



A GUARANTEE FOR AFRICAN GROWTH



# ANNUAL REPORT & FINANCIAL STATEMENTS

2021

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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 GROUP  
GROUPE DE LA BANQUE AFRICAINE  
DE DÉVELOPPEMENT

African Development Bank



French Development Agency



Nordic Development Fund



**IFU** | INVESTMENT FUND FOR  
DEVELOPING COUNTRIES

# KFW

# 1. INTRODUCTION

## VISION, MISSION AND VALUES

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### 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 THE CHAIRMAN



**Felix BIKPO**

Chairman of the Board of Directors

### Dear Shareholders,

It gives me great pleasure to report that 2021 was yet another year of good achievement for our company, despite the challenging environment for Small and Medium-sized Enterprises (SMEs) and Partner Financial Institutions (PFIs) caused by the global COVID-19 pandemic. AGF's mission remains highly significant for the sustainable development of our continent.

We have remained dedicated, committed and inspired to impact the SMEs landscape in Africa by working towards reducing the SMEs financing gap in Africa estimated at USD 155 billion. Our adaptability to the business environments, credibility, technical expertise (risk and market systems) and our innovative products continue to be critical factors in our growth and ultimately, these factors position AGF as the go-to institution for risk-sharing mechanisms in the continent.

Since the year 2020, the COVID-19 pandemic has had serious negative effects on African SMEs both on the supply and demand sides. SMEs often

have a more limited number of suppliers and are particularly vulnerable to the disruption of business networks, problems along the supply chain, transport, logistics and ability to outsource some of their business functions. The lack of revenue for SMEs will severely affect their ability to function, and cause severe liquidity shortages. These various impacts are likely to affect both larger and smaller firms. However, the effect on SMEs may be especially severe, particularly because of higher levels of vulnerability and lower resilience related to their size.

These, coupled with a deterioration of SMEs creditworthiness have resulted in an increase in the cost of credit for the financial sector and their reluctance to finance the SMEs sector. As AGF, we had to adjust our strategy effectively to accommodate the new challenges brought about by the pandemic.

As a result, in the past year, we have continued to assist the SMEs to restructure and stabilize their businesses through the COVID-19 Guarantee Facility launched in 2020 as a measure to cushion them from the pandemic. This has been possible through the successful implementation of the COVID-19 transition Plan for the period 2020-2022, thanks to our strong and competent management team and committed staff.

The next 5-year business plan of the Company shall be developed after the transition plan and will cover the 2023/2028 period taking into account the lessons learned from the pandemic.

The above economic challenges notwithstanding, the year 2021 was a good year for the African Guarantee Fund, and I am happy to report that we achieved significant success in implementing our strategic plan.

## Performance Overview

We have continued to deliver sustainable profitability and have laid the basis to do so over the long term. The group income as at end of December 2021 was 10% better than the same period prior year. The increase in revenue compared to same period last year is mainly due to an increase in the treasury income following the placement of new capital funds received in the year.

Total assets as at end of December 2021 stood at USD 212.6M with the Treasury assets as at end of December 2021 standing at USD 175.9 million. The movement in the balance sheet and the growth in the treasury assets was mainly due to; Increase in funds as a result of capital increase by IFU (USD 20 million), capital contribution by Government of Canada (USD 10 million) and a first loss contribution by USAID (USD 2 million). AGF also signed the AFAWA grant contribution with AfDB. The first tranche payment of the grant of USD 6.1 million was received in the year 2021.

Our total revenue was USD 9.7 million. This was 10% higher than previous year. The increase in revenue is mainly attributed to increase in guarantee income from new guarantee volumes signed in 2021.

The total assets of the company as at December 2021 was USD 212.6 million as a result of an increase in capital of USD 32 million. The total financial assets was USD 175.9 million. The non-earning assets of USD 36.7 million consists of fixed assets, receivables and the net fair value on financial guarantee contracts.

AGF's total comprehensive Income as at December 2021 was a loss of USD 8.3 million. The loss was 43% higher than previous year same period. Total expenses were 3% higher than the same period prior year.

## Funding

One of the critical success factors of our 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 objectives.

Our efforts seek to mobilize catalytic capital, as well as to unlock and channel private capital from Financial Institutions to SMEs in order to boost job creation and poverty reduction. I would like to thank our esteemed shareholders for recognizing the value in committing your resources and efforts towards the African Guarantee Fund. Our AA- rating and its subsequent re-affirmations ensure that we remain a top-rated institution in Africa, which will always keep shareholders' assets and funds under safe and reliable management.

This year has seen AGF's capital increase, as new partner institutions have joined us while existing shareholders have also increased their capital. 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 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 Afreximbank.

We will continue with our fundraising exercise with the objective of injecting more capital in the coming years.

### Corporate Governance

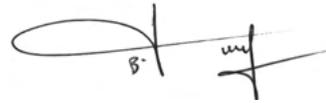
Our corporate governance framework promotes the highest standards of corporate governance and enables the Company to adopt and comply with all principles of good corporate governance. We continue to uphold standards of corporate governance—transparency, integrity, accountability, and responsibility—that reflect applicable legal and regulatory requirements, along with a thoughtful approach to emerging practices. Additionally, the board composition and renewal has allowed for the strengthening of corporate governance by welcoming new and dynamic views in guiding the leadership of AGF.

On behalf of the Board, I wish to thank the shareholders and our PFIs for the continued efforts of supporting AGF to ensure that we achieve our

vision of supporting SMEs to play their role as engines of growth in Africa.

I would like to most sincerely thank the Board members whose guidance ensures that we remain in the path to achieving our vision of being the leading non-bank Financial Institution, which meets the needs of Africa's financing providers, effectively serving SMEs, maintaining our organizational values, and delivering on our mission of promoting economic development and poverty reduction in Africa.

I also take this opportunity to thank our staff for their diligence and hard work, and for the good operational performance we have achieved. We look forward to even better performance and greater results in the years ahead.



**Felix A. BIKPO**  
Chairman of the Board of Directors

### 3. MESSAGE FROM THE GROUP CEO



**Jules NGANKAM**

Group Chief Executive Officer

#### Dear Shareholders,

It gives me great pleasure to share with you the progress and impact we continue to make in positively impacting the Small and Medium-sized Enterprises (SMEs) landscape in Africa.

#### Social Impact

AGF's long term goal is to create impact on the SMEs landscape in Africa, thus, a strong and sustainable partnership with financial institutions remains critical. AGF leverages its strength, expertise and its shareholders' resources to influence the behaviour of Partner Financial Institutions (PFIs) in easing finance to SMEs. To date, USD 2.7 Billion private capital has been made available, with AGF's guarantee products being implemented by 181 PFIs across 40 countries in Africa.

Since inception, about 28,000 SMEs have gained access to income-enhancing loans, which are estimated to have generated about USD 4.5 billion in income, with a large majority of the beneficiaries

being in rural areas. These are SMEs which under normal circumstances would have challenges getting financing. So far, an estimated 189,000 jobs have been directly created by the SMEs benefiting from AGF guarantee.

#### Mitigating the impact of COVID-19 Pandemic

Due to the global COVID-19 pandemic, the year 2021 saw Small and Medium-sized Enterprises (SME's) go through many challenges, with one of them being the escalating deterioration of creditworthiness of SMEs, which resulted to an increased reluctance of financial institutions to finance them. To mitigate this challenge, AGF provided external stimulus to its partner financial institutions through the COVID-19 guarantee Facility so that they could continue supporting SMEs during an unprecedented period of uncertainties, while enabling these SMEs not only to save their businesses but also as many jobs as possible.

The AGF's COVID-19 guarantee has been structured in 2 phases: The stabilization phase; whose objective is to provide more comfort to financial institutions to restructure facilities in order to ease payment terms and conditions of SMEs loans and thereby help SMEs to stay alive and save jobs which have already been created and The revival phase; that aims to support financial institutions in financing SMEs so that these SMEs can recover faster in post-COVID-19 context and accelerate their growth, wealth creation, employment and green transition.

By the end of 2021, AGF had issued USD 77 million of its innovative COVID-19 Guarantee to 24 PFIs. The guarantees benefitted to 1,045 SMEs and helped to maintain approximately 11,100 jobs.

## GROWTH

### ■ Jobs creation through youth entrepreneurship

The ever increasing numbers of unemployed youth continues to be a challenge that policy makers and other stakeholders across the continent must tackle. The role of an empowered youth is critical in every economy. Since SMEs form a dominant share of the private sector in Africa, and account for more than 50% of jobs in their respective economies, it is critical to partner with them so that they are able to grow and create jobs that will result mostly in youth empowerment.

To date, 16,800 youth-owned SMEs have accessed credit thanks to AGF's guarantee. By doing so they do not only create opportunities for themselves, but also demonstrate the economic potential of the continent's young entrepreneurs and innovators to create millions of high-quality jobs and promote inclusive economic growth continent-wide.

### ■ Women Entrepreneurship

As Africa looks to meet the SDGs by 2030, the full participation of women as producers, consumers, business owners and key –decision makers can be a potent force for change. AGF wants to take a leadership role in applying a gender lens in partnership with key stakeholders, by providing risk-mitigating instruments to financial institutions advancing gender equality. AGF Partner Financial Institutions have to date granted, USD 800 million of loans have been granted to over 8,000 women-led SMEs and 334 women-led SMEs trained under AGF's Capacity Development program.

### ■ Agriculture

Agriculture and agribusiness accounts for 32% of GDP in Sub-Saharan Africa and employs 65% of the work force. As such it is likely to have a bigger impact on poverty reduction than other sectors as it offers the most direct route of raising returns to poor people's main assets (i.e. land and labour). This is why for AGF improving access to finance for SMEs in agriculture was made a key priority. To date USD 280 million of loans were granted to over 2,500 SMEs in different agricultural value-chains by AGF's partners.

### ■ Energy and Infrastructure

Infrastructure development is a key driver for progress across the African continent and a critical enabler for productivity and sustainable economic growth. Yet, Africa still faces serious infrastructure shortcomings across all sectors, both in terms of access and quality.

Furthermore, a recent World Bank study found that the poor state of infrastructure in many parts of Africa reduced national economic growth by 2% points every year and cut business productivity by as much as 40%, making Africa the region with the lowest productivity levels in the world.

It is in response to these critical issues impairing the competitiveness of African SMEs that AGF decided to make access to credit for investment in energy and infrastructure a key priority. By end of 2021, USD 1.1 billion of loans had been granted to finance investments led and/or benefitting over 4,100 SMEs in these sectors.

### ■ Green Guarantee Facility

AGF's Green Guarantee Facility (GGF) is demonstrating how renewable energy technologies and businesses have the potential to reach and significantly impact Africa's rural communities as limited access to sources of energy continues to undermine the productivity of households and businesses, limit growth, experience high emissions and deteriorating living standards.

The GGF, which has unlocked USD 164 million of financing since its launch, has shown that private sector innovation has the potential to reach people in ways that large-scale government investment in grid extension and climate adaptation infrastructure has so far struggled to deliver. By the end of 2021, 144,865 KW of clean generation capacity, benefitting to 42 million of people, has been installed resulting in 72.7 million tons of CO2 equivalent prevented.

### ■ Value Addition Partnerships

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

AGF has been complementing all guarantee products with a Capacity Development component to mitigate the risks facing our Partner Financial Institutions. This entails technical assistance to PFIs to mitigate their operational risks when on-lending to SMEs and/or to help them increase their SMEs portfolio. AGF also provides Capacity Development assistance to SMEs themselves to build their capacity for easier access to finance. Support to SMEs is availed through PFIs and Business Development Service (BDS) providers.

Financial Institutions (FIs) trainings which revolve around credit, risk management and products development are offered to all Financial Institutions whether with or without an existing guarantee with AGF and are usually organized to encourage them to venture in identified areas of interest.

By end of 2021, AGF had committed USD 1.8 million for Capacity Development with 25 PFIs who had entered into a guarantee agreement with AGF. The main objective in this type of arrangement is to mitigate the risks that have been identified during the due diligence by improving the PFI's capacity in areas of credit and risk management.

As a secondary objective, AGF can also avail Capacity Development support to a PFI in order to help it to grow its SMEs clientele by re-engineering its strategy, policies and processes, launching a new product or enhancing the capacity of its SMEs clientele.

I am delighted to inform you that the analysis of the portfolio at risk as of 31 December 2021 revealed that Capacity Development has reached its primary objective.

We shall therefore 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.

### ■ Compliance

AGF is guided by a strong Environmental and Social Management Framework (ESMF) that it uses in the assessment of E&S Risks of each guarantee facility. The Policy sets out the Environmental & Social objectives and principles that guide AGF's business activities to achieve sound E&S performance. Whereas AGF targets all sectors, it has identified four key priority sectors that drive the African economy that include Agro-Industry, Energy, Manufacturing and Infrastructure and I am happy to report that we have achieved great results in those sectors.



**Jules NGANKAM**  
Group Chief Executive Officer

## 4. OUR PEOPLE

### BOARD OF DIRECTORS

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**Felix BIKPO**

Independent Director, Chairman



**Morten CHRISTIANSEN**

(Nominated by DANIDA and IFU)



**Olawale SHONIBARE**

(Nominated by AfDB)



**Richard MARNEY**

Director, Representing KfW  
(Since February 2021)



**Christian YOKA**

Director, Representing AFD  
(Since February 2021)



**Kenny NWOSU**

Independent Director  
(Since February 2021)



**Riad AUBDOOL**

Resident Director



**Sandhya JOGEE**

Resident Director

## MANAGEMENT

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**Jules NGANKAM**

Group Chief Executive Officer



**Constant N'ZI**

Deputy Group Chief Executive Officer & Group Chief Risk Officer



**Bendjin KPEGLO**

Managing Director  
AGF West Africa



**Josphat NGARUIYA**

Group Head of Human Resources



**Daisy WANJIE**

Group Chief Finance Officer



**Ali BALLO**

Group Chief Internal Controller



**David EKABOUMA**

Group Director of Monitoring and Evaluation



**Franck ADJAGBA**

Group Director of Business Development



**Nishdeep SETHI**

Ag. Head of Structured Finance



**Juneid KODABUX**

Group Director of Legal and Corporate Affairs



**Yves BOUDOT**

Group CEO's Advisor

## OUR TEAM



## OUR TEAM

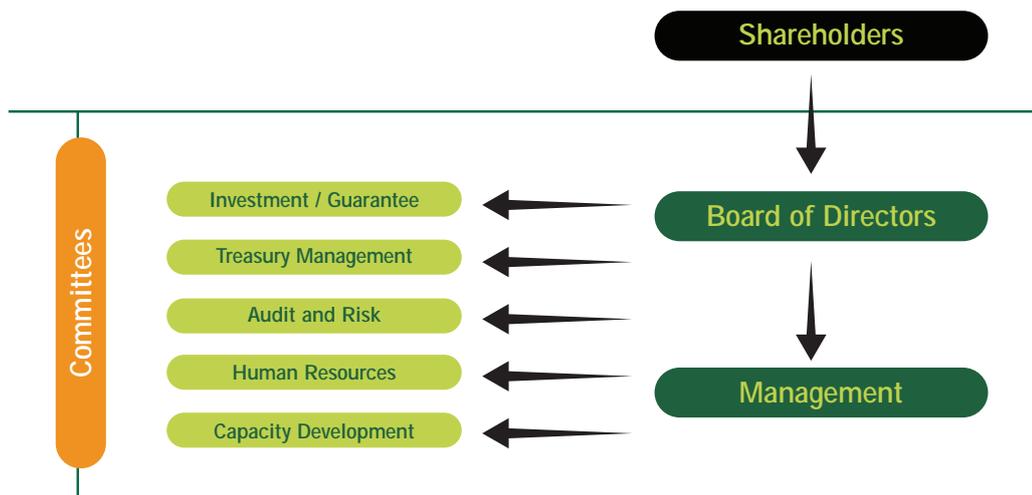
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## 5. STATEMENT OF CORPORATE GOVERNANCE

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 Directors (“The Board”) ability to guide the Management in its efforts to generate sustainable value, enhance business integrity and maintain investor confidence in our ability to achieve corporate mission and vision. We uphold standards – transparency, integrity, accountability and responsibility - that reflect applicable legal and regulatory requirements and a thoughtful approach to emerging practices.

