- Commitment fees: Paid during the lifetime of the guarantee, with an annual fee rate depending on the risk of the product. The fees are paid on a semi-annual or quarterly basis, and on the un-utilized portion.

c. Measurement and Classification

- LPGs are classified at fair value through profit and loss and measured at fair value at initial recognition.

The fair value of the LPG's at initial and subsequent recognition is determined by establishing the element of "super profits" derived from the fees over the life of the contracts relative to the expected claims, adjusted for risk, time value of money and a normal profit margin.

At initial recognition due to the above market profit element embedded in the guarantee contracts. This represents a day 1 gain in terms of IFRS 9. Due to the unobservable nature of the inputs into the valuation, the day 1 gains is deferred at initial recognition and subsequently released to profit or loss over the period of the LPG contracts.

After initial recognition, AGF will continue to measure the fair value of the LPG contracts using the variables

iii. Bank Fund Raising Guarantee (BFRG)

a. Definition

The Bank Fund Raising Guarantee (BFRG) guarantees bonds issued by a Partner Lending Institution to investors for whom the parameters have been defined but the individual investors may not be known for the purpose of raising long term resources to finance SMEs.

BFRG contracts are classified and measured same as LIG. Refer to note 1 above for classification and measurement. There is no change in the classification and measurement of BFRG contracts under IFRS 9, compared to IAS 39.

b. Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments and financial guarantee not held at fair value through profit or loss and contract assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Upon the adoption of IFRS 9, the Group recognised impairment on the Group's financial guarantee, debt instruments at amortised cost, other financial instruments and receivables of total USD 21,650,087 for the Group and USD 4,534,134 for the Company. The net impact on the retained earnings is a decrease of USD 14,378,419 for the Group and USD 3,213,372 for the Company as at 1 January 2018.

c. Other adjustments

In addition to the adjustments described above, an adjustment of USD 8,978,301 has been made to the Guarantee contracts at fair value through profit or loss to realign the accounting treatment of the financial instruments to IFRS 9. This brought the total adjustments to retained earnings to USD 23m and USD 12m at Group and Company level respectively as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Management reviewed the various Income streams and concluded that the standard does not have a material impact on the financial statements.

The group recognizes origination income, as fees related to due diligence costs. These fees are accounted upfront in line with IFRS 15 at a point in time.

3.2. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these new and amended standards and interpretations when they become effective, if applicable.

New or revised standards	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Long-term interests in Associates and Joint Ventures - Amendments to IAS 28	1 January 2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	1 January 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	1 January 2019
IFRS 11 Joint Arrangements - Previously held interests in a joint operation	1 January 2019
IAS 12 Income taxes - Income tax consequences of payments on Financial instruments classified as equity	1 January 2019
IAS 23 Borrowing costs-Borrowing costs eligible for capitalisation	1 January 2019
IFRS 17 Insurance Contracts	1 January 2022

Where the adoption of the standards or amendments or improvement is deemed to have an impact on the financial statements or performance of the Group, their impact is described below.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

As at 31 December 2018, management is still assessing the impact of this accounting standards on the financial statements. The Directors of the Fund considers the impact of IFRS 16 to be immaterial.

4. 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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 at the yearly average rate;
- 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, 2018 and 2017 and the average rates for the year ended December 31, 2018 and 2017.

Country	Currency	2018		2017	
		Closing rate	Average rate	Closing rate	Average rate
Togo	XOF	0.00175	0.00178	0.00183	0.00172
Kenya	KES	0.0097	0.0099	0.0097	0.0097

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).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

Investment in subsidiary

Subsidiaries are those entities controlled by the Company. Control is achieved when the company is exposed to, or has right to, variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity.

Separate financial statements

Investments in subsidiaries in the separate financial statements of the Company are carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in 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 reported at amortized cost in compliance with IFRS 9.

Financial instruments - initial recognition and subsequent measurement Policy prior to 01 January 2018

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 guarantee designated at fair value through profit or loss. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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 Guarantee contracts at fair value through profit or loss.

Financial assets at fair value through profit or loss include guarantee 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. 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.

Loans and receivables

Loans and receivables include cash and cash equivalents and receivables and deposits.

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 Effective interest rate (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 receivables and deposit and cash and cash equivalents. For more information on receivables, refer to Note 18.

Held- to-maturity investments

Held-to-maturity investments include debt instruments at amortised cost.

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. Held-to-maturity investments consists of debt instrument at amortised cost.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through 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 18

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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 and loans and borrowings.

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 26.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

Policy post to 01 January 2018

Financial assets

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
 - it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
 - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

The Group classifies its financial assets into the following categories:

Financial assets/Liabilities	Classification
Cash and Cash equivalent	Amortised cost
Other financial instrument	Amortised cost
Debt instruments at amortised cost	Amortised cost
Receivables and deposits	Amortised cost
Guarantee contracts at fair value through profit or loss	Fair value through profit or loss
Trade and other payables	Other financial liabilities
Loans and borrowings	Amortised cost
Deferred Income	Amortised cost
Other liabilities	Other financial liabilities

Impairment

Financial instruments

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost (this includes debt instruments at amortised cost, other financial instruments and other receivables);
- Financial guarantee contracts

The Group measures loss allowances at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's or BBB- or higher per bloomberg.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

The Fund has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the financial guarantee of the Fund are classified into Stage 1, Stage 2, Stage 3, as described below:

- **Stage 1:** When financial guarantees are first recognised, the Fund recognises an allowance based on 12-month ECLs. Stage 1 Financial guarantee also include facilities where the credit risk has improved and the financial guarantee has been reclassified from Stage 2.
- **Stage 2:** When a financial guarantee has shown a significant increase in credit risk since origination, the Fund records an allowance for the Long Term ECLs. Stage 2 financial guarantee also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** Financial guarantees with more than 90 days of arrears and for which, based on the monitoring discussion with the financial institution the Company expects a claim with a high probability.

The calculation of ECLs

The Fund calculates ECLs based on a set of probability of defaults to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD, the Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

- EAD, the Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including guarantee amount, whether scheduled by contract or otherwise, expected drawdowns on committed facilities.
- LGD, the Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the PFI would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note.

The mechanics of the ECL method

Financial guarantee contracts

The Fund's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and the ECL provision. For this purpose, the Fund estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

Transition disclosures

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

The Group

Transition disclosures

	IAS 39 measurement		Remeasurement		IFRS 9	
	Category/ Ref	Amount	ECL	Others	Amount	Category
Financial assets						
Cash and cash equivalent	L&R	3,329,189	-	-	3,329,189	AC
Debt instruments at amortised cost	AC	31,636,837	(18,823)	-	31,618,014	AC
Other Financial instruments	AC	41,637,073	(400,698)	-	41,236,375	AC
Receivables and deposit	L&R	11,592,913	(2,648,411)	-	8,944,502	AC
Guarantee contracts at Fair value through profit or loss	FVPL	16,056,747	-	-	16,056,747	FVPL

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Financial liabilities						
Net assets attributable to shareholders	Other liabilities	100,897,601	-	-	100,897,601	Other liabilities
Provision for guarantee contract	Other liabilities	(4,725,077)	(11,310,457)	-	(16,035,354)	Other liabilities
Deferred income	N/A	-	-	(10,503,214)	(10,503,214)	AC

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

The Company

	IAS 39 measurement		Remeasurement		IFRS 9	
	Category	Amount	ECL	Others	Amount	Category
Financial assets						
Cash and cash equivalent	L&R	2,863,463	-	-	2,863,463	AC
Debt instrument at amortised cost	AC	30,700,088	(9,604)	-	30,690,484	AC
Other Financial instruments	AC	1,613,885	(20,044)	-	1,593,841	AC
Receivables and deposit	L&R	7,210,250	(2,785,747)	-	4,424,503	AC
Guarantee contracts measured at Fair value through profit or loss	FVPL	12,198,093	-	-	12,198,093	FVPL
Financial liabilities						
Provision for guarantee contract	Other liabilities	(398,652)	(397,977)	-	(796,629)	Other liabilities
Deferred income	N/A	-	-	(10,503,214)	(10,503,214)	AC
Net assets attributable to shareholders	Other liabilities	80,643,185	-	-	80,643,185	Other liabilities

L&R: Loans and receivables

AC: Amortised cost

Others pertain to realignment of valuation of guarantee contracts at fair value in line with IFRS 9.

The deferred tax impact on the adoption of IFRS 9 is minimal.

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category its trade and other payables, other liabilities and loans and borrowings.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through 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.

The Group measures financial instruments such as guarantee contracts at fair value through profit or loss 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 statement of financial position 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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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 guarantee contracts at fair value through profit or loss .

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.

Land Grant

Grants related to non-depreciable assets requiring the fulfilment of certain obligations is recognised in profit or loss over the periods that bear the cost of meeting the obligations. The Group has received a grant of land which is conditional upon the erection of a building of AGF WA. The grant is released to profit or loss over the estimated useful life of the building. The value of the land has initially been determined by an external professional valuer, based on open market value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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

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 in respect of general expenses and pension costs. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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

Under IAS 18- Adopted prior to 01 January 2018

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.

Under IFRS 15- Effective 1 January 2018

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

There group consider the 5 steps below when recognizing its revenue under IFRS 15:

- Step 1:** Identify the contract(s) with a customer
- Step 2:** Identify the performance obligations in the contract
- Step 3:** Determine the transaction price
- Step 4:** Allocate the transaction price to the performance obligations
- Step 5:** Recognize revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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. The revenue is recognised as the services are rendered.

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.

The revenue recognition of the Group has not changed upon the adoption of IFRS 15.

5. 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.

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.

Useful life of the building

The Fund received a land grant with the Government of Togo which conditional conditional upon the erection of the AGFWA building. The grant has been recognised in profit or loss over life of the building. Management has estimated the life of the building as 25 years. Refer to note 23.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

For the determination of the expected credit loss, the probability of default and loss given default rate has been assumed by management:

2017 & 2018	Probability of Default	Loss given default
Debt instrument at amortised cost	2.76%	45%
Other Financial instruments	0.95%	45%
Receivables and deposit	0.95%	45%
Guarantee contracts measured at Fair value through profit or loss	9.67%	75%
Provision for guarantee contract	9.67%	75%

Determination of fair value of guarantee contracts

Fair valuation of guarantee 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 guarantee contracts at fair value. The Loan portfolio guarantees are measured at fair value through profit or loss.

Where the fair value of guarantee 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 guarantee 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 adheres to the valuation guidelines issued by the International Private Equity and Venture Capital Board. The fair valuation of the guarantee contracts is based on a discounted cashflow model. The cashflows are based on above market rates due to the uniqueness of the product. The determination of the "super profit" portion of future income is a critical judgement to be applied by management.

The following significant estimates are determined by management in arriving at the fair value of the guarantee contracts:

Default rate: A default rate of 1.5% (2017: 2.0%) has been assumed by management. The default rate is estimated based on historical claims received by management. A sensitivity analysis has been disclosed in Note 8b of the financial statements.

Growth rate of Utilisation of the guarantee: Management has assumed a growth rate of 25% (2017: 12.5%). Management adopted a more conservative approach in determining the Growth rate. The actual growth rate amounts to 48% in 2018, management assessed the 12.5% to be conservative approach and have applied a fix growth rate of 12.5%. A sensitivity analysis has been disclosed in Note 8b of the financial statements.

Recovery rate: The recovery rate is determined based on the net cashflow derived from a guarantee contract. Management has assumed a recovery rate of 5% (2017: 5%). A sensitivity analysis has been disclosed in Note 8b of the financial statements.

Discount rate: The discount rate used by management is derived the 5 years' yield from the market-observable dollar corporate bond curve for corporates having a similar rating and adjusted by an illiquidity premium at 2%. A discount rate of 5% has been used by management. A sensitivity analysis has been disclosed in Note 8b of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Land grant

AGFWA received a land grant from the government of Togo for the construction of a building in west Africa. The land being a non-depreciable asset has been amortised over the life of the building to be constructed. The Directors of AGF have estimated the life of the building to be 25 years and believe that life span assumed is reasonable and is in line with the depreciation rate of the asset.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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. 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)

	Group						Company						
	2017			2018			2017			2018			
	Balance USD	Rating Short Term	Balance Long Term	Rating Short Term USD	Balance Short Term	Rating Long Term	Balance USD	Rating Short Term	Balance USD	Rating Long Term	Balance USD	Rating Short Term	Rating Long Term
Barclays Bank Mau- ritius*	28,594,070	B	BBB-	110,121	B	BB+	28,594,070	B	110,121	BBB-	B	A-2	BB+
Barclays Bank Lon- don*	1,050,451	A-2	BBB	1,513,547	A-2	BBB	1,050,451	A-2	1,513,547	BBB			BBB
CFC Stan- bic**	7,730,182	B	B	548,285	B	BB-	7,730,182	B	548,285	B	B	B	BB-
Commercial Bank of Africa***	284	A1 (KE)	A+ (KE)	192	A1 (KE)	A+ (KE)	284.15	A1 (KE)	192	A+ (KE)	A+ (KE)	A1 (KE)	A+(KE)
Ecobank**	18,883,285	B	B	437,195	B	B	18,883,285	B	437,195	B	B	B	B
BCEAO Siège (EURO)	15,937	N/A	N/A	16,676	N/A	N/A	-	N/A	-	N/A	N/A	N/A	N/A
BTCI	41,178	N/A	N/A	65,017	N/A	N/A	-	N/A	-	N/A	N/A	N/A	N/A
ECOBANK TOGO	28,212	N/A	N/A	66,584	N/A	N/A	-	N/A	-	N/A	N/A	N/A	N/A
BATG	120,179	N/A	N/A	62,251	N/A	N/A	-	N/A	-	N/A	N/A	N/A	N/A
BOA TOGO	111,864	N/A	N/A	37,310	N/A	N/A	-	N/A	-	N/A	N/A	N/A	N/A
BACI	125,435	N/A	N/A	217,698	N/A	N/A	-	N/A	-	N/A	N/A	N/A	N/A
Total	56,701,077			3,074,876			56,258,272		2,609,340				

(*) Rating by Standard & Poors, (**) Fitch National rating, (***) Rating by GCR. "N/A" refers to entities that have not been rated by any reputable Rating agency whose opinions may be relied upon.

In 2018, amounts of USD 96,067 and USD 95,956 for the Group and the Company respectively representing cash in hand was not included in the table (2017: USD 254,313 and 2017: USD 254,123 respectively).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Credit risk

Debt instruments at amortised costs, cash and cash equivalents, other financial instruments and receivables

Rating*	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
AAA	4,903,350	2,493,654	4,903,350	2,493,654
AA+	-	2,487,091	-	2,487,091
AA	1,081,239	8,703,747	1,081,239	8,524,264
AA-	8,219,577	5,297,373	8,219,577	5,297,184
A+	3,956,107	506,133	3,956,107	506,133
A	5,624,033	5,910,070	5,624,033	5,727,055
A-	2,407,031	2,445,772	2,407,031	2,445,772
BBB	1,766,039	4,528,596	1,766,039	4,336,211
BBB-	1,029,682	1,156,528	1,029,682	1,156,528
BB+	-	110,121	-	110,121
BB-	-	1,036,132	-	948,285
B	-	1,145,140	-	1,145,140
B-	-	124,106	-	-
Not Rated	104,347,393	52,251,549	62,587,227	7,210,248
	133,334,451	88,196,012	91,574,285	42,387,686

*Source: Bloomberg

The credit risk is mitigated through:

- Portfolio diversification by applying limits by region, country, sector, single obligor, product, risk category
- Portfolio hedging by using re-guarantees to share credit risk with other guarantee funds
- Intensive due diligence
- Contracts covenants giving the ability to cancel, reduce or reprice a deal if the credit conditions deteriorate significantly or if the fees are not settled perspective.

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. By the nature of its operations, AGF will always have a lot of exposure in the African continent. AGF will always seek to counter this by diversifying i.e. by investing in other geographical regions and other counterparties.