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



The corporate governance framework has been enhanced in order to promote the highest standards of corporate governance and to enable the Company to adopt and comply with all principles of good corporate governance. 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, among other elements, the roles and responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, as well as the Board’s relationship 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; this has guided AGF and created value for the benefit of shareholders.

## 6. OUR RESULTS: A PATHWAY TO SUSTAINABLE DEVELOPMENT GOALS

### RESULTS AT A GLANCE

#### Improving Lives in Africa



**USD 4.5 Billion**

estimated revenue generated by the **28,000 SMEs** guaranteed

**Approximately 50%**

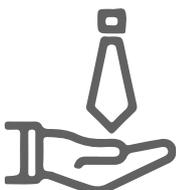
of SMEs are located in rural areas

**42 Million (\*)**

People with access to clean energy



#### Fostering Jobs Creation



**189,000**

Additional jobs created

**16,800**

Youth-owned SMEs with credit access



#### Fighting Climate Change



**72.7 million tons of CO2 equivalent (\*)**

Greenhouse Gas (GHG) avoided

**143,865 KW**

Cleaner generation capacity installed

**127 PFIs and 291 SMEs**

Trained under AGF's Capacity Development Assistance



#### Promoting Gender Equality



**USD 800 million**

Loans granted to 8,000+ women-led SMEs

**334 women-led**

SMEs Trained under AGF's Capacity Development Assistance



## Contributing to Africa's Competitiveness



**USD 1.1 billion**

Loans granted to **4,100+ SMEs** in the Energy, Infrastructure and Manufacturing Sectors.



## Contributing towards Food Security



**USD 280 million**

Loans granted to **2,500+ SMEs** in the Agriculture Sector.



## Partnering for Poverty Reduction



**USD 2.7 Billion**

Private capital made available

**181**

Partner Financial Institutions

**40**

Countries

**USD 4 Million**

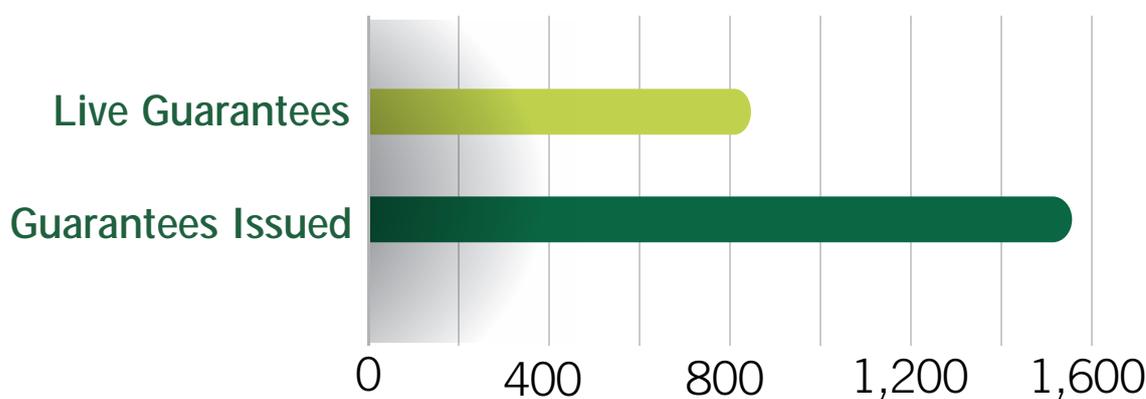
Value of Capacity Development Initiatives



(\* ) Based on GOGLA's GHG emissions methodology.

## GUARANTEE PORTFOLIO

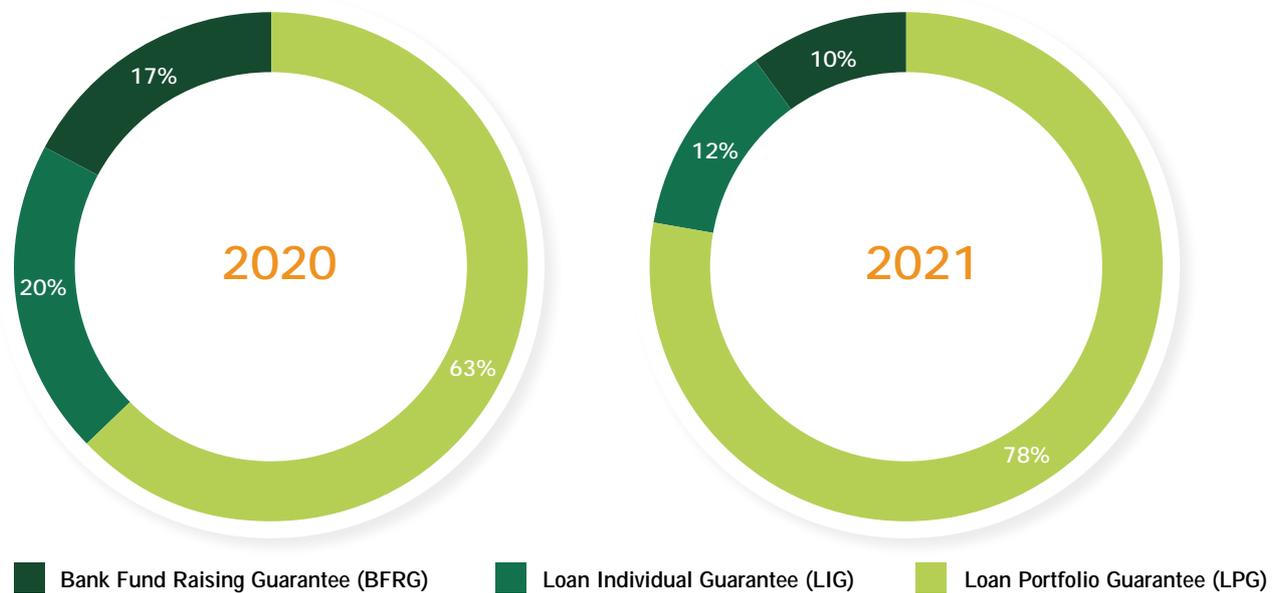
AGF provides guarantee instruments designed to share risk with public and private actors in order to mobilize additional capital and draw in new partners to achieve development impact. By the end of 2021, AGF cumulatively issued USD 1.56 billion of guarantees to 181 Partner Financial Institutions (PFIs) in 40 countries in Africa. As of 31 December 2021, the outstanding volume of guarantees is USD 818 million, out of which USD 174 million is re-guaranteed by our partners AfDB, AFREXIM, ARIZ/AFD, GUARANTCO and SIDA.



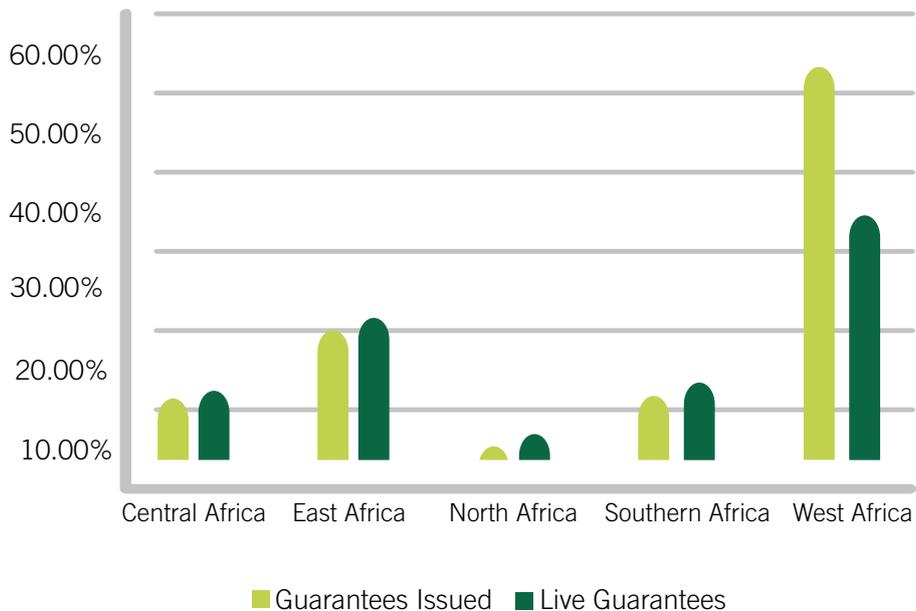
AGF has three types of guarantees designed to jointly close the financing gap: bank fundraising guarantees, equity guarantees, and loan guarantees (portfolio and individual).

- The **Bank Fund Raising Guarantee (BFRG)** covers bonds issued by a PFI to investors for whom the parameters have been defined, although the individual investors, may not be known, for the purpose of raising long-term resources to finance SMEs.
- The **Equity Guarantee (EG)** covers initial capital investment loss for investors providing equity or quasi-equity to SMEs. The EG provides an alternative source of financing to SMEs that face difficulties in accessing bank financing due to their weak financial structure.
- The **Loan Individual Guarantee (LIG)** covers a single loan made by a PFI to a single Borrower whose identity is known.
- The **Loan Portfolio Guarantee (LPG)** covers a portfolio of loans made by a PFI 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 obtain approval from AGF prior to the placement of each loan under the guarantee.

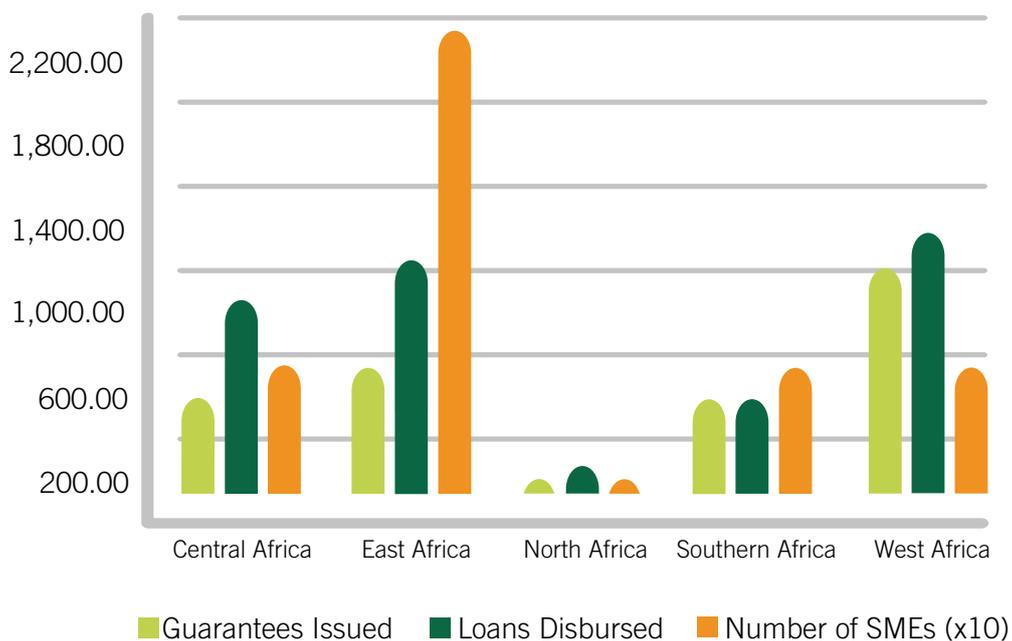
Out of the four products offered above, AGF has so far issued predominantly LPGs, followed by LIGs and then BFRGs, as depicted below:



As of 31 December 2021, the USD 818 million of outstanding guarantees are geographically spread over the Central Africa, Eastern Africa, Southern Africa and West Africa regions as follows:



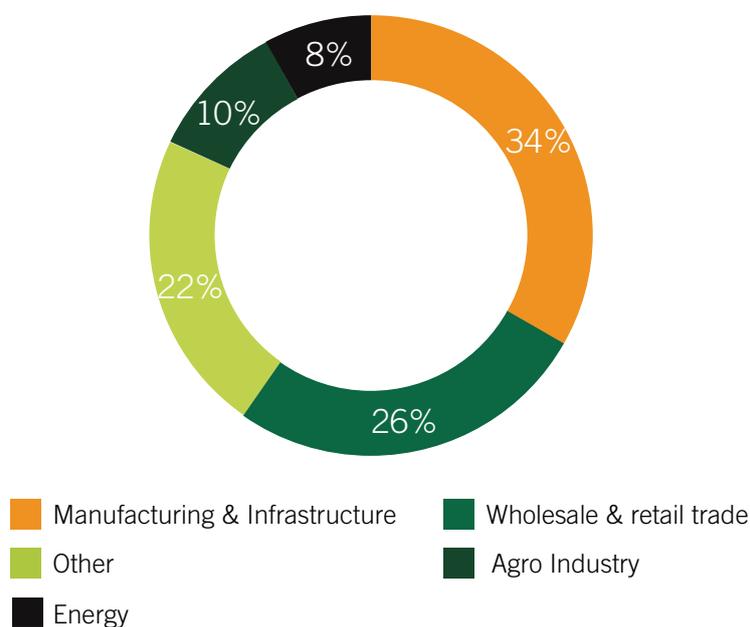
AGF guarantees trigger the confidence of PFIs to extend credit facilities to SMEs, as most of the SMEs supported by AGF guarantees are those that would normally not qualify for such facilities under existing commercial terms, especially with regard to collateral. By the end of 2021, USD 2.7 billion had been disbursed to about 28,000 SMEs.