The concentration of 80% of the portfolio in Africa is temporary and due to disbursements of additional capital at the end of the year. These new funds will be invested across different asset classes and geographical regions. The investments are well diversified within each region and are within the single obligor limits.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Concentration risk

	Group				Company			
	Book Value 2018	Percentage	Book Value 2017	Percentage	Book Value 2018	Percentage	Book Value 2017	Percentage
Africa	106,092,662	79.5%	59,961,568	67.99%	64,332,496	70.3%	14,153,242	33.39%
Europe	12,279,236	9.28%	13,094,489	14.85%	12,279,236	13.4%	13,094,489	30.89%
America	3,956,107	2.97%	3,941,640	4.47%	3,956,107	4.32%	3,941,640	9.30%
Middle East	4,301,174	3.22%	4,369,839	4.95%	4,301,174	4.66%	4,369,839	10.31%
Asia	6,705,272	5.03%	6,828,476	7.74%	6,705,272	7.32%	6,828,476	16.11%
Total	133,334,451	100%	88,196,012	100%	91,574,285	100%	42,387,686	100%

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 sensitive 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.

Interest rate sensitivity of bonds and fixed deposits to an increase of interest rate by 10 basis point.

The table below shows the impact of the change of 10 basis point in interest rates of financial assets and financial liabilities in profit or loss.

	The Group		The Company	
	2018	2017	2018	2017
Increase/(decrease) in basis point				
	USD	USD	USD	USD
+ 10	3,279	3,163	3,113	3,229

Foreign exchange risk

Foreign currency risk is the risk that Group's and/or the Company's net financial asset will fluctuate because of changes in foreign currency risk. The Group manages this FX risk by a combination of long term hedges for large exposures and tight cash flow forecasting and planning to effectively manage FX risk occurring in day to day operations.

While the reporting currency of AGF is USD, the investment portfolio shall aim to mitigate currency risk. This currency

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

risk arises from writing guarantees in currencies other than USD, while having an asset base to support those guarantees denominated in USD. Especially, the portfolio shall counteract the currency risk by aiming to match the currencies of the investments to the major contingent liabilities.

The currency breakdown of the assets is in line with the company major contingent liabilities (a very important part of the company contingent liabilities is in XOF). For financial assets in EUR, a currency swap has been executed to hedge the EUR/USD currency risk.

As of 31 December 2018 and 2017 the Group and the Company's net exposure to foreign exchange risk was as follows:

Group					
	USD 2018	EURO 2018	KES 2018	XOF 2018	Total USD 2018
Assets	71,576,402	6,218,820	20,773,284	33,638,464,688	137,771,159
Liabilities	437,279	18,802	18,498,064	1,944,995,147	4,044,025
Closing rate	1	1.1455	0.00981	0.00175	-
Net exposure in USD	71,139,123	7,102,121	22,320	55,463,572	133,727,135

Group					
	USD 2017	EURO 2017	KES 2017	XOF 2017	Total USD 2017
Assets	89,178,092	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	88,253,449	7,596,924	392,682	6,236,959	102,480,014

Company					
	USD 2018	EURO 2018	KES 2018	XOF 2018	Total USD 2018
Assets	88,484,098	6,218,820	20,773,284	-	95,811,543
Liabilities	3,429,727	18,802	18,498,064	(5,316,973,566)	12,937,435
Closing rate	1	1.1455	0.00981	0.00175	-
Net exposure in USD	85,054,371	7,102,121	22,320	(9,304,704)	82,874,108

Company					
	USD 2017	EURO 2017	KES 2017	XOF 2017	Total USD 2017
Assets	46,467,925	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	36,065,735	7,596,924	392,682	-	44,055,341

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Sensitivity analysis of USD vis as vis other currencies and its impact on profit or loss and equity:

From	1.1455	0.0098	0.00175	
To	1.0882	0.0093	0.00166	
	EURO	KES	XOF	Total USD
	2018	2018	2018	2018
Assets	356,183	10,189	2,943,366	3,309,738
Liabilities	(1,077)	(9,073)	(170,187)	(180,337)
Net exposure in USD	355,106	1,116	2,773,179	3,129,401
	EURO	KES	XOF	Total USD
	2018	2018	2018	2018
Assets	356,183	10,189	-	366,372
Liabilities	(1,077)	(9,073)	(465,235)	(475,385)
Net exposure in USD	355,106	1,116	(465,235)	(109,013)

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. The amounts on undetermined category relate to guarantee designated at fair value through profit or loss

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Liquidity risk (Continued)

Group						
As at 31 December 2018	On demand	1 to 3 months	3 to 6 months	6 to 12 months	1 to 8 years	Total
	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	33,239,510	23,557,634	-	-	-	56,797,144
Debt instruments at amortized cost	45,622	102,732	-	4,096,413	31,907,274	36,152,042
Other financial assets	4,799,073	-	-	2,668,570	31,051,865	38,519,508
Receivables and deposits	-	831,056	522,373	419,966	4,932,112	6,705,507
Total financial assets	38,084,205	24,491,422	522,373	7,184,949	67,891,251	138,174,200
Trade and other payables		321,908	-	-	-	321,908
Other liabilities		3,722,117	-	-	-	3,722,117
Net assets attributable to shareholders	-	-	-	-	133,256,207	133,256,207
Total financial liabilities		4,044,025	-	-	133,256,207	137,300,232

As at 31 December 2017	On demand	1 to 3 months	3 to 6 months	6 to 12 months	1 to 8 years	Total
	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	3,329,189	-	-	-	-	3,329,189
Debt instruments at mortised cost	-	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
Total financial assets	22,992,664	1,427,920	9,572,970	1,439,199	52,833,259	88,196,012
Trade and other payables	726,606	-	-	-	-	726,606
Other liabilities	1,046,138	-	-	-	-	1,046,138
Net assets attributable to equity holders of the Company	-	-	-	-	100,897,601	100,897,601
Total financial liabilities	1,772,744	-	-	-	100,897,601	102,670,345

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Liquidity risk (Continued)

Company						
As at 31 December 2018	On demand	1 to 3 months	3 to 6 months	6 to 12 months	1 to 8 years	Total
	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	32,796,594	23,557,634				56,354,228
Debt instruments at amortised cost				3,991,873	27,880,030	31,871,903
Other financial assets	-	-	-		499,626	499,626
Receivables and deposits	-	1,713,927	106,564	591,159	3,380,201	5,791,851
Total financial assets	32,796,594	25,271,561	106,564	4,583,032	31,759,857	94,517,608
Loans and borrowings	-	-	9,304,704	-	-	9,304,704
Trade and other payables	-	270,513	-	-	-	270,513
Other liabilities	-	3,632,731	-	-	-	3,632,731
Net assets attributable to equity holders of the Company	-	-	-	-	121,310,683	121,310,683
Total financial liabilities	-	3,903,244	9,304,704	-	121,310,683	134,518,631

As at 31 December 2017	On demand	1 to 3 months	3 to 6 months	6 to 12 months	1 to 8 years	Total
	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	2,863,463	-	-	-	-	2,863,463
Debt instruments at amortised cost	-	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
Total financial assets	10,073,713	1,577,133	196,681	680,579	29,859,580	42,387,686
Loans and borrowings	-	-	9,584,360	-	-	9,584,360
Trade and other payables	705,033	-	-	-	-	705,033
Net assets attributable to shareholders	-	-	-	-	80,643,185	80,643,185
Other liabilities	326,285	-	-	-	-	326,285
Total financial liabilities	1,031,318	-	9,584,360	-	80,643,185	91,258,863

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

	Group		Company	
	2018	2017	2018	2017
Trade and other payables	321,908	726,606	270,513	705,033
Borrowed Funds	-	-	9,304,704	9,499,121
Other liabilities	3,722,118	1,046,137	3,632,731	326,284
Net debt	4,044,026	1,772,743	13,207,948	10,530,438
Equity	133,256,207	100,897,601	121,510,135	80,643,185
Total Capital	133,256,207	100,897,601	121,510,135	80,643,185
Capital and net debt	137,300,232	102,670,344	134,718,083	91,173,623
Gearing ratio	3%	2%	10%	12%

7. FAIR VALUE MEASUREMENTS

Debt instrument at amortised cost	Group 2018		Company 2017		Group 2018		Company 2017	
	Carrying amount	Fair value						
	USD							
Belgium Kingdom	3,918,403	3,409,207	4,154,425	4,262,976	3,918,403	3,409,207	4,154,425	4,262,976
Bk Nederlandse Gemeenten	2,446,798	2,295,970	2,487,091	2,675,250	2,446,798	2,295,970	2,487,091	2,675,250
European investment bank	2,456,552	2,317,127	2,493,654	2,667,600	2,456,552	2,317,127	2,493,654	2,667,600
Bank of China Hong Kong	5,624,033	5,472,967	5,727,055	6,137,863	5,624,033	5,472,967	5,727,055	6,137,863
Poland	2,407,031	2,234,689	2,445,772	352,088	2,407,031	2,234,689	2,445,772	352,088
Kingdom of Morocco	1,029,682	909,257	1,036,047	1,148,750	1,029,682	909,257	1,036,047	1,148,750
State of Qatar	4,301,174	3,879,731	4,369,839	720,000	4,301,174	3,879,731	4,369,839	720,000
Republic of Chile	3,956,107	3,695,609	3,941,640	4,315,000	3,956,107	3,695,609	3,941,640	4,315,000
African export- import bank 2019	-	-	1,156,528	1,204,500	-	-	1,156,528	1,204,500
Export-Import Bank Korea	1,081,239	955,435	1,101,421	175,000	1,081,239	955,435	1,101,421	175,000
Banque Ouest Africaine de Développement	1,766,039	1,630,239	1,786,617	2,027,250	1,766,039	1,630,239	1,786,617	2,027,250
Banque Ouest Africaine de Développement	104,778	104,925	146,412	168,191				
Société immobilière et financière de la côte africaine	130,973	131,620	183,015	214,585				
Etat du Niger	30,528	27,588	52,051	37,753				
Etat du Togo	1,654,839	1,476,349	-	-				
Etat du Benin	873,152	851,657	-	-				
Banque d'investissement et de Développement de la CEDEAO	36,393	36,387	45,973	60,319				
Etat du Mali	466,075	474,050	96,998	137,449				
Etat du Cote D'Ivoire	84,003	87,671	-	-				
Caisse Régionale Refinancement Hypothécaire	142,219	132,898	179,483	184,452				
Shelter Afrique	-	-	117,862	161,833				
Etat du Sénégal	209,933	218,015	114,954	83,912				
Etat du Sénégal (EOS)	183,690	185,578	-	-				
Impact on IFRS 9	(53,997)	-	-	-	(7,956)	-	-	-
Total	32,849,644	30,526,969	31,636,837	26,734,771	28,979,102	26,800,231	30,700,088	25,686,276

The bonds are listed on various stock market. Their fair values are therefore determined based on the listed prices at year end. The fair value of the debt instruments are classified with level 1 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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

Recurring fair value measurement of guarantee contracts at fair value through profit or loss

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Opening Balance	16,056,747	12,526,678	12,198,093	9,179,678
Movement during the year	1,216,918	3,018,415	1,216,918	3,018,415
FX Translation	(1,760,342)	511,654	2,098,312	-
	15,513,323	16,056,747	15,513,323	12,198,093

The guarantee contracts at fair value through profit or loss 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 (2017: 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.

The FX translation amount of USD 511,654 in 2017 is the impact of foreign exchange differences in opening and closing balance of the subsidiary’s fair value amount in 2017.

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 2018, the nominal amount of guarantee contracts at fair value through or loss amounted to USD 330,348,168 (2017: USD 296,700,737).

The fair value of receivables and deposits, trade and other payables and other liabilities are disclosed in Note 18 and Note 19 respectively. Refer note 8(b) for sensitivity analysis and key inputs used in the valuations.

Valuation process

The board of directors of the Fund is responsible for the valuation of guarantee contracts including the policies and procedures. The valuation of the portfolio of guarantee contracts is carried out on a quarterly basis and is reviewed by the risk committee of the Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

8.(a) DEBT INSTRUMENTS AT AMORTISED COST

Group				
2018	Purchase value including commission) USD	Maturity Date	Coupon Rate	Book Value USD
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	3,918,403
Bank Nederlandse Gemeenten	2,598,433	16-Feb-21	4.38%	2,446,798
European Investment Bank	2,596,771	16-Feb-21	4.00%	2,456,552
Bank of China Hong Kong	5,870,582	11-Feb-20	5.55%	5,624,033
Poland	2,602,338	21-Apr-21	5.13%	2,407,031
Morocco	1,058,175	11-Dec-22	4.25%	1,029,682
State of Qatar	1,137,097	11-Apr-22	5.00%	4,301,174
Republic of Chile	3,903,335	30-Oct-22	2.25%	3,956,107
Export-Import Bank Korea	4,490,130	20-Jan-22	4.50%	1,081,239
Banque Ouest Africaine de Développement	1,824,269	6-May-21	5.50%	1,766,038
Banque Ouest Africaine de Développement	126,998	5-Feb-21	5.95%	104,778
Société immobilière et financière de la côte africaine	238,121	8-Aug-21	6.90%	130,973
Etat du Niger	52,051	16-Oct-24	6.00%	30,528
Etat du Togo	1,710,477	19-Jan-23	6.90%	1,654,839
Etat du Benin	901,093	7-Sep-21	6.10%	873,152
Banque d'investissement et de Développement de la CEDEAO	79,374	30-Mar-21	6.50%	36,393
Etat du Mali	466,761	6-Apr-20	6.81%	466,075
Etat du Mali	96,998	20-Apr-24	6.50%	84,003
Caisse Régionale Refinancement Hypothécaire	238,120	21-Jul-24	6.10%	142,219
Etat du Sénégal	216,693	27-Nov-21	6.50%	209,934
Etat du Sénégal (EOS)	188,694	1-Jan-23	6.50%	183,690
Total Gross value	35,444,993			32,903,641
Allowance for expected credit loss	-			(53,997)
Total carrying value	35,444,993			32,849,644

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

DEBT INSTRUMENT AT AMORTISED COST (CONTINUED)

Group				
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
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 carrying value	34,420,834			31,636,837

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Company				
2018	Purchase value (including commission) USD	Maturity Date	Coupon Rate	Book Value USD
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	3,918,403
Bank Nederlandse Gemeenten	2,598,433	16-Feb-21	4.38%	2,446,798
European Investment Bank	2,596,771	16-Feb-21	4.00%	2,456,552
Bank of China Hong Kong	5,870,582	11-Feb-20	5.55%	5,624,033
Poland	2,602,338	21-Apr-21	5.13%	2,407,031
Morocco	1,058,175	11-Dec-22	4.25%	1,029,682
State of Qatar	1,137,097	11-Apr-22	5.00%	4,301,174
Republic of Chile	3,903,335	30-Oct-22	2.25%	3,956,107
Export-Import Bank Korea	4,490,130	20-Jan-22	4.50%	1,081,239
BOAD	1,824,269	6-May-21	5.50%	1,766,038
Total Gross value	31,129,613			28,987,058
Allowance for expected credit loss				(7,954)
Total carrying value	31,129,613			28,979,104

Company				
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 carrying value	33,305,495			30,700,088

*The Fund has applied IFRS 9 as at 1 January 2018 and has adopted a modified retrospective approach, prior year balances have not been restated. The allowance for the expected credit loss (ECL) of the Group and Company has been derived from the Standard & Poor credit rating for Kenya. A probability default rate of 2.76% and a loss given default of 45% has been used to calculate the ECL.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Fair value of guarantee contracts: USD 15,513,323 and USD 12,457,020 for the Group and Company respectively (2017: USD 16,056,747 and USD 12,198,093 respectively).