Since inception, the total guarantees claimed and paid by AGF has amounted to USD 16 million, representing about 2% of the total guarantees provided since inception. The NPL ratio of AGF has been stable over the year 2021, thanks to the restructuring of facilities negatively impacted by Covid-19 and as guided by most Central Banks in Africa.

AGF's guarantees are utilized by PFIs to unlock existing financial resources and facilitate access to credit for SMEs in all sectors of the economy. However, AGF has prioritized three sectors (i.e. Agriculture, Energy and Manufacturing & Infrastructure) in its 2017-2021 strategic plan. These sectors, in addition to being major contributors to rapid economic development in Africa, also have higher potential to create thousands of jobs for youth and women.

Below is the distribution of the disbursed facilities per sector, since inception, where most facilities were disbursed to SMEs in Manufacturing & Infrastructure sector, followed by the Wholesale & retail trade sector.



Over the year 2021 however, the sector which has benefited the most from AGF guarantee is the Wholesale & retail trade sector, followed by the Manufacturing & Infrastructure sector as depicted below.

As of 31 December 2021, the outstanding utilized guarantees amounted to USD 204 million, with geographical spread into the regions of Central Africa, Eastern Africa, Southern Africa and West Africa as follows:

Region	Number of SMEs	Outstanding Guaranteed Amount (USD Million)
Central Africa	787	39
East Africa	4,287	68
North Africa	10	6
Southern Africa	335	15
West Africa	422	75

## ENVIRONMENTAL & SOCIAL FRAMEWORK

For its Environmental and Social Risk Management, AGF is guided by its E&S Policy and E&S Management Framework (ESMF), which it uses in the assessment of the E&S Risks of each guarantee facility. The Policy sets out the Environmental & Social objectives and principles which guide AGF's business activities to achieve sound E&S performance. The ESMF sets out our approach to the identification, assessment, approval and management of these E&S risks. The ESMF has been developed in line with the E&S Policy.

The ESMF objective is to assess the management of such risks by AGF's Partner Financial Institutions (PFIs). The Policy and ESMF are based on the IFC Performance Standards and aligned to International Standards for Financial Intermediaries (including but not limited to the EDFI Principles for Responsible Financing, the AfDB operational Safeguards, the core ILO Labour Standards).



### Performance Standards



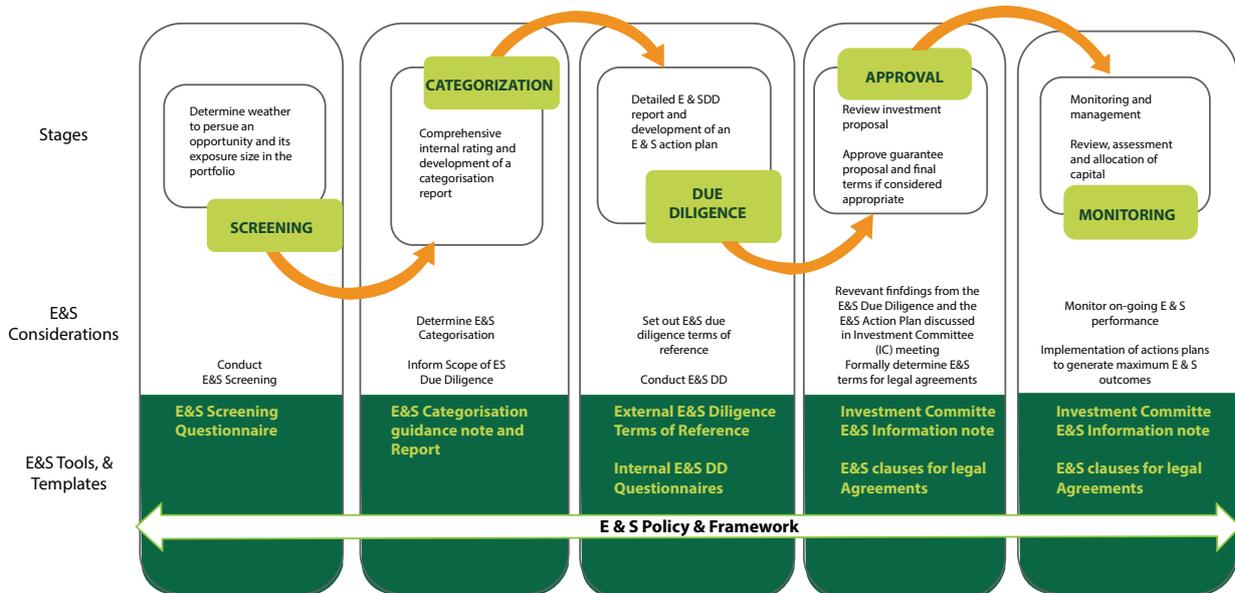
Although AGF targets all sectors in the Africa economy, it has identified four key priority sectors which drive the African economy being agro-industry, energy, manufacturing and infrastructure. In this regard, AGF has adopted a robust Exclusion List to ensure that it no invest, guarantee or provide capacity development to any activity, production, use, distribution, business or trade that is on this list.

With its key target sector being SMEs, AGF-supported projects that contribute directly to the Global Goals for Sustainable Development (SDGs) as illustrated below.

## PROCEDURE AND PROCESSES

The E&S risk assessment is integrated into the guarantee appraisal process and includes different stages and associated steps, as presented hereunder:

- **Screening:** The AGF Exclusion List is applied to the prospective SME/PFI/transaction with the objective of determining whether to pursue such opportunity and its exposure size within the portfolio.
- **Due Diligence:** This key step consists of an investigation or exercise of care performed before entering into an agreement to determine approach, understanding and management of E&S risks in relation to the prospective SME/PFI/transaction. The E&S Due Diligence mainly focuses on:



- i. How the PFI assesses its own E&S risks; and
- ii. How the SME is equipped to manage E&S risks.



- **Categorization:** This is undertaken in accordance with the categorization process of the IFC, as outlined in the Equator Principles III (2013) and further detailed on the following page. The categorization of a prospective guarantee depends on the type, location, sensitivity, scale as well as the nature and magnitude of its potential risks and impacts.
- **Approval:** E&S risk assessment is integrated into the guarantee risk appraisal process hence the approval process is similarly embedded. The relevant findings from the E&S Due Diligence are discussed during the Committee meeting with the objective of determining E&S terms for legal agreements. Any E&S action plans (ESAPs), terms and conditions, monitoring and reporting requirements are captured in the Guarantee Agreement that is to be entered into by AGF and its Partner Financial Institutions, to ensure that all partners integrate Environmental and Social Management Guidelines.
- **Monitoring:** The monitoring is conducted in line with the signed Guarantee Agreement provisions in terms of monitoring and reporting requirements captured there-in e.g. frequency of monitoring or reporting, level of detail of information based on Category etc. The PFI's monitoring usually occurs in one or more of the following means:
  - Review of E&S Action Plans implementation;
  - Review of annual monitoring reports prepared by the PFI;
  - Provide Capacity Development assistance and opportunities to PFIs to support them in mitigating their operational risks when lending to SMEs, where applicable.

In accordance with the AGF E&S Framework, we have categorized the guarantee exposure based on the level of threat and risk or none to social and environmental sustainability.

The categories, as specified under the policy and framework, in line with our reference standards, are detailed hereunder:

- Category A or FI-1: Projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented;
- Category B or FI-2: Projects with potential limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures, and
- Category C or FI-3: Projects with minimal or no social or environmental impacts.

There are two types of E&S assessment that AGF undertakes:

1. Direct assessment of SME's E&S risks (applicable to Loan Individual Guarantees, Equity Guarantees and Treasury Investment on Corporate Companies). For this the Categories applied are A, B, and C.
2. Indirect assessment of SME's E&S risks through delegation of assessment to PFI and direct assessment of the PFIS' E&S framework by AGF (applicable to Loan Portfolio Guarantees, Bank Fundraising Guarantees, Capacity Development and Treasury Investment on PFI). For this the Categories applied are FI-1, FI-2, FI-3

## E&S RESOURCES AND TOOLS

The key internal and external stakeholders involved in the day-to-day management of the E&S risk processes are as shown in the diagram below.



The Relationship Managers are responsible to undertake the E&S screening of new opportunities, and adequately record the outcomes of processes, with the support of the Risk Manager. The Risk Manager is specifically in charge of overseeing AGF's risk management practices and ensure the coordination and integration of the E&S Framework throughout the guarantee appraisal. The Group Risk Officer is responsible for overseeing the Due Diligence and Approval phases, with the support of the Risk Manager. AGF uses various tools when executing the E&S Risk assessment and management process. These include questionnaires, forms, templates, registers such as a screening questionnaire, categorisation report template, due diligence questionnaire and report template, guarantee committee information note, incident reporting form, incident register, and monitoring report template. Such tools are developed in line with the above-mentioned and described E&S Management Framework to ensure adequate implementation of AGF's E&S Policy.

In the spirit of continuous improvement, a review of the implementation of AGF's E&S Framework was performed in 2021 by AGF's external E&S Advisor, which allowed for the identification of areas for improvement and recommendations.

## AGF's VALUE-ADD

As part of its commitment to provide Value-Add opportunities to its Partner Financial Institutions, AGF's Capacity Development initiative complements its guarantee products by providing strategic support to PFIs in order to mitigate their potential operational risks when lending to SMES. This refers to assistance to participating institutions designed to increase their SMEs financing and risk management capabilities. The AGF Capacity Development facility (including services, systems, training) is a matching grant facility, whereby it is based on a specific project rationale for particular purposes and on condition that the recipient makes a specified contribution for the same purpose.

In 2021, AGF has identified a total of eight PFIs for Capacity Development needs, across East Africa (Kenya, Tanzania) and Western and Central Africa (Nigeria, Ivory Coast, and Senegal).

## OUR PARTNERS

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Our partners include our shareholders and development partners, enabling AGF to promote economic development and address poverty reduction in Africa by effectively serving Small and Medium Enterprises.

## OUR SHAREHOLDERS

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### Ministry of Foreign Affairs of the Government of Denmark

MINISTRY OF FOREIGN AFFAIRS OF DENMARK  
**DANIDA** | INTERNATIONAL  
DEVELOPMENT COOPERATION



The Ministry of Foreign Affairs of the Government of Denmark is represented by the Danish International Development Agency, which provide humanitarian aid and development assistance.

### Ministry of Foreign Affairs and Cooperation Government of Spain



The Ministry of Foreign Affairs and Cooperation of the Government of Spain is represented by the Spanish Agency for International Development Cooperation, whose aim is to combat poverty and promote sustainable human development.

### African Development Bank



The African Development Bank Group is a regional multilateral development finance institution established to contribute to the economic development and social progress of African countries that are the institution's Regional Member Countries.

## Agence Française de Développement (French Development Agency)



Agence Française de Développement is a financial institution and the main implementing agency for France's development assistance to developing countries and overseas territories.

## Nordic Development Fund



The Nordic Development Fund is the joint development finance institution of the five Nordic countries. The objective of NDF's operations is to facilitate climate change investments in low-income countries.

## Investment Fund for Developing Countries



IFU is an independent government-owned fund offering advisory services and risk capital to companies wishing to do business in developing countries and emerging markets.

## KfW

KfW is a German government-owned development



bank that provides financing to governments, public enterprises and commercial banks engaged in microfinance and SME promotion in development countries.

## OUR DEVELOPMENT PARTNERS

### SIDA

The Swedish International Development Cooperation Agency (SIDA) is a government agency of the Swedish Ministry for Foreign Affairs. The objective of SIDA is to create opportunities for people living in poverty and under oppression to improve their living conditions.



### USAID

The United States Agency for International Development is the U.S government agency that provides foreign assistance to support shared development objectives. USAID implements Development Credit Authority (DCA) guarantees.



## 2021 HIGHLIGHTS

### 1. By product

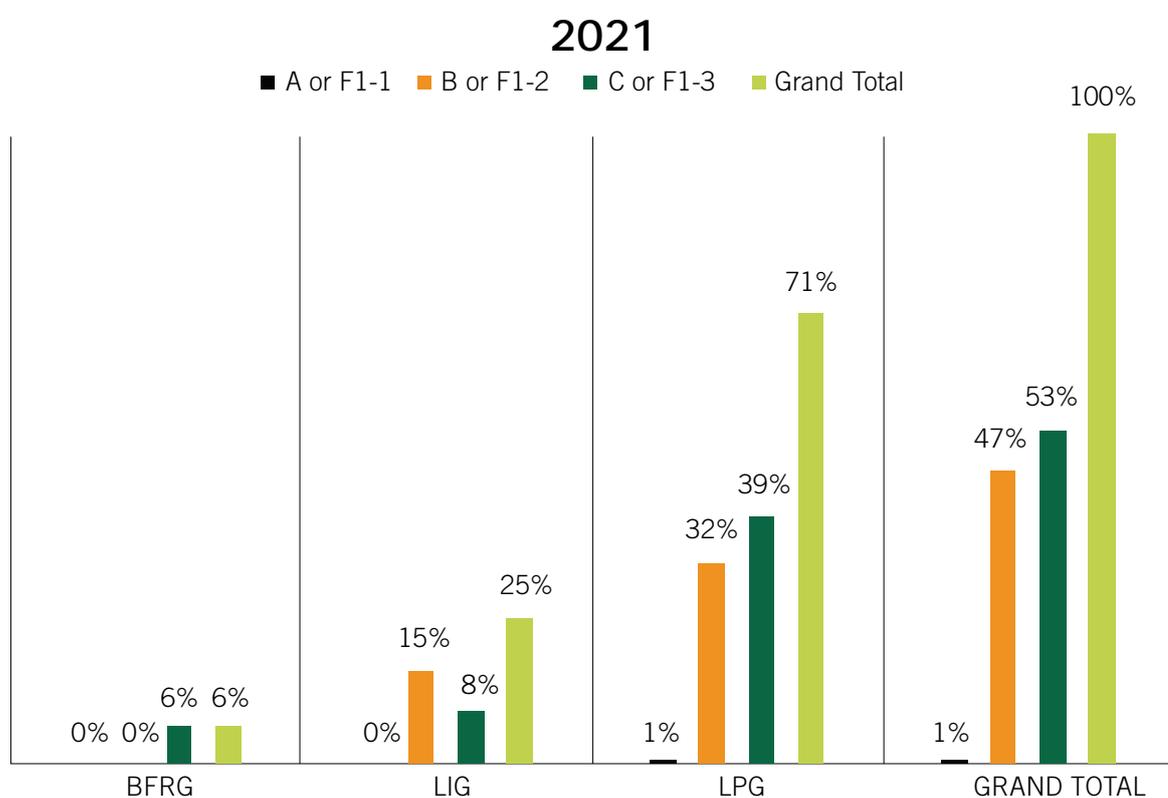
#### 2021

	A or FI-1	B or FI-2	C or FI-3	Total
BFRG	0%	0%	6%	6%
LIG	0%	15%	8%	23%
LPG	1%	32%	39%	71%
Total	1%	47%	53%	100%