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Opening Balance	16,056,747	12,526,678	12,198,093	9,179,678
Fair value movement	1,216,918	3,018,415	1,017,466	3,018,415
FX Translation	(1,760,342)	511,654	(758,539)	-
Closing Balance	15,513,323	16,056,747	12,457,020	12,198,093

Sensitivity analysis for the assumptions used in the fair valuation of the guarantee contracts at fair value through profit or loss:

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
If the Company's average annual growth in utilization is lower by 100 point (1%) to the management assumption (from 25% to 24%), the fair value gain will decrease by 0.35%:	54,296	248,669	43,600	248,669
If the Company's annual default rate over the period of the contract is higher by 10 point (0.1%) to the management assumption (from 0.3% to 0.4%), the fair value gain will decrease by:	833,065	1,409,217	668,941	1,409,217
If the Company's average recovery rate is lower by 100 point (1%) to the management assumption (from 5% to 4%), the fair value gain will decrease by: 0.14%	21,719	25,590	17,439	25,590
If the Company's discount rate is higher by 100 point (1%) to the management assumption (from 5% to 6%), the fair value gain will decrease by:	390,936	242,082	313,916	242,082

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

8.(c) OTHER FINANCIAL INSTRUMENTS

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

Bank	Annual rates	Terms	Group
			2018
			Amount (USD)
BOA BENIN	7.00%	27/01/2010 - 29/01/2021	3,598,841
BOA SENEGAL	6.00%	17/06/2015 - 17/06/2021	2,648,557
BANQUE ATLANTIQUE TOGO	6.54%	15/06/2018 - 15/06/2021	1,593,310
BANQUE ATLANTIQUE TOGO	6.00%	19/07/2018 - 18/07/2021	1,391,721
BANQUE ATLANTIQUE TOGO	5.50%	7/04/2017 - 6/04/2020	1,211,350
CORIS BANK	6.50%	3/12/2010 - 3/12/2019	2,576,255
BSIC TOGO3ème DAT	6.00%	8/06/2015 - 8/06/2021	862,140
ORABANK -TOGO	5.95%	28/04/2012 - 27/04/2021	880,360
BOA TOGO	5.75%	24/01/2018 - 24/01/2021	881,344
BOA TOGO	5.50%	7/04/2017 - 6/04/2020	881,515
BOA TOGO	5.75%	13/07/2018 - 12/07/2021	872,158
CORIS BANK CI	6.00%	8/06/2016 - 7/06/2020	4,323,209
ORABANK COTE D'IVOIRE	6.00%	8/06/2016 - 7/06/2020	3,448,752
UTB	5.75%	28/10/2016 - 22/01/2019	1,799,321
SOCIETE GENERALE TOGO	5.50%	24/04/2017 - 20/04/2020	870,108
SOCIETE GENERALE TOGO	6.000%	24/07/2018 - 23/07/2021	1,760,876
ECOBANK TOGO	5.75%	24/01/2018 - 24/01/2021	2,642,702
BCEAO	0.00%	on call	3,050,151
Stanbic Bank	3.00%	21/12/17 - 21/12/22	795,370
Total Gross value			36,088,040
Allowance for expected credit loss			(757,723)
Total carrying value			35,330,317

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

OTHER FINANCIAL INSTRUMENTS (CONTINUED)

Group			
2017			
Bank	Annual rates	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 carrying value			41,637,073

Company			
2018			
	Annual rates	Terms	Amount (USD)
Stanbic Bank	3.00%	21/12/17 - 21/12/22	795,370
Allowance for expected credit loss			(346,268)
Total carrying value			449,102

Company			
2017			
	Annual rates	Terms	Amount (USD)
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

The Fund has applied IFRS 9 as at 1 January 2018 and has adopted a modified retrospective approach, prior year balances have not been restated. The allowance for the expected credit loss (ECL) of the Group and Company has been derived from the Standard & Poor credit rating for Kenya. A probability default rate of 2.76% and a loss given default of 45% has been used to calculate the ECL.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

9. ASSESSMENT AND COMMISSION FEES

	Group		Company	
	2018	2017	2018	2017
	USD	USD	USD	USD
Origination fees	645,612	1,440,356	398,925	898,739
Commitment fees	852,521	881,798	852,521	881,798
	1,498,133	2,322,154	1,251,446	1,780,537

10. INCOME FROM INVESTMENTS

	Group		Company	
	2018	2017	2018	2017
	USD	USD	USD	USD
Interest from debt instruments at amortised cost	808,270	1,168,465	808,270	1,168,465
Interest received on fixed-term deposits in Kenya	252,060	58,817	252,061	58,817
Interest received on term deposits in London	6,192	1,262	6,192	1,262
Interests income on Central Bank AGF WA	744	9,093	-	-
Interests income on bonds AGF WA	198,200	-	-	-
Interests income on term Deposits AGF WA	2,012,360	2,219,855	-	-
	3,277,826	3,457,492	1,066,523	1,228,544

11. OTHER INCOME

	Group		Company	
	2018	2017	2018	2017
	USD	USD	USD	USD
AGF West Africa amortised income **	87,391	-	-	-
Recoveries	30,275	67,861	-	-
	117,666	67,861	-	-

** Please refer to Note 23 on deferred income regarding AGF West Africa amortised income. The recoveries relate to amounts that had been under billed in the previous year and have been recovered in the current year in AGF West Africa.

12. NET FOREIGN EXCHANGE DIFFERENCES

Net Foreign Exchange differences represent the net impact resulting from the translation of foreign currencies to USD.

Revaluation – This occurs on consolidation of the operations in Subsidiary and group with the AGF West Africa books denominated in XOF but consolidated to USD.

Intercompany borrowing – This refers to the net gain/(loss) that occurs on reporting of the intercompany loan from AGF West Africa to group of XOF 5bn

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Bonds – This refers to the net gain/(loss) that is reported on consolidation for all the non-USD denominated bonds.

Swap – This refers to the net gain/(loss) reported for the EUR/USD swap that AGF entered into to hedge against its exposure to the Euro as a result of acquiring the Euro-denominated Belgium bond.

The Foreign currency translation has been calculated as below:

	Group
AGF WA closing balance sheet as at 31 December 2017 in XOF (IFRS adjusted)	28,490,654,495
AGF WA closing balance sheet in USD using 2017 USD/XOF rate at 546.4 (a)	52,142,181
AGF WA closing balance sheet in USD using 2018 USD/XOF rate at 572.6 (b)	49,755,402
Exchange differences on translation of the closing balance sheet (a) - (b)	(2,386,778)
Exchange differences on translation of other adjustments	(50,240)
Exchange differences on translation of foreign subsidiary	(2,437,018)

13. STAFF EXPENSES

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Wages and salaries	4,331,577	4,271,866	3,609,495	3,639,367
Pension cost	107,485	94,132	107,485	94,132
Social security contributions and similar taxes	7,223	9,443	7,223	1,363
	4,446,285	4,375,441	3,724,203	3,734,862

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

14. EXPENSES BY NATURE

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Administrative expenses	49,040	60,567	45,000	51,700
Board expenses	358,595	292,291	196,704	212,855
Legal and tax advisory fees	398,279	292,635	330,849	151,582
Administrative and legal fees	805,914	645,493	572,553	416,137
Telephone	121,059	177,659	104,518	144,869
Courier and postage	26,716	32,363	20,616	12,057
Others	48,133	20,403	9,682	11,801
Communication expenses	195,908	230,425	134,816	168,727
Marketing Material and Public Relations	443,769	185,402	411,377	173,384
Conference Sponsorship	233,077	175,968	233,077	173,214
Marketing Adverts		79,542		2,338
Marketing expenses	676,845	440,912	644,453	348,936
Rent	179,527	206,781	147,396	140,542
Service charges	28,606	27,944	28,606	27,944
Security and maintenance	47,975	47,135	41,926	43,411
Parking and electricity	26,859	20,153	22,494	20,153
Insurance	8,001	8,165	5,437	5,521
Premises expenses	290,968	310,178	245,858	237,571
Staff recruitment	18,089	57,940	18,089	57,940
Staff training	82,478	6,890	82,478	6,890
Consultancy	279,831	203,301	205,427	95,572
Audit fees	161,982	126,599	92,957	82,675
Office supplies	91,164	69,085	47,862	55,415
Computer maintenance cost	14,602	4,769	14,602	4,769
Bank charges	34,994	476,071	18,723	467,448
Charges related to business	76,332	-	-	-
Sundry expenses	244,878	197,913	173,194	140,124
Other expenses	1,004,350	1,142,568	653,330	910,833

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

15. 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.

As from 1 July 2021, the company will not be allowed to compute its foreign tax according to a presumed amount of 80% of the Mauritian tax of the relevant foreign sourced income. Furthermore, transactions with GBL corporations and non-residents will not necessarily be considered to be foreign sourced income. Effective as from 1 January 2019, the company may apply a partial exemption on its foreign dividend income, interest income and profits from foreign permanent establishments: the partial exemption is computed at 80% of the relevant foreign sourced income. The partial exemption is not mandatory: the company may apply the credit system if it so wishes.

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 Fund's Kenyan entity has unused accumulated tax losses as at 31 December 2018 and 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, 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 2018 for the Group and the Company amounted to USD 11,897,753 (Company 2017: USD 8,197,143) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

Year of Assessment	Expiry Year	Group and Company	
		2018 USD	2017 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	2,391,682
2018	2023	3,700,610	-
		11,897,753	8,197,143

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

16. PROPERTY AND EQUIPMENT

	Group						
	Office equipment	Fittings	Furniture	Computer equipment	Motor vehicles	Assets under construction	Total
COST	USD	USD	USD	USD	USD	USD	USD
At 1 January 2018	189,793	1,170,961	296,236	169,866	260,348	2,453,462	4,540,666
	98,917	(15,691)	(500)	75,123	68,120	-	225,969
*Reclassification Additions	25,820	28,557	2,434	79,123	-	**4,907,088	5,043,021
At 31 December 2018	314,528	1,183,827	298,170	324,114	328,468	7,360,550	9,809,655
At 1 January 2017	188,477	1,111,897		146,263	158,606	107,675	2,002,076
			289,158				
Additions	1,316	59,064	7,078	23,603	101,742	2,345,787	2,538,590
At 31 December 2017	189,793	1,170,961	296,236	169,866	260,348	2,453,462	4,540,666
DEPRECIATION							
At 1 January 2018	(128,105)	(687,914)	(190,898)	(130,131)	(169,632)	-	(1,306,680)
*Reclassification	(98,917)	15,691	500	(75,123)	(68,120)	-	(225,969)
Charge for the year	(23,802)	(144,855)	(37,246)	(22,813)	(28,144)	-	(256,859)
At 31 December 2018	(250,823)	(817,077)	(227,643)	(228,069)	(265,895)	-	(1,789,507)
At 1 January 2017	(104,569)	(529,702)	(154,221)	(113,092)	(136,560)	-	(1,038,144)
Charge for the year	(23,536)	(158,212)	(36,677)	(17,039)	(33,072)	-	(268,536)
At 31 December 2017	(128,105)	(687,914)	(190,898)	(130,131)	(169,632)	-	(1,306,680)
NET BOOK VALUE							
At 31 December 2018	63,705	366,749	70,527	96,044	62,573	7,360,550	8,020,148
At 31 December 2017	61,688	483,047	105,338	39,735	90,716	2,453,462	3,233,986

(*) The reclassification amount in both cost and depreciation is to realign the historical cost and depreciation for the group's subsidiary assets. The opening balance shows a net off the subsidiary cost from the depreciation however, the reallocation restates the figures in their respective classes.

(**) Included in assets under construction is a land grant from the Government of Togo. Refer to note 23 for more details.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

PROPERTY AND EQUIPMENT (CONTINUED)

	Company						
	Office equipment	Fittings	Furniture	Computer	Motor Vehicles	Assets under construction	Total
COST	USD	USD	USD	USD	USD	USD	USD
At 1 January 2018	189,276	1,147,827	295,692	163,362	231,288	2,447,528	4,474,973
Additions	515	16,984	2,478	43,392	-	594,425	657,794
At 31 December 2018	189,791	1,164,811	298,170	206,754	231,288	3,041,953	5,132,767
At 1 January 2017	187,960	1,110,469	288,614	139,759	129,546	101,741	1,958,089
Additions	1,316	37,358	7,078	23,603	101,742	2,345,787	2,516,884
At 31 December 2017	189,276	1,147,827	295,692	163,362	231,288	2,447,528	4,474,973
DEPRECIATION							
At 1 January 2018	(127,588)	(670,656)	(190,398)	(123,631)	(154,345)	-	(1,266,618)
Charge for the year	(23,681)	(144,832)	(37,245)	(19,081)	(26,072)	-	(250,911)
At 31 December 2018	(151,269)	(815,488)	(227,644)	(142,711)	(180,416)	-	(1,517,529)
At 1 January 2017	(104,052)	(528,659)	(153,721)	(106,592)	(121,273)	-	(1,014,297)
Charge for the year	(23,536)	(141,997)	(36,677)	(17,039)	(33,072)	-	(252,321)
At 31 December 2017	(127,588)	(670,656)	(190,398)	(123,631)	(154,345)	-	(1,266,618)
NET BOOK VALUE							
At 31 December 2018	38,522	349,323	70,526	64,043	50,872	3,041,953	3,615,238
At 31 December 2017	61,688	477,171	105,294	39,731	76,943	2,447,528	3,208,355

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

17. INTANGIBLE ASSETS

	Group			
	Software USD	Website USD	Assets under work in progress USD	Total USD
COST				
At 1 January 2018	878,450	168,714	1,047,901	2,095,065
*Reclassifications	405,491	(130,476)	19,410	294,425
Additions	1,317,097	17,750	74,378	1,409,225
At 31 December 2018	2,601,038	55,988	1,141,689	3,798,715
At 1 January 2017	806,258	52,293	882,411	1,740,962
Additions	72,192	116,421	165,490	354,103
At 31 December 2017	878,450	168,714	1,047,901	2,095,065
AMORTISATION				
At 1 January 2018	(382,672)	(35,276)	-	(417,948)
*Reclassifications	(305,491)	11,065	-	(294,425)
Charge for the year	(198,118)	(5,106)	-	(203,225)
At 31 December 2018	(886,281)	(29,317)	-	(915,598)
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 2018	1,714,757	26,671	1,141,689	2,883,117
At 31 December 2017	495,778	133,438	1,047,901	1,677,117

(*) The reclassification amount in both cost and depreciation is to realign the historical cost and depreciation for the group's subsidiary assets. The opening balance shows a net off the subsidiary cost from the depreciation however, the reallocation restates the figures in their respective classes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

INTANGIBLE ASSETS (CONTINUED)

	Company			
	Software USD	Website USD	Assets under work in progress USD	Total USD
COST				
At 1 January 2018	969,758	27,114	1,047,901	2,044,773
Additions	1,316,786	17,750	59,533	1,394,069
At 31 December 2018	2,286,544	44,864	1,107,434	3,438,842
At 1 January 2017	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 1 January 2018	(382,672)	(24,210)	-	(406,882)
Charge for the year	(197,914)	(5,106)	-	(203,021)
	(580,586)	(29,316)	-	(609,903)
At 1 January 2017	(189,761)	(22,654)	-	(212,415)
Charge for the year	(192,911)	(1,556)	-	(194,467)
At 31 December 2018	(382,672)	(24,210)	-	(406,882)
NET BOOK VALUE				
At 31 December 2018	1,705,958	15,548	1,107,434	2,828,939
At 31 December 2017	587,086	2,904	1,047,901	1,637,891

18. RECEIVABLES AND DEPOSITS

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Other receivables	13,246,190	11,534,273	9,424,457	7,151,610
Deposits	83,977	58,640	49,640	58,640
ECL impact	(4,972,821)	-	(3,682,246)	-
	8,357,346	11,592,913	5,791,851	7,210,250

Other receivables comprise mainly of income fee receivable (utilization and commission fees). Other receivables are accounted as they fall due. The fair values of other receivables classified under amortized cost are not materially different to their carrying values.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

19. TRADE, OTHER PAYABLES AND OTHER LIABILITIES

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Trade payables	51,395	260,560	-	238,987
Accrued payables	270,513	466,046	270,513	466,046
	321,908	726,606	270,513	705,033

The carrying values of trade payables and accrued payables approximate their fair values at 31 December 2018 and 2017.

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

Other liabilities	2018	2017	2018	2017
	USD	USD	USD	USD
Statutory payables	152,481	6,431	152,481	6,431
Amount payable to related party (Note 24)	2,517,457	-	2,517,457	-
Sundry liabilities	1,052,179	1,039,706	962,793	319,853
	3,722,117	1,046,137	3,632,731	326,284

The amount payable to related party is repayable on demand, unsecured and carry no interest

20. PROVISION FOR GUARANTEES

The volume of live financial guarantees as at 31 December 2018 stood at USD 514,742,229 for the Group (2017: USD 492,318,090) and USD 346,608,073 for the Company (2017: USD 269,918,302).