#### 2020

	A or FI-1	B or FI-2	C or FI-3	Total
BFRG	0%	2%	31%	33%
CG	0%	0%	0%	0%
LIG	1%	22%	5%	28%
LPG	0%	16%	24%	39%
Total	1%	39%	60%	100%

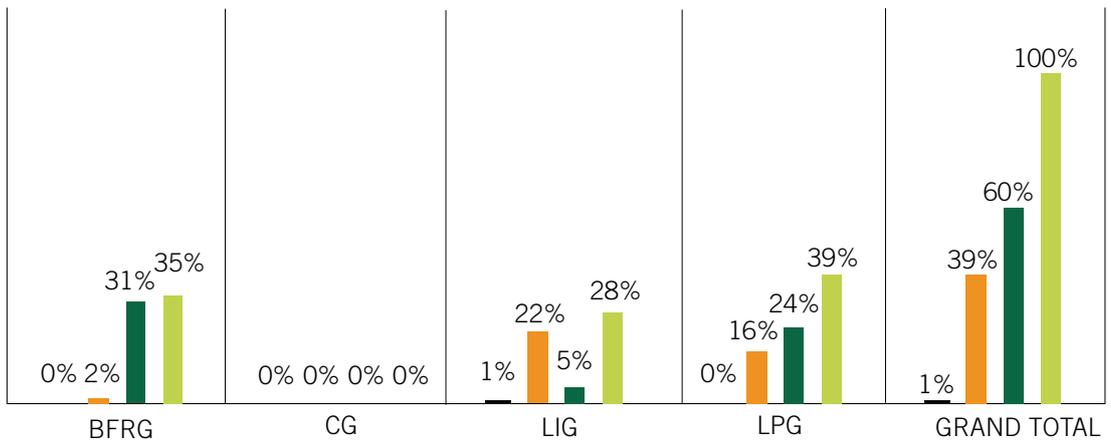
#### 2021



2020

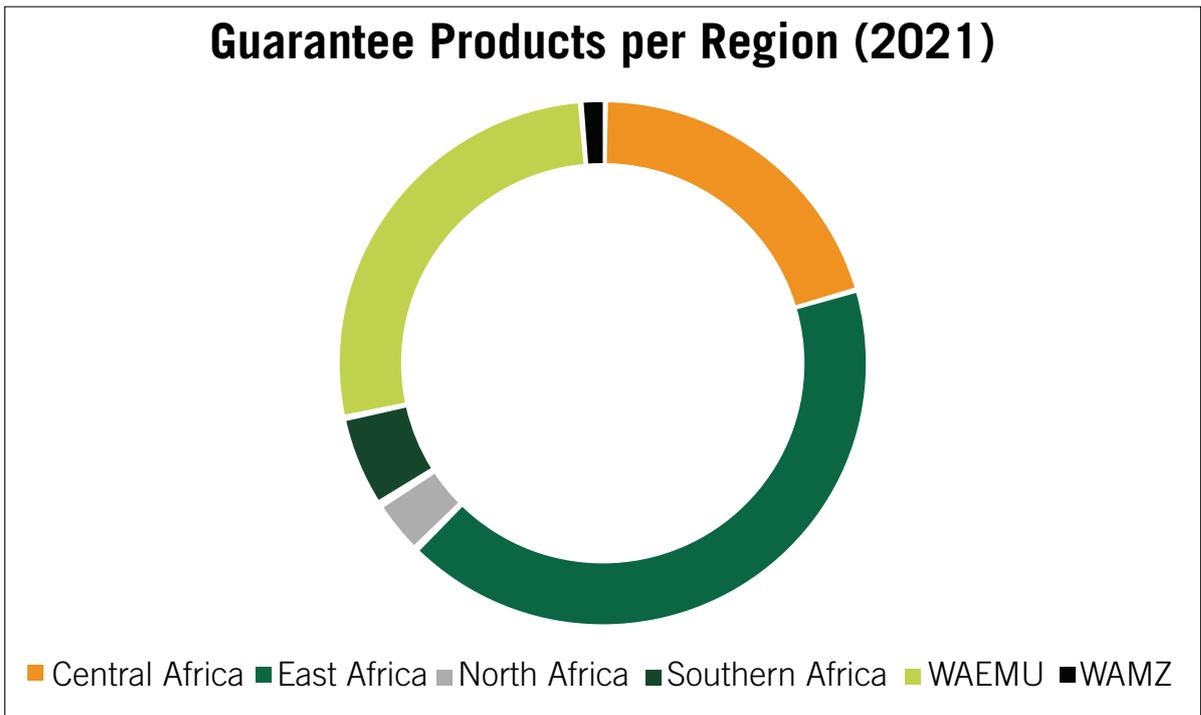
2020

■ A or F1-1 ■ B or F1-2 ■ C or F1-3 ■ Grand Total

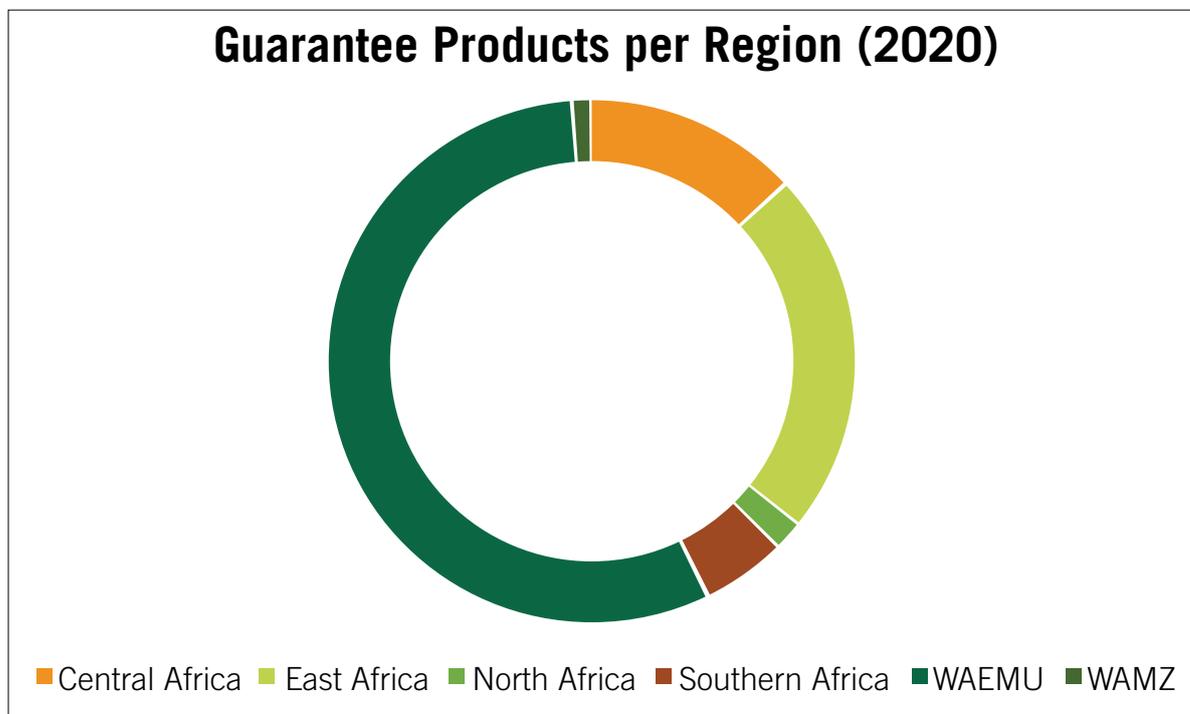


2021

### Guarantee Products per Region (2021)



2020



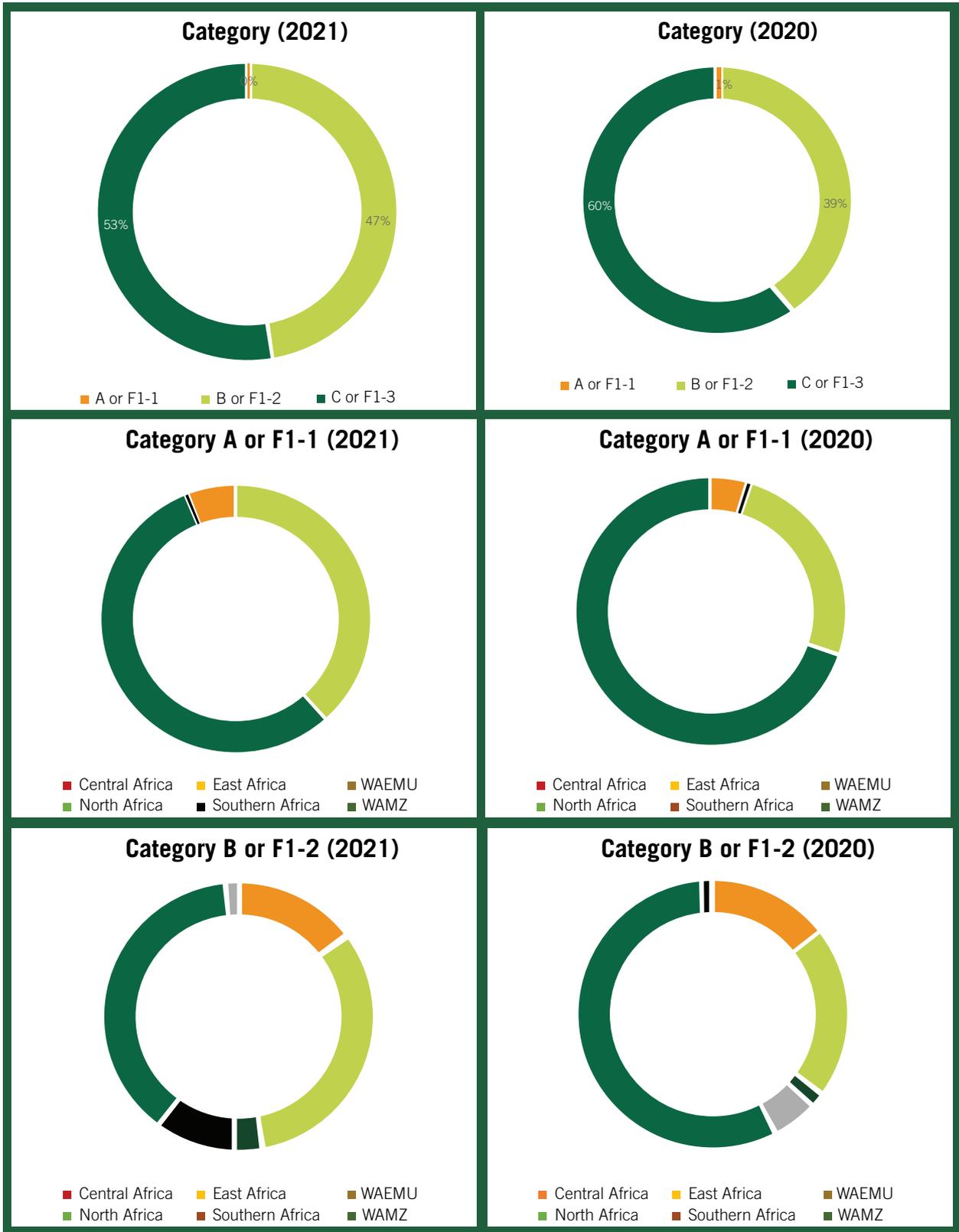
## 2. By Category and Regions

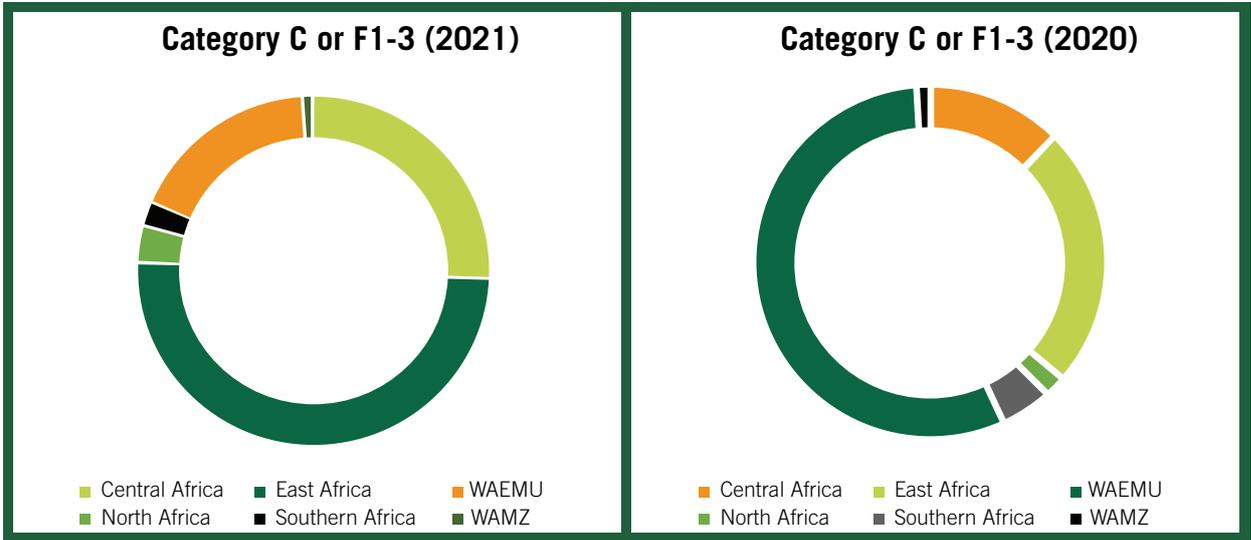
2021

	A or FI-1	B or FI-2	C or FI-3	Total
Central Africa	0%	7%	14%	21%
East Africa	0%	15%	26%	42%
North Africa	0%	2%	2%	3%
Southern Africa	0%	4%	1%	6%
WAEMU	0%	18%	9%	27%
WAMZ	0%	1%	0%	1%
<b>Total</b>	<b>1%</b>	<b>47%</b>	<b>53%</b>	<b>100%</b>

2020

	A or FI-1	B or FI-2	C or FI-3	Total
Central Africa	0%	6%	7%	13%
East Africa	0%	8%	14%	22%
North Africa	0%	1%	1%	2%
Southern Africa	0%	2%	3%	5%
WAEMU	1%	22%	33%	56%
WAMZ	0%	0%	1%	1%
<b>Total</b>	<b>1%</b>	<b>39%</b>	<b>60%</b>	<b>100%</b>

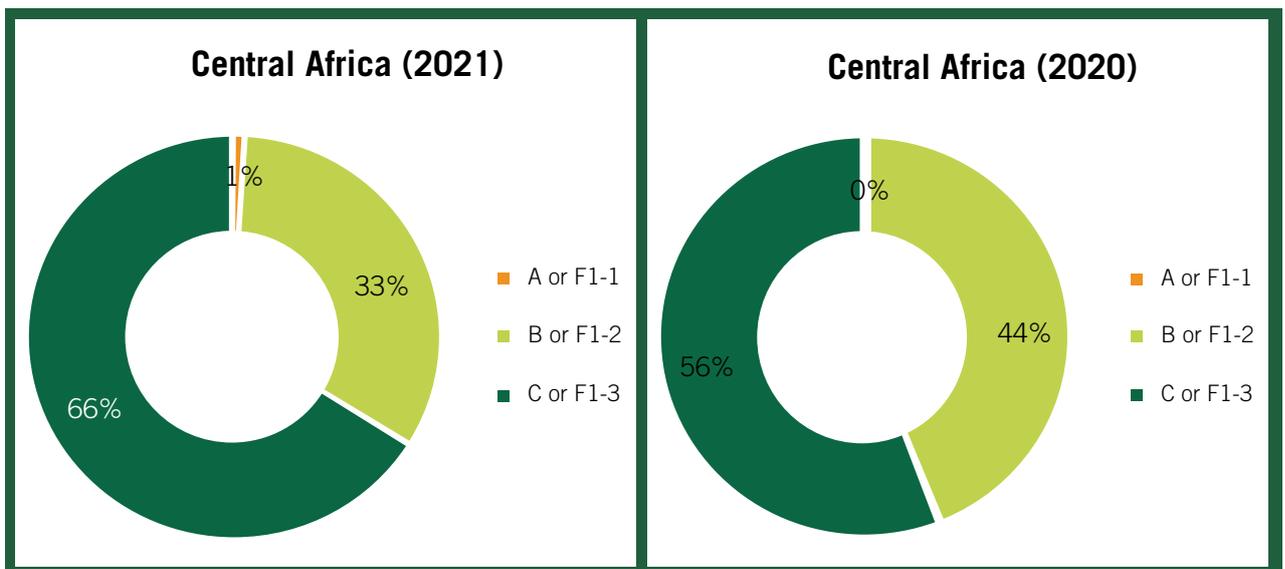




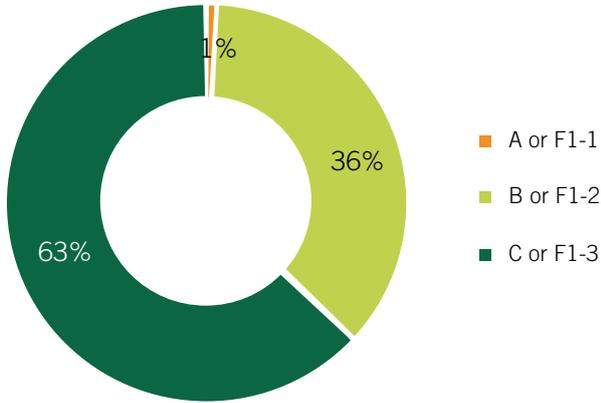
From the above charts it can be seen that the larger part of AGF guarantee exposure is categorized as Low Risk (C or F1-3) and Medium Risk (B or F1-2). Where the portfolio comprises of Category A or F1-1 guarantees, such are Legacy Guarantees issued mainly in the mining and quarrying or extractive sector by GARI Fund prior to its acquisition by AGF.

The charts below illustrate the distribution per region, including Central Africa, East Africa, North Africa, Southern Africa, West African Economic and Monetary Union (WAEMU), West African Monetary Zone (WAMZ).

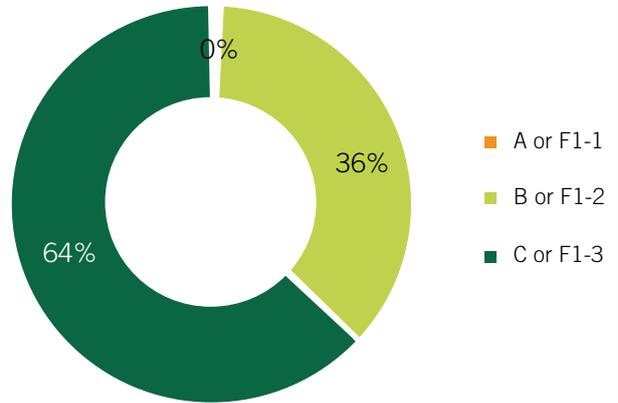
The Category B or F1-2 guarantees relative to the rest of the portfolio varies depending on the region.



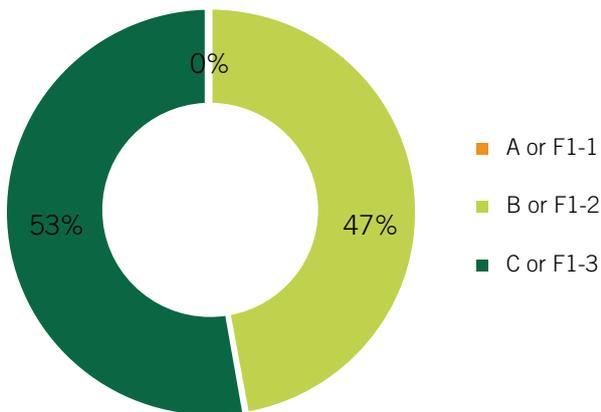
**East Africa (2021)**



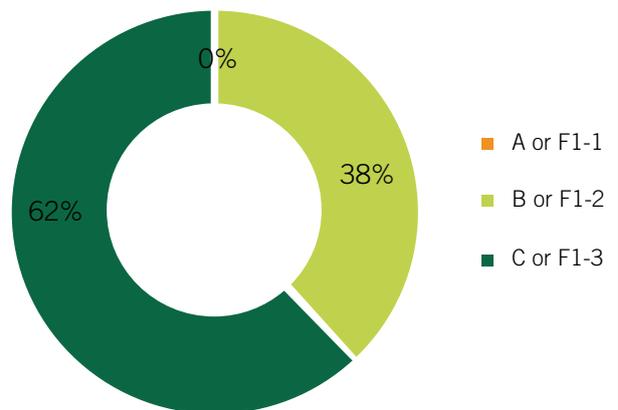
**East Africa (2020)**



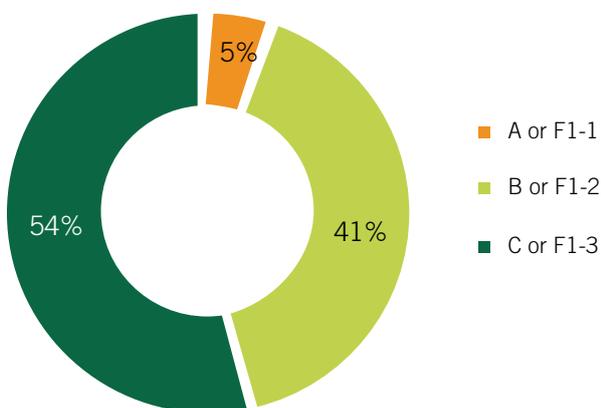
**North Africa (2021)**



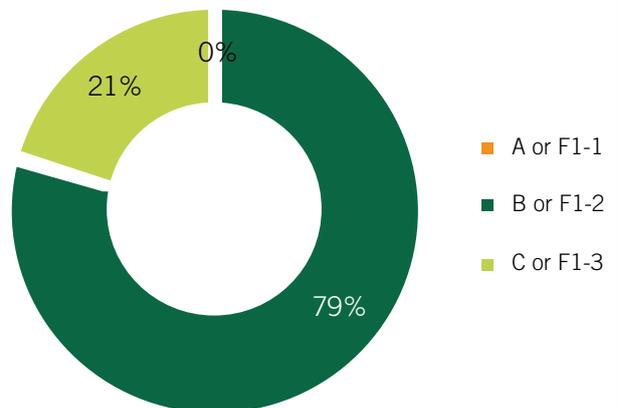
**North Africa (2020)**



**Southern Africa (2020)**

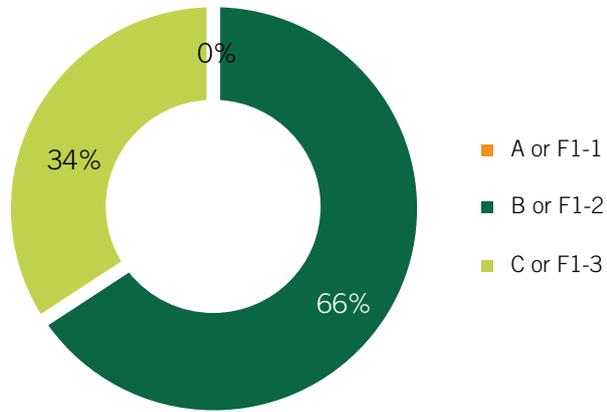


**Southern Africa (2021)**

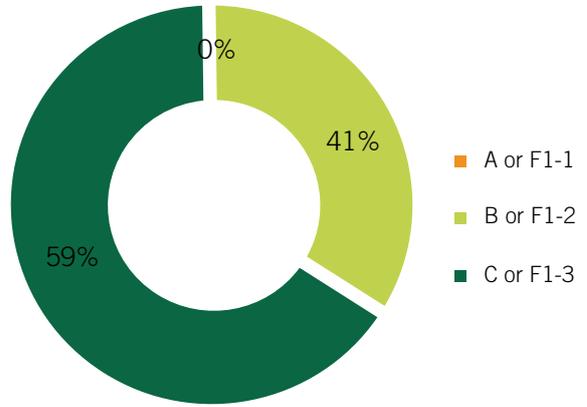




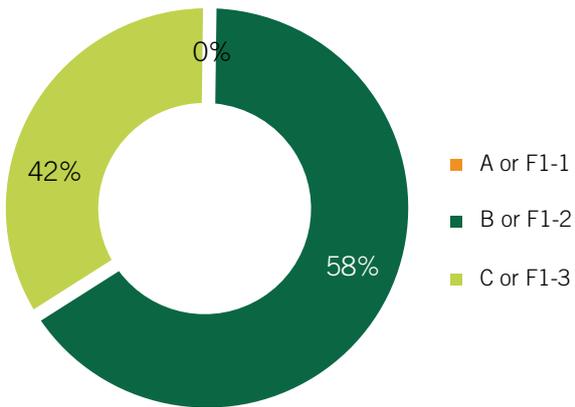
**WAEMU (2021)**



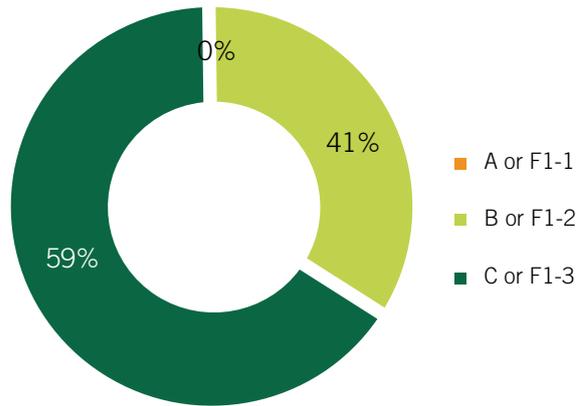
**WAEMU (2020)**



**WAMZ (2021)**



**WAMZ (2020)**



### 3. By AGF's Priority Sectors

#### 2021

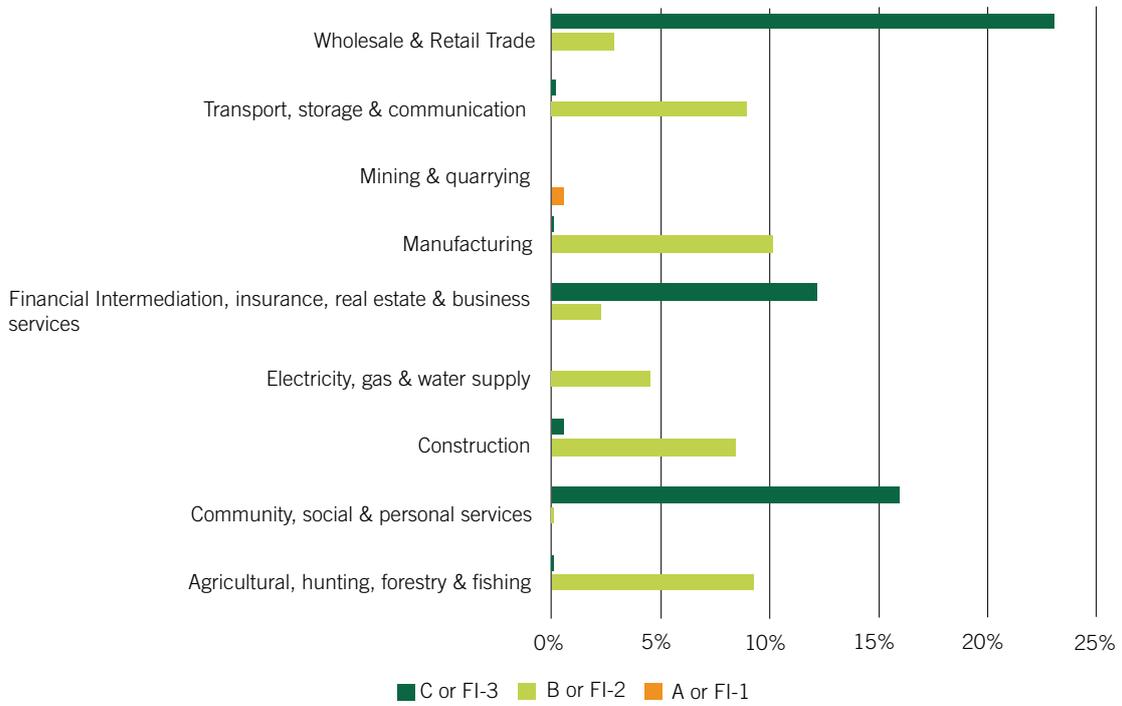
	A or FI-1	B or FI-2	C or FI-3	Total
Agriculture, hunting, forestry & fishing	0%	9%	0%	9%
Community, social & personal services	0%	0%	16%	16%
Construction	0%	8%	1%	9%
Electricity, gas & water supply	0%	5%	1%	5%
Financial intermediation, insurance, real estate & business services	0%	2%	12%	14%
Manufacturing	0%	10%	0%	10%
Mining & quarrying	1%	0%	0%	1%
Transport, storage & communication	0%	9%	0%	9%
Wholesale & retail trade	0%	3%	23%	26%
<b>Total</b>	<b>1%</b>	<b>47%</b>	<b>53%</b>	<b>100%</b>