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Opening Balance	5,379,515	4,884,416	845,550	271,254
Net movement in the year	(4,336,465)	(4,885,188)	(838,550)	(4,805,991)
Impact for adopting IFRS 9	11,310,457	-	796,629	-
Provision written back	(2,713,238)	5,380,287	(700,320)	-
Closing Balance	9,640,269	5,379,515	96,309	845,550

As at 31 December 2018 USD 2.7m has been written back from provisions. This is due to the fact that there are many contracts which have been lapsed or cancelled when making a comparison between 2017 and 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

21. OTHER PROVISIONS

2018	GROUP	Pensions (i) USD	Other provisions(ii) USD	Total USD
	Balance 1 January,	107,422	1,705,964	1,813,386
	Foreign exchange movement		(81,483)	(80,903)
	Movement in the year	580	(1,624,481)	(1,624,481)
	Balance 31 December	108,002	-	108,002

2017	GROUP	Pensions (i) USD	Litigation and other provisions (ii) USD	Total USD
	Balance 1 January	-	1,040,039	1,040,039
	Movement in the year	107,422	665,925	773,347
	Balance 31 December	107,422	1,705,964	1,813,386

iv. **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.

v. **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 Fund. In 2015, the Court of Appeal delivered its verdict (decision n° 0500/2014) and the Fund was ordered to pay the complainant the amount of USD 835,454. In accordance with IFRS, the Fund booked a provision for the total amount claimed and definitively valued by the Court.

22. CLASSES OF SHARES

Group and Company		
2018		
	Number	USD
Class B shares	2,400	24,000,000
Class C shares	11,749	117,641,152
Class D shares	3	3
	14,149	141,641,155

Group and Company		
2017		
	Number	USD
Class B shares	2,400	24,000,000
Class C shares	6,304	63,191,137
Class D shares	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:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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

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.

The percentage of the current shareholding is as below;

Shareholders	Paid in capital	Number of shares	Percentage
DANIDA	36,500,001	3,651	25.80%
KFW	28,500,000	2,850	20.10%
AECID	20,000,001	2,001	14.10%
NDF	17,101,136	1,695	12.00%
IFU	15,540,016	1,554	11.00%
AFD	14,000,000	1,400	9.90%
AfDB	10,000,001	1,001	7.10%
Total	141,641,155	14,152	100.00%

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

23. DEFERRED INCOME

	Group	Company
	USD	USD
Deferred income-Land Grant (i)	2,097,378	-
Deferred income- Guarantee contracts at fair value through profit or loss (ii)	11,076,613	8,219,762
Year 1 Movement	13,173,991	8,219,762

Land Grant- The government of Togo allocated a parcel of land to the group's subsidiary AGF West Africa for construction of its headquarters. The estimated value of land is USD 2,184,769 (XOF 1,251,030,000). The group has recognized the grant as a non-current asset and a liability in respect to the condition attached for a period of 25 years.

	Group
Asset	2,184,769
Deferred income	(2,097,377)
Year 1 Movement	87,391

Guarantee contracts at fair value through profit or loss

	Group	Company
	USD	USD
Opening balance after IFRS 9 adjustments	10,503,214	10,503,214
Deferred income from new guarantee contracts	6,480,281	3,423,978
Deferred income recognised during the year	(3,451,613)	(3,252,161)
Reversal of deferred income from cancelled contracts	(2,455,269)	(2,455,269)
Closing balance	11,076,613	8,219,762

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

24. RELATED PARTY DISCLOSURES

During the year ended 31 December 2018 and 2017, the Company transacted with related entities. Details of the nature, volume of transactions and the balances with the related entities are as follows:

Transactions	Relationship	Nature of transactions	Group		Company	
			2018	2017	2018	2017
			USD	USD	USD	USD
Directors of the Company	Directors	Remuneration and allowances	190,949	212,855	190,949	212,855
Capacity Development Trust	Common directorship	Administration fees	436,559	247,937	436,559	247,937
AGF West Africa	Subsidiary	Loans and Borrowings	-	-	9,304,704	9,499,121
Capacity Development Trust	Common directorship	Amount payable	2,517,457	-	2,517,457	-
Rogers Capital Fund Services Ltd	Administrator and Secretary	Administration and Secretarial fees	40,000	45,000	40,000	45,000

Directors' remuneration and allowances include sitting allowance, board members flights and accommodation, chairman and CEO advisor remuneration

Capacity development include administration fees that it owes the company

Rogers capital fund services are the administration and secretarial fees paid in 2018

25. INVESTMENT IN SUBSIDIARY

Details of the Investment are as follows;

	2018 USD	2017 USD
Unquoted Investment At 1 January 2018 and 31 December 2018	31,887,765	31,887,765

Name of subsidiary company	Place of incorporation	Business activity	2018 & 2017 Ownership	2018	2017
				USD	USD
AGF West Africa	Togo	Guarantee Business	80.56%	31,887,765	31,887,765

AGF West Africa ("AGFWA") 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 (2017: no provision for impairment is required).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

The profit for the year is attributable to the non-controlling interest's at 19.44% of AGFWA's profit and is shown below;

	Group	Subsidiary
Profit for the year	3,694,863	7,228,161
Controlling Interest (80.56%)	2,704,643	5,823,007
Non controlling interest(19.44%)	990,220	1,405,154

NON-CONTROLLING INTEREST

Name	Country of incorporation and operation	2018	2017
African Guarantee Fund West Africa		19.44%	19.44%

African Guarantee Fund West Africa	2018 USD	2017 USD
Accumulated balances of material non-controlling interest	8,482,417	10,136,439
Profit/(loss) allocated to material non-controlling interest	990,220	(480,623)

25. INVESTMENT IN SUBSIDIARY

Details of the Investment are as follows:

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations

Statement of profit or loss

African Guarantee Fund West Africa	2018 USD	2017 USD
Income	6,609,290	5,175,367
Expenses	(1,515,569)	(2,703,025)
Net profit	5,093,721	2,472,342

Statement of financial position

African Guarantee Fund West Africa	2018 USD	2017 USD
Total assets	149,927,474	60,163,624
Total liabilities	(28,417,339)	(8,021,443)
Net assets	121,510,135	52,142,181

Statement of cashflow position

African Guarantee Fund West Africa	2018 USD	2017 USD
Operating activities	(180,871)	(256,739)
Financing activities	-	(4,495,764)
Investing activities	(270,624)	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

26. LOANS AND BORROWINGS

As at 31 December 2018, the Company held an outstanding amount of USD 9,304,704 (2017: USD 9,499,121) for its subsidiary, "AGF West Africa". This amount is equivalent to an unsecured fixed deposit bearing interest at 2.5% per annum and maturing in two years.

27. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Financial guarantees (live)	514,742,229	566,214,142	346,608,073	334,818,302
Financial guarantees re-guaranteed	(110,701,772)	(64,900,000)	(76,512,642)	(64,900,000)
Net Exposure	404,040,458	501,314,142	270,095,432	269,918,302
Re-guarantee fees	(712,836)	(142,868)	(712,836)	(142,868)

At year end, there were no claims arising from these guarantee contracts which would indicate a probability that an outflow of economic resources would be required to settle the obligation. Thus, the life guarantees are disclosed as contingent liabilities, until a claim is received from the guaranteed parties'-guarantees are accounted as assets when claims lodged by the Company to the guarantors are approved.

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	
	2018 USD	2017 USD	2018 USD	2017 USD
Custody fees	54,996	77,513	54,937	77,599

Operating lease commitments

African Guarantee Fund's branch in Nairobi's lease relating to office space is for a period of four years. AGF's west Africa's offices have upward rent reviews every 2 years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Group		Company	
	2018 USD	2017 USD	2018 USD	2017 USD
Properties				
Within 1 year	162,302	120,746	162,302	120,746
After 1 year but within 5 years	737,603	193,824	737,603	193,824
	899,905	314,570	899,905	314,570

28. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

The Group

As at 31 December 2018	Within 12 months USD	After 12 months USD	Total USD
Assets			
Property and equipment	-	8,020,149	8,020,149
Intangible assets	-	2,883,116	2,883,116
Debt instrument at amortised cost	4,168,947	28,680,697	32,849,644
Guarantee at Fair value through profit or loss	-	4,436,710	4,436,710
Prepayments	429,455	42,000	471,455
Receivables and deposits	3,425,234	4,932,112	8,357,346
Other financial instruments	7,418,528	27,911,789	35,330,317
Cash and cash equivalent	56,797,144	-	56,797,144
Total assets	72,239,308	76,906,573	149,145,881
Liabilities			
Provision for Guarantees	-	9,640,269	9,640,269
Other provisions	-	108,002	108,002
Other liabilities	2,517,457	1,204,660	3,722,117
Loans and borrowings	-	-	-
Deferred income	87,390	2,009,988	2,097,378
Trade and other payables	321,908	-	321,908
Total Liabilities	2,926,755	12,962,919	15,889,674