#### 2020

	A or FI-1	B or FI-2	C or FI-3	Total
Agriculture, hunting, forestry & fishing	0%	0%	0%	0%
Community, social & personal services	0%	0%	0%	0%
Construction	0%	0%	0%	0%
Electricity, gas & water supply	0%	0%	0%	0%
Financial intermediation, insurance, real estate & business services	0%	29%	59%	88%
Manufacturing	0%	10%	0%	10%
Mining & quarrying	1%	0%	0%	1%
Trade & Commerce	0%	0%	0%	0%
Transport, storage & communication	0%	0%	0%	0%
Wholesale & retail trade	0%	0%	0%	0%
<b>Total</b>	<b>1%</b>	<b>39%</b>	<b>60%</b>	<b>100%</b>

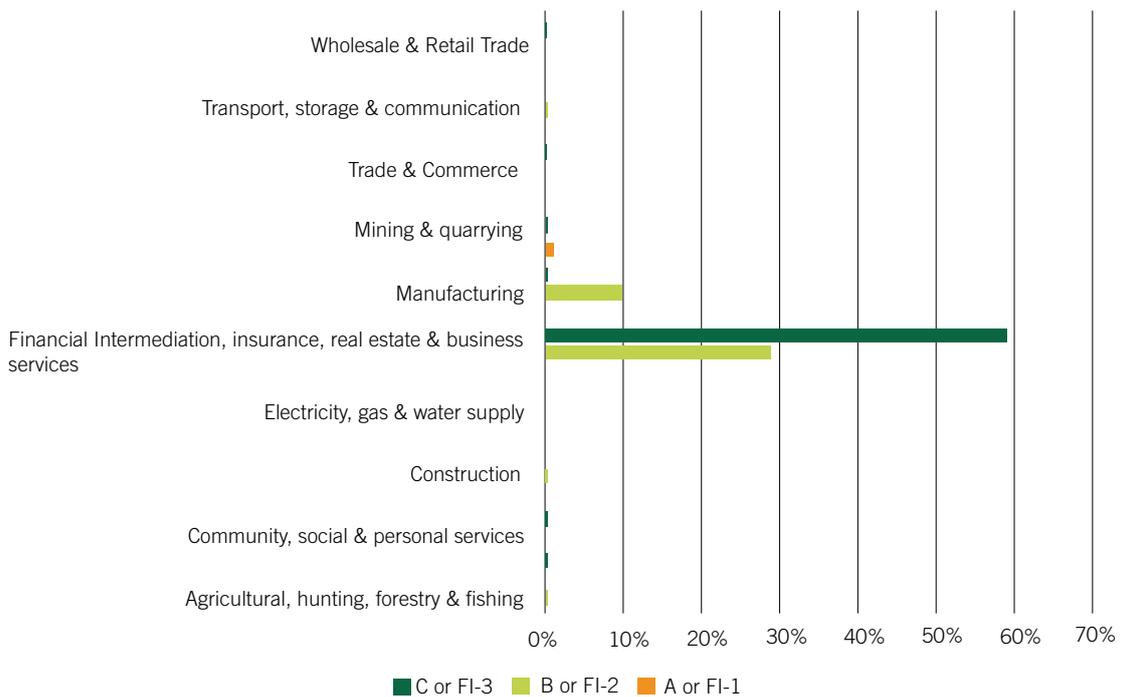
2021

### Industry And Sectors (2021)



2020

### Industry And Sectors (2020)



2021

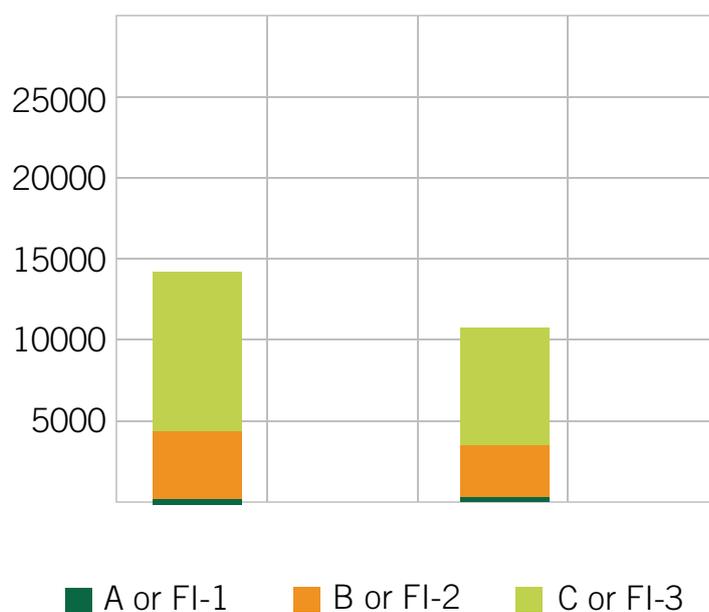
	A or FI-1	B or FI-2	C or FI-3	Total
Central Africa	7	432	1,047	1,486
East Africa	24	4,965	12,456	17,445
North Africa		3	15	18
Southern Africa	10	793	890	1,693
WAEMU	2	701	657	1,360
WAMZ		33	16	49
<b>Total</b>	<b>43</b>	<b>6,927</b>	<b>15,081</b>	<b>22,051</b>

2020

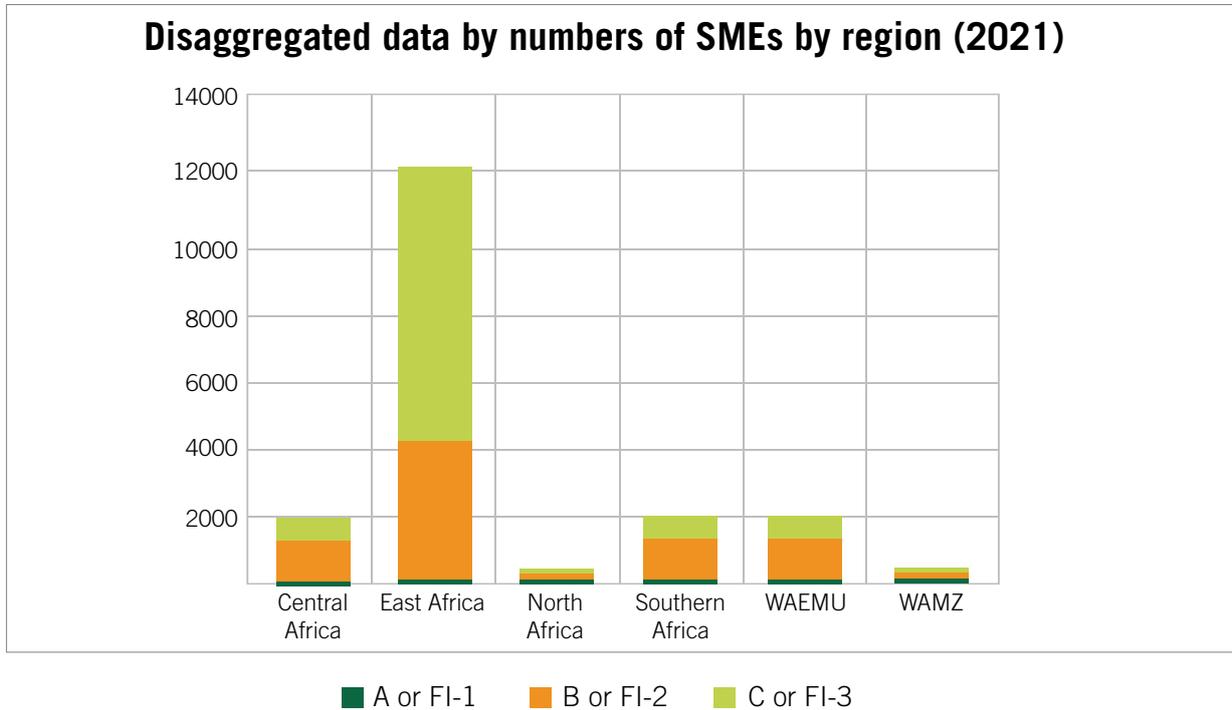
	A or FI-1	B or FI-2	C or FI-3	Total
Central Africa	9	673	1,880	2,562
East Africa	2	3,449	9,596	13,047
North Africa		3	10	13
Southern Africa	5	643	882	1,530
WAEMU	4	427	475	906
WAMZ		33	23	56
<b>Total</b>	<b>20</b>	<b>5,228</b>	<b>12,866</b>	<b>18,114</b>

2021 compared to 2020

### Disaggregated data by numbers of SMEs



## Disaggregated data by numbers of SMEs by region (2021)



## E&S PERFORMANCE REVIEW

Exposure on excluded sectors

As of 31st of December 2021, AGF has no exposure to report on any excluded sector.

Incidents reported in 2021

As of 31st of December 2021, a few incidents and accidents relating to health and safety injuries have been reported either internally within AGF or on any exposure of AGF (Treasury Assets, Guarantee Activity and Capacity Development Activity).

Such incidents and accidents reported by one PFI are in relation to a client involved in manufacturing activities and operations in Nigeria. The information relating to the causes of the incident or accident include the following: mechanical failure, lack of adequate adherence to safety procedures and measures, lack of adequate implementation of machine safety procedures, etc. Prevention and corrective measures to address such occurrences are reportedly identified and under implementation.

## APPENDIX: AGF EXCLUSION LIST

AGF will not invest, guarantee or provide capacity development to any activity, production, use, distribution, business or trade listed in the following list of industries:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides or chemicals, ozone depleting substances, PCB, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).<sup>1</sup>
- Production or trade in tobacco.<sup>1</sup>
- Gambling, casinos and equivalent enterprises.<sup>1</sup>
- Pornography and/or prostitution.
- Racist and/or anti-democratic media.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Unsustainable fishing methods (e.g. drift net fishing in the marine environment using nets in excess of 2.5 km. in length).
- Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.
- Destruction of High Conservation Value areas.<sup>2</sup>

A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List. AGF bank partners, except those engaged in microfinance or Trade finance projects, must apply the following exclusions, in addition to AGF Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>3</sup> /harmful child labor.<sup>4</sup>
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

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1 This does not apply to project sponsors who are not substantially involved in these activities. “Not substantially involved” means that the activity concerned is ancillary to a project sponsor’s primary operations.

2 Destruction means the 1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or 2) modification of a habitat in such a way that the area’s ability to maintain its role is lost.

3 Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

4 Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child’s education, or to be harmful to the child’s health, or physical, mental, spiritual, moral, or social development.



When investing in microfinance activities, bank partners will apply the following items in addition to the AGF Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>3</sup>/harmful child labor.<sup>4</sup>
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in products containing PCBs.
- Production or trade in ozone depleting substances subject to international phase out.
- Production or trade in wood or other forestry products from unmanaged forests.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

Trade finance projects, given the nature of the transactions, bank partners will apply the following items in addition to the AGF Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>3</sup>/harmful child labor.<sup>4</sup>

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3 Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

4 Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

## IMPACT

### AGF's COVID-19 GUARANTEE: AN INNOVATIVE CONTRIBUTION TO AFRICA'S RESILIENCE

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As a response to the COVID-19 pandemic which has had escalating negative effects on SMEs in Africa, deteriorated their creditworthiness, and resulted in an increased reluctance of financial institutions to finance SMEs, it was crucial for AGF to provide external stimulus to its partner financial institutions so that they could continue supporting SMEs during an unprecedented period of uncertainties, while enabling these SMEs not only to save their businesses but also as many jobs as possible.

AGF's COVID-19 response has been structured in 2 phases:

- **The stabilization phase:** The objective of this phase is to provide more comfort to financial institutions to restructure facilities in order to ease payment terms and conditions of SME loans and thereby help SMEs to stay alive and save jobs which have already been created.
- **The revival phase:** The aim of this phase is to support financial institutions in financing SMEs so that these SMEs can recover faster in post-COVID-19 context and accelerate their growth, wealth creation, employment and green transition

By the end of 2021, AGF had issued **USD 77 million** of its innovative COVID-19 Guarantee to 24 PFIs. The guarantees benefitted to **1,045 SMEs** and helped to maintain approximately **11,100 jobs**.

### AGF's GUARANTEE INSTRUMENTS UNLOCK EXISTING FINANCIAL RESOURCES TO FOSTER A SUSTAINABLE AND INCLUSIVE ECONOMIC GROWTH IN AFRICA

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#### Mainstreaming gender lens investing

In Sub Saharan Africa (SSA) countries, entrepreneurship and enterprise creation are key elements to boost economic growth and create profitable jobs at a macroeconomic level. In these countries, data shows the highest percentage of people working as entrepreneurs in the world. Indeed, in SSA, **81.2% of women in the labour force are self-employed entrepreneurs** compared to 47.3% worldwide. However, Women SMEs (WSMEs) encounter unique barriers to access financing, in addition to those faced by MSMEs in general (namely higher collateral and financing costs due to perceived riskiness of MSMEs). A lack of land ownership owing to social and cultural norms, and less favourable interactions with financial institutions owing to relatively lower financial literacy are some of the factors that are unique challenges faced by WSMEs. As Africa looks to meet the SDGs by 2030, the full participation of women as producers, consumers, business owners and key –decision makers can be a potent force for change. AGF wants to take a leadership role in applying a gender lens in partnership with key stakeholders, by providing risk-mitigating instruments to financial institutions advancing gender equality. To date, USD 800 million of loans were granted to over **8,000 women-led SMEs** by AGF's partners.

#### Catalyzing financial inclusion to improve lives in Africa

**28,000** SMEs have gained access to income-enhancing loans, which are estimated to have generated about USD 4.5 billion in income. A large majority of the beneficiaries are in rural areas and/or provide live-improving goods or services. By end of 2021, over 60% of the loans granted by PFIs were below USD **31,000** to SMEs in agriculture, education, health and trade.

Agriculture and agribusiness accounts for 32% of GDP in Sub-Saharan Africa and employs 65% of the work force. As such it is likely to have a bigger impact on poverty reduction than other sectors as it offers the most direct route of raising returns to poor people's main assets (i.e. land and labour). This is why for AGF improving access to finance for SMEs in agriculture was made a key priority. To date **USD 280 million** of loans were granted to over **2,500 SMEs in different agricultural value-chains** by AGF's partners.

### **Fostering jobs creation and youth entrepreneurship**

Africa needs jobs. With a burgeoning young population that is often viewed as a challenge rather than an asset, policy makers and other stakeholders across the continent are seeking to increase the quantity and the quality of jobs as a mean to tackle poverty. Since SMEs form a dominant share of the private sector in Africa, and account for more than 50% of jobs in their respective economies it is therefore critical to enable them to access to finance to grow and create jobs that will as a result mostly benefit to the youths. To date, an estimated **189,000 jobs** have been directly created by the SMEs benefiting from AGF guarantee. In addition, **16,800 youth-owned SMEs** accessed to credit thanks to AGF's guarantee. By doing so they do not only create opportunities for themselves, but also demonstrate the economic potential of the continent's young entrepreneurs and innovators to create millions of high-quality jobs and promote inclusive economic growth continent-wide.

### **Contributing to Africa's competitiveness, while mitigating the effects of climate change**

Infrastructure development is a key driver for progress across the African continent and a critical enabler for productivity and sustainable economic growth. Yet, Africa still faces serious infrastructure shortcomings across all sectors, both in terms of access and quality. For instance, **electricity only reaches half its people, while clean cooking only one third; roughly 600 million people lack electricity and 890 million cook with traditional fuels.** Furthermore, a recent World Bank study found that the poor state of infrastructure in many parts of Africa reduced national economic growth by **2% points every year and cut business productivity by as much as 40%**, making Africa the region with the lowest productivity levels in the world.

It is in response to these critical issues impairing the competitiveness of African SMEs that AGF decided to **make access to credit for investment in energy and infrastructure a key priority.** By end of 2021, **USD 1.1 billion** of loans have been granted to finance investments led and/or benefitting to SMEs in these sectors. AGF's Green Guarantee Facility (GGF) is demonstrating how **renewable energy technologies and businesses** have the potential to reach and significantly impact Africa's rural communities as limited access to sources of energy continues to undermine the productivity of households and businesses, limit growth, experience high emissions and deteriorating living standards. **Climate change also has the potential to reduce agricultural yields, increase water scarcity and the frequency of extreme weather as shown below.**

The GGF, which has unlocked **USD 164 million** of financing since its launch, has shown that private sector innovation has the potential to reach people in ways that large-scale government investment in grid extension and climate adaptation infrastructure has so far struggled to deliver. By the end of 2021, **144,865 KW** of clean generation capacity, benefitting to 42 million of people, has been installed resulting in **72.7 million tons of CO<sub>2</sub>** equivalent prevented.

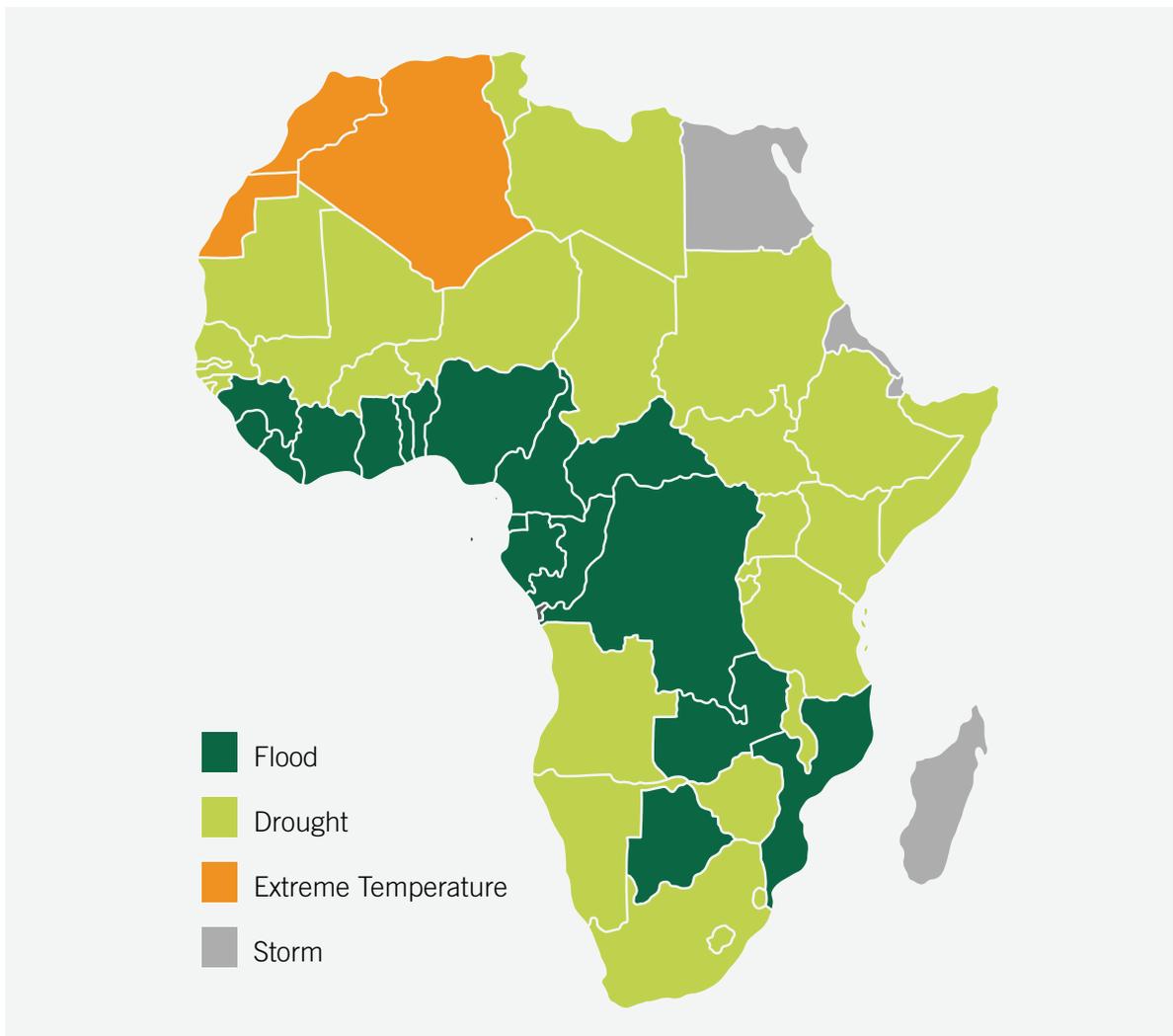


Figure 1. Natural Disaster Type Affecting Highest Number of People by Country (2000-2019)

**A partnership to encourage private sector to engage in AGF’s mission, while mitigating their risks.**

AGF mitigates the risks facing its Partner Financial Institutions by complementing all guarantee products with a Capacity Development component. This entails technical assistance to PFIs to mitigate their operational risks when on-lending to SMEs and/or to help them increase their SME portfolio. AGF also provides capacity development assistance to SMEs themselves to build their capacity for easier access to finance. Support to SMEs is availed through PFIs and Business Development Service (BDS) providers.

By the end of 2021, the amount of CD committed by AGF was USD 4.0 million as detailed below:

Description	Amount	In %
DS & SMEs	SD 2.0	52%
FIs	D 2.0	48%
Total	USD 4.0	100%

BDS & SMEs are trainings designed to enhance their capabilities in various areas. Financial Institutions (FIs) trainings revolve around credit, risk management and products development. Such trainings are offered to all FIs whether they have or not an existing guarantee with AGF. They are usually organized to encourage FIs to venture in an area of interest identified by AGF.

SMEs trainings are organized in partnership with BDS. The goal is to equip the selected SMEs with the tools that shall enable them to access credit. The BDS usually take the commitment to introduce the trained SMEs to FIs at the end of the curriculum.

By end of 2021, the breakdown of such interventions together with their beneficiaries were as follows:

Description	Amount		Number of PFIs /SMEs	Number of People Trained	
	Committed	Disbursed		Male	Female
Green Finance	1.2	(0.7)	127	235	211
Generic Training (Credit & Risk)	0.5	(0.4)	112	251	41
SMEs Preparedness	0.3	(0.2)	47	40	6
<b>Total</b>	<b>2.0</b>	<b>(1.3)</b>	<b>286</b>	<b>526</b>	<b>258</b>

By end of 2021, AGF had committed USD 2.0 million for CD with 28 PFIs who had entered into a guarantee agreement with AGF. The main objective in this type of arrangement is to mitigate the risks that have been identified during the due diligence by improving the PFI's capacity in areas of credit and risk management. As a secondary objective, AGF can also avail CD support to a PFI in order to help it to grow its SME clientele by re-engineering its strategy, policies and processes, launching a new product or enhancing the capacity of its SME clientele.

The analysis of the portfolio at risk as of 31 December 2021 revealed that CD has reached its primary objective. Indeed, as shown below those of the PFIs who have received CD support are outperforming those who have not, as far as the quality of the portfolio and financing granted to SMEs are concerned.

Description	PFIs with CD	PFIs without CD
Number of PFIs	28	153
Guarantees Issued (In USD Million)	315.7	1,242.5
Financing Made Available (In USD Million)	31.4	2,484.4
Volume of Loans Disbursed (In USD Million)	02.2	2,115.7
Utilization Rate (%)	95%	85%
Default Rate (%)	3.5%	9%

## PARTNERSHIPS

### AGF SIGNS MOU WITH TANZANIA AGRICULTURAL DEVELOPMENT BANK TO FINANCE AGRI-SMEs



African Guarantee Fund partnered with Tanzania Agricultural Development Bank (TADB) to enable the agri-bank disburse up-to USD 20 million worth of loans to agribusinesses in Tanzania. Through this partnership, AGF and TADB will support SMEs in the agri-value chain applying directly for loans at the bank.

### AGF's AFAWA GUARANTEE ENABLES CREDIT BANK KENYA TO LAUNCH INNOVATIVE "ELEVATEHER" PRODUCT FOR WOMEN ENTREPRENEURS



African Guarantee Fund's AFAWA Guarantee Facility will support Credit Bank's innovative ElevateHER product that is tailored to empower women in business. Under the AFAWA guarantee, Credit Bank will

increase its lending to women-owned and led SMEs in Kenya, so as to maximize their impact in economic growth.

## AGF PARTNERS WITH SIDIAN BANK TO FINANCE SMES IN KENYA



African Guarantee Fund signed a USD 5 million loan portfolio guarantee facility with Sidian Bank to support SMEs in Kenya. The guarantee facility will empower the SME sector particularly in their recovery from the economic impact of the COVID-19 pandemic.

## AGF PARTNERS WITH SOCIÉTÉ GÉNÉRALE TO FINANCE SMES IN BENIN



African Guarantee Fund and Société Générale signed a EUR 7.6 million Loan Portfolio Guarantee Agreement to support SMEs with appropriate financial solutions to promote economic growth and development. This partnership will boost access to finance for more SMEs with a particular focus on women entrepreneurs and green businesses.

## AGF AND AFRILAND FIRST BANK PARTNER TO FINANCE CAMEROONIAN SMEs



African Guarantee Fund issued a loan portfolio guarantee amounting to USD 10 million to Afriland First Bank to support SMEs, women entrepreneurship and green economy in Cameroon. This agreement will enable Afriland First Bank, on the one hand, to strengthen its commitment to the SME/SMI sector and on the other hand, to promote the development of green entrepreneurship and women's leadership in Cameroon.

## AGF PARTNERS WITH CO-OPERATIVE BANK TO BOOST GREEN FINANCING IN KENYA



African Guarantee Fund signed a Loan Portfolio Guarantee agreement with Co-operative Bank of Kenya amounting to USD 7.5 million to increase financing of green transactions in Kenya. The guarantee facility will enable Co-operative Bank, on the one hand, to strengthen its commitment to financing Micro, Small and Medium-Sized Enterprises (MSMEs) and on the other hand, to promote emerging corporates in Kenya that are involved in green energy and solar installation projects.

## CORPORATE SOCIAL RESPONSIBILITY

### SUPPORTING WOMEN IN SPORTS



African Guarantee Fund empowered women in sports by sponsoring Kenya's Women's Basketball Tournament in an event that was held in association with the Kenya Basketball Federation (KBF). AGF is committed towards influencing the society on a wide range of issues, particularly the sports energy among youth.





**CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2021**

## CORPORATE INFORMATION

DIRECTORS	DATE OF APPOINTMENT	DATE OF RESIGNATION
Felix Adahi Bikpo	25 June 20	–
Morten Christiansen	07 April 14	–
Riad Aubdool	30 June 15	–
Amadou Roufai Raimi	03 September 18	18 February 21
Sandhya Jogee	15 November 19	–
Olawale Bashirudeen Shonibare	03 December 19	–
Richard Marney	10 February 21	–
N'ganguia Christian Yoka	18 February 21	–
Kenechukwu Dumogu Chiedu Nwosu	18 February 21	–

MANAGEMENT	POSITION
Jules Ngankam	Group Chief Executive Officer
Constant N'zi	Deputy Group CEO as from 1 January 2022 and Group Chief Risk Officer
Franck Adjagba	Group Director of Business Development
Josphat Ngaruiya	Group Director of Human Resources
Ali Ballo	Group Chief Internal Controller
David Ekabouma	Group Director of Monitoring and Evaluation
Juneid Kodabux	Group Director of Legal and Corporate Affairs
Bendjin Kpeglo	Managing Director, AGF West Africa as from 1 August 2021
Daisy Wanjie	Group Chief Finance Officer
Nishdeep Sethi	Ag Head of Structured Finance

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

## 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

ABSA Bank (Mauritius)  
International Banking Division  
1st Floor, ABSA House  
68–68A, Cybercity  
Ebene, Mauritius

### UNITED KINGDOM

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

### KENYA

#### Stanbic Bank Kenya

International Life House Branch  
P.O. Box 75501–00200  
Nairobi, Kenya

#### Equity Bank Kenya

Equity Centre, Hospital Road,  
Upper Hill  
P.O. Box 75104–00200,  
Nairobi, Kenya

### NCBA

Upper Hill Branch  
Mara and Ragati Roads  
P.O Box 44599–00100  
Nairobi, Kenya

### ABSA Bank (Kenya)

Waiyaki Way  
4th Floor, Absa HQ  
Nairobi, Kenya

#### Ecobank Kenya Ltd

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



## CORPORATE GOVERNANCE REPORT

The Board of Directors of the 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 2021.