As at 31 December 2017	Within 12 months USD	After 12 Months USD	Total USD
Assets			
Property and equipment		3,233,986	3,233,986
Intangible assets		1,677,117	1,677,117
Investment in subsidiary		-	-
Debt instrument at amortised cost	1,477,165	30,159,672	31,636,837
Guarantee at Fair value through profit or loss		16,056,747	16,056,747
Prepayments	699,383	-	699,383
Receivables and deposits		11,592,913	11,592,913
Other financial instruments	18,963,486	22,673,587	41,637,073
Cash and cash equivalent	3,329,189	-	3,329,189
Total assets	24,469,223	85,394,022	109,863,245
Liabilities			
Provision for Guarantees		5,379,515	5,379,515
Other provisions		1,813,386	1,813,386
Other liabilities		1,046,137	1,046,137
Loans and borrowings		-	-
Trade and other payables	726,606	-	726,606
Total Liabilities	726,606	8,239,038	8,965,644

MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

The Company

As at 31 December 2018	Within 12 months USD	After 12 months USD	Total USD
Assets			
Property and equipment	-	3,615,238	3,615,238
Intangible assets	-	2,828,939	2,828,939
Investment in subsidiary	-	31,887,765	31,887,765
Debt instrument at amortised cost	3,918,403	25,060,700	28,979,103
Guarantee at Fair value through profit or loss	-	4,237,258	4,237,258
Prepayments	429,455	42,000	471,455
Receivables and deposits	2,389,713	3,402,139	5,791,852
Other financial instruments	-	449,102	449,102
Cash and cash equivalent	56,354,228	-	56,354,228
Total assets	63,091,799	71,523,141	134,614,090
Liabilities			
Provision for Guarantees	-	96,309	96,309
Other provisions	-	-	-
Other liabilities	2,517,457	1,115,274	3,632,731
Loans and borrowings	-	9,304,704	9,304,704
Trade and other payables	270,513	-	270,513
Total Liabilities	2,787,970	10,516,287	13,304,257

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

As at 31 December 2017	Within 12 months USD	After 12 months USD	Total USD
Assets			
Property and equipment	-	3,208,355	3,208,355
Intangible assets	-	1,637,891	1,637,891
Investment in subsidiary	-	31,887,765	31,887,765
Debt instrument at amortised cost	1,240,508	29,459,580	30,700,088
Guarantee at Fair value through profit or loss	-	12,198,093	12,198,093
Prepayments	699,383	-	699,383
Receivables and deposits	-	7,210,250	7,210,250
Other financial instruments	1,213,885	400,000	1,613,885
Cash and cash equivalent	2,863,463	-	2,863,463
Total assets	6,017,239	86,001,934	92,019,173
Liabilities			
Provision for Guarantees	-	845,550	845,550
Other liabilities	-	326,284	326,284
Loans and borrowings	-	9,499,121	9,499,121
Trade and other payables	705,033	-	705,033
Total Liabilities	705,033	10,670,955	11,375,988

29. EXPECTED CREDIT LOSS

The table below shows the ECL charges on financial instruments for the year recorded in the income statement:

2018 In USD	Stage 1	Stage 2	Stage 3	Total
Debt instruments at amortised cost (i)	-	53,997	-	53,997
Other financial instruments (ii)	93,757	663,967	-	757,724
Receivables (iii)	-	333,314	4,639,507	4,972,821
Financial guarantee (iv)	845,213	6,648,995	7,017,889	14,512,097

Debt instruments at amortised cost

The Group

2018	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 January 2018	-	31,636,837	-	31,636,837
Transfers between stages	-	-	-	-
Other movement	-	1,266,804	-	1,266,804
ECL charged for the financial year	-	(53,997)	-	(53,997)
Gross carrying amount at 31 December 2018	-	32,849,644	-	32,849,644

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

2018	Stage 1	Stage 2	Stage 3	Total
ECL Charged at 01 January 2018	-	18,823	-	18,823
Transfers between stages	-	-	-	-
ECL charged for the financial year	-	35,174	-	35,174
ECL Charged at 31 December 2018	-	53,997	-	53,997

The Company

2018	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 January 2018		30,700,088	-	30,700,088
Transfers between stages	-	-	-	-
Other movement		(1,713,030)		(1,713,030)
ECL charged for the financial year	-	(7,955)	-	(7,955)
Gross carrying amount at 31 December 2018	-	28,979,103	-	28,979,103

2018	Stage 1	Stage 2	Stage 3	Total
ECL Charged at 01 January 2018	-	9,603	-	9,603
Transfers between stages	-	-	-	-
ECL charged for the financial year	-	(1,648)	-	(1,648)
ECL Charged at 31 December 2018	-	7,955	-	7,955

Other movement relates to bonds matured during the year and adjustment for amortised costs.

Other financial instruments, cash and cash equivalents

The Group

2018	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 January 2018	400,698	41,236,375	-	41,637,073
Transfers between stages	-	-	-	-
Movement	-	(5,549,032)	-	(5,549,032)
ECL charged for the financial year	(93,757)	(663,967)	-	(757,724)
Gross carrying amount at 31 December 2018	306,941	35,023,376	-	35,330,317

2018	Stage 1	Stage 2	Stage 3	Total
ECL Charged at 01 January 2018	3,223	397,475	-	400,698
Transfers between stages	-	-	-	-
ECL charged for the financial year	90,534	266,492	-	357,026
ECL Charged at 31 December 2018	93,757	663,967	-	757,724

The Company

2018	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 January 2018	84,420	1,529,465	-	1,613,885
Movement	-	(786,858)	-	(786,858)
ECL charged for the financial year	(84,420)	(293,505)	-	(377,925)
Gross carrying amount at 31 December 2018	-	449,102	-	449,102

2018	Stage 1	Stage 2	Stage 3	Total
ECL Charged at 01 January 2018	4,477	15,567	-	20,044
Transfers between stages	-	-	-	-
ECL charged for the financial year	79,942	277,939	-	357,881
ECL Charged at 31 December 2018	84,420	293,505	-	377,925

Receivables

The Group

2018	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 January 2018	-	6,953,406	4,639,507	11,592,913
Movement	-	1,737,254	-	1,737,254
ECL charged for the financial year	-	(331,314)	(4,639,507)	(4,972,821)
Gross carrying amount at 31 December 2018	-	8,357,346	-	8,357,346

2018	Stage 1	Stage 2	Stage 3	Total
ECL Charged at 01 January 2018	-	589,017	4,606,015	5,195,032
Transfers between stages	-	-	-	-
ECL charged for the financial year	-	(255,703)	33,492	(222,211)
ECL Charged at 31 December 2018	-	333,314	4,639,507	4,972,821

The Company

2018	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 01 January 2018	-	3,754,383	3,552,006	7,210,250
Movement	-	2,167,709	-	2,167,709
ECL charged for the financial year	-	(130,241)	(3,552,006)	(3,682,246)
Gross carrying amount at 31 December 2018	-	5,791,851	-	5,791,851

2018	Stage 1	Stage 2	Stage 3	Total
ECL Charged at 01 January 2018	-	155,851	3,552,006	3,707,857
Transfers between stages	-	-	-	-
ECL charged for the financial year	-	(25,611)	-	(26,611)
ECL Charged at 31 December 2018	-	130,240	3,552,006	3,682,246

Financial guarantee

The Group

2018	Stage 1	Stage 2	Stage 3	Total
ECL Charged at 01 January 2018	-	16,035,534	-	16,035,534
Transfers between stages	-	-	-	-
ECL charged/(reversed) for the financial year	-	(2,713,238)	-	(2,713,238)
ECL Charged at 31 December 2018	-	13,322,296	-	13,322,296

The Company

2018	Stage 1	Stage 2	Stage 3	Total
ECL Charged at 01 January 2018	-	796,629	-	796,629
Transfers between stages	-	-	-	-
ECL charged/(reversed) for the financial year	-	(700,320)	-	(700,320)
ECL Charged at 31 December 2018	-	96,309	-	96,309

30. 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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