### INTRODUCTION

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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

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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; and
- Review the terms and conditions of all service agreements between the Company and service providers.

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

### PRINCIPLE ONE: GOVERNANCE STRUCTURE

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The Board 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. Emphasis is placed 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 and 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.

## **Board Charter and Constitution**

The Company has a Board Charter in place since 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. The 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 Constitution of AGF, which was last amended on 27 October 2021, 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 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 10% of the shareholding in the Company may be given the right to appoint one (1) Director so long as they are shareholders of the Company; and 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.

A Chairman of the Board is elected from amongst the Directors of AGF by a board resolution. 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. Felix BIKPO.

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.

## **PRINCIPLE TWO: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES**

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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 Board members as at 31 December 2021 is as follows:

### **Mr. Felix Bikpo**

Felix has more than 25 years of experience in the financial sector with extensive experience in Sub-Saharan Africa. He has led several financial institutions across the continent including banks, guarantee firms and the private equity sector. He is passionate about spurring a thriving SME sector as a means of creating economic and social sustainability in Africa. Prior to his appointment as Chairman of the Board, Felix was the Group CEO at African Guarantee Fund. Felix has previously served as the Founding CEO and Chairman of Success Finance, an Asset Management and Private Equity Fund. He has worked in the capacity of Chief Executive Officer at Access Pan-Africa, a holding company of Access Bank Plc. Nigeria where he was in charge of affiliates outside of Nigeria and at Atlantic Financial Group, a regional banking group operating under Banque Atlantique with a presence in 8 African Countries. As a Managing Director, Mr. Bikpo has worked with Ecobank Niger, and with Fonds de Garantie des Investissements

Prives en Afrique de l'Quest (Now AGF West Africa) where he was the first Managing Director. He has also served as Vice President of Citibank NA, where he was in charge of Financial Control in French speaking countries. Mr. Bikpo is a graduate of ESSEC - Paris and holds a Master's Degree in Economics from the University of Cote d'Ivoire.

## **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 was with the Rogers Group since March 2015 whereby he was acting as the Executive Director of Rogers Capital Fund Services Ltd. He is currently the Managing Director of Zain Consultancy Ltd.

## **Mr. Morten Christiansen**

Morten spent 32 years of his career working for IFU in various management positions, and was from 2015 to 2019 as Senior Vice President responsible for all IFU's investment operations globally. Since mid-2019, Morten is an independent adviser to IFU and DANIDA. During his career, Morten worked several years based in West Africa, and has been a board member of a number of financial institutions in Africa. He holds a Master's Degree in Political Science and a Bachelor's Degree in Spanish, both from the University of Aarhus.

## **Mrs. Sandhya Jogee**

Sandhya holds a Bachelor of Commerce (Management) and an MBA from the University of Mauritius and is a member of the Association of Chartered Certified Accounts (ACCA) since 2010. She is also a member of the Mauritius Institute of Professional Accountants. She joined Rogers Capital Corporate Services Limited in 2009 and has 10 years of experience in fund administration and accounting (including preparing NAV statements, quarterly reports, investors' portfolio reports and other financial reports for investors). Sandhya has been managing both private equity and open-ended funds with equity value of around USD One Billion.

## **Mr. Olawale Bashirudeen Shonibare**

Wale is Director responsible for Energy Financial Solutions, Policy and Regulations at the African Development Bank. He oversees the team of Investment officers responsible for structuring across the board range of products offered by the bank (equity, debt, guarantees and capital markets solutions) to support public and private sector investment in the Energy sector in Africa. On the policy and regulation side, he leads a team of economists, statisticians and policy specialists who work with governments to create an enabling environment to encourage private sector participation in the energy sector. Wale has over 25 years' experience in Debt and Equity Capital Markets, Mergers and Acquisitions and Project Finance spanning Asia, Europe, Middle East and Africa. He was the Deputy Group CEO/Managing Director, Investment Banking at United Capital Plc (former UBA Capital Plc) in Lagos, Nigeria. He has held previous senior level executive positions, including Managing Director and Head of Infrastructure, Africa, Middle East and New Markets at Renaissance Capital in Dubai, Director KPMG in Dubai and Associate Director KPMG, London.

## **Mr. Richard Marney (since February 2021)**

Richard has a broad and varied forty-five-year career in emerging markets banking, principal investing, economics and asset management. He has held senior-level business development, risk-management, fundraising and operating roles in: Commercial and investment banking, Micro-finance, Impact investment asset management and Private equity working in globally recognized financial services organizations.

## **Mr. Christian Yoka (since February 2021)**

Christian is the Regional Director for Eastern Africa at the Africa French Development Agency (AFD) covering 11 countries. He previously served as a legal expert within the Risk Department at AFD's headquarters before joining the SubSaharan Africa Department as Country Officer for Cameroon, Central African Republic and Equatorial Guinea. He then served as Country Director in Democratic Republic of Congo based in Kinshasa, Regional Director for Ethiopia, Sudan and South Sudan based in Addis, and Regional Director for Cameroon, Central African Republic and Equatorial Guinea based in Yaounde. He holds a Masters of Law, International Banking & Finance Law from Boston University and an Advanced Diploma in Business & Tax Law, from University of Paris 1 Pantheon-Sorbonne.

## **Mr. Kenny Nwosu (since February 2021)**

Kenny is the Chief Executive Officer of Norsad Finance located in Gaborone, Botswana. He has previously worked with Axum Capital Partners, Equator Capital Partners, Whitehall Capital, Deutsche Bank, City Financial Partners in South Africa, Mauritius and London. He holds an Executive MBA from London Business School, an MSc, Artificial Intelligence from University of Aberdeen in Scotland and a BA Hons, Economics from University of Nottingham in England.

## 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.

No. of meetings held	Board 3	Annual Meeting 2021 1
Directors		
Mr. Riad Aubdool		
Mr. Morten Christiansen	3	
Mrs. Sandhya JOOGEE	3	
Mr. Wale SHONIBARE	3	
Mr. Felix BIKPO	3	
Mr. Kenny Nwosu	2	
Mr. Richard Marney	3	
Mr. Christian Yoka	2	

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 of Corporate Governance, 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.

The Directors of AGF are appointed as follows:

1. Two (2) Directors resident in Mauritius appointed by Ordinary Resolution;

2. 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
3. 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. Due to the Covid-19 pandemic restrictions, the board retreat for year 2021 was held virtually via video-conference.

## 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**

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### **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 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 interests), depending on the following circumstances:

- at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration; or
- 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
- 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 Board expenses was a total amount of USD 231,554 in 2021 (2020: USD 10,733). The board expenses includes travel and accommodation for board meetings. There was no travel for board meetings in the year 2020.

## 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, to cover for any legal action entered against them.

The director's Liability cost for 2021 was USD 19,369 (2020: USD 19,740).

Related Party Transactions

Please refer to note 25 of the financial statements.

## PRINCIPLE FIVE: RISK GOVERNANCE AND INTERNAL CONTROL

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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.

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**

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The Board is 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. The Board is also responsible for taking reasonable steps to safeguard the assets of AGF and to prevent and detect fraud and other irregularities.

The Board 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**

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### **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.

## 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 2021 at the annual meeting of the Company held in June 2021.

## Audit Fees

Fees payable to the external auditors, Ernst & young for audit services for the year are as follows:

	2021	2020
External Auditors	USD	USD
Audit	123,625	115,264

## Internal Audit

The Internal Audit Activity performed by the Internal Control Department ("ICD") is an independent, objective assurance and consulting activity created to add value and improve the company's operations. It helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The internal audit is governed by the Internal Audit Charter and oversees by the Audit & Risk Committee ("ARC"). During 2021, the risk-based annual audit plan was approved by the ARC and fully completed. The assurance and consulting engagements performed have contributed to the effectiveness and efficiency of the company's operations.

## PRINCIPLE EIGHT: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

As at 31 December 2021, the stated capital of AGF comprises of 6,451 Class B Shares of par value nil each, 13,520 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 Development, Nordic Development Fund, the Investment Fund for Developing Countries and KfW. The annual meeting will be held in June 2022.

## Stakeholders

As at 31 December 2021, AGF had issued 6,454 Class B shares, 13,520 Class C shares and 3 Class D shares for a total fund size of USD 199,891,155.

## 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 2021.

AGF received capital contribution of USD 20 million from a Class B client in 2021.

Shareholders' calendar

AGF has planned the following forthcoming events:

REPORTING DATE	31 DECEMBER 2021
Publication of year end results	Within six months from end of 31 December 2021

## Dividend Payment

During the financial year ended 31 December 2021, the Board of Directors did not recommend the payment of dividend.

## STATEMENT OF COMPLIANCE

Name of Company: African Guarantee Fund - For Small and Medium-sized Enterprises Ltd

Reporting period: Year ended 31 December 2021

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: **17<sup>TH</sup> JUNE 2022**

## 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 (collectively for the year ended 31 December 2021).

## 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:

The Group is composed of two distinct entities, presented below:

## 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 RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENT

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 2021, 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 the International Financial Reporting Standards and Companies Act 2001.

The directors responsibility include the following: 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 under the circumstances.

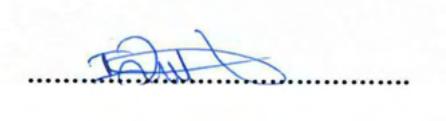
The directors have made an assessment of the Group business will not be a going concern in the year ahead.

## AUDITORS

The auditors, Ernst & Young, have indicated their willingness to continue in office. However, as per the best practices, the selection process of a new auditor will be initiated under the supervision of the Audit & Risk Committee and then a proposition will be made to the Board and thereafter the Annual Meeting of the Shareholders through a resolution.

CERTIFICATE FROM THE SECRETARY TO THE MEMBERS OF AFRICAN GUARANTEE FUND—FOR SMALL AND MEDIUM-SIZED ENTERPRISES LTD UNDER SECTION 166 (d) OF THE COMPANIES ACT 2001

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 2021.



Rogers Capital Fund Services Ltd

CORPORATE SECRETARY

Date: 17<sup>th</sup> June 2022



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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFRICAN GUARANTEE FUND - FOR SMALL AND MEDIUM-SIZED ENTERPRISES LTD**

### **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 (altogether, the "Group") on pages 9 to 70 which comprise the statements of financial position as at 31 December 2021, 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 the Company as at 31 December 2021, 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements of the Company and in Mauritius. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Company and in Mauritius. 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 information included in the document titled "African Guarantee Fund FINANCIAL STATEMENTS FOR THE YEAR



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ENDED 31 DECEMBER 2021”, which includes the Commentary of the Directors and the Certificate from the Secretary as required by the Companies Act 2001.

The other information 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 an audit opinion or 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, 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.



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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.

## Use of our reports

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.

This report is made solely for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed



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## 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

Ebene Mauritius

DATE: 17<sup>th</sup> JUNE 2022

DARYL CSIZMADIA, C.A (S.A)

Licensed by FRC

## STATEMENTS FOR PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Group		Company	
		2021 USD	2020 USD	2021 USD	2020 USD
<b>Income</b>					
<i>Income from guarantees:</i>					
Utilization fees	9	4,490,582	4,910,331	2,511,583	2,598,710
Assessment and commission fees	10	1,700,493	1,226,196	1,121,382	1,038,564
Income from investments	11	4,330,414	3,924,016	2,214,379	2,254,324
Administrative income		221,429	211,382	221,429	211,382
Fair valuation gain/(loss) on financial guarantee contracts	8(b)	1,990,077	(2,687,500)	(710,776)	(2,784,730)
Foreign exchange revaluation differences		7,663	1,367	-	-
Other income	12	120,929	94,270	-	-
		<b>12,861,587</b>	<b>7,680,062</b>	<b>5,357,997</b>	<b>3,318,250</b>
<b>Expenses</b>					
Administrative and legal fees	15	(1,022,894)	(607,640)	(838,508)	(487,547)
Communication expenses	15	(160,465)	(165,782)	(100,606)	(105,759)
Depreciation of property and equipment	17	(240,403)	(197,254)	(190,400)	(146,025)
Amortization of intangible assets	18	(552,878)	(533,700)	(552,112)	(512,862)
Marketing expenses	15	(272,965)	(370,989)	(271,225)	(323,224)
Other expenses	15	(1,085,229)	(1,141,747)	(773,888)	(856,854)
Premises expenses	15	(357,818)	(333,305)	(302,514)	(281,093)
Staff expenses	14	(5,079,739)	(5,029,054)	(3,890,828)	(4,038,894)
Travelling expenses		(251,083)	(182,173)	(204,578)	(139,596)
Treasury management fees	28	(200,423)	(183,134)	(194,609)	(177,600)
Allowance for expected credit loss on financial assets and receivables	30	(843,003)	(770,787)	(492,223)	(768,157)
Allowance for expected credit loss on financial guarantees	30	(2,550,526)	(4,496,030)	(1,393,450)	(1,830,593)
Re-guarantee expenses	28	(720,215)	(1,313,951)	(360,642)	(1,313,951)
Claims on financial guarantee contracts	21	(4,438,946)	(1,380,039)	(4,438,946)	(1,380,039)
Net foreign exchange differences		(156,166)	(771,456)	(156,166)	(771,456)
Interest on loans and borrowings		-	-	(94,993)	(219,250)
		<b>(17,932,753)</b>	<b>(17,477,041)</b>	<b>(14,255,688)</b>	<b>(13,352,900)</b>

<b>Loss before tax</b>		<b>(5,071,166)</b>	(9,796,979)	<b>(8,897,691)</b>	(10,034,650)
Taxation	16	-	-	-	-
<b>Decrease in net assets attributable to shareholders</b>		<b>(5,071,166)</b>	(9,796,979)	<b>(8,897,691)</b>	(10,034,650)
Decrease in net assets attributable to shareholders attributable to:					
- <b>Owners of the Company</b>		<b>(5,815,040)</b>	(9,843,182)	<b>(8,897,691)</b>	(10,034,650)
- <b>Non-Controlling Interests</b>		<b>743,874</b>	46,204	-	-
		<b>(5,071,166)</b>	(9,796,979)	-	-

The notes on pages 72 to 155 form an integral part of these financial statements.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Group		Company	
		2021 USD	2020 USD	2021 USD	2020 USD
<b>Decrease in net assets attributable to shareholders</b>		<b>(5,071,166)</b>	(9,796,979)	<b>(8,897,691)</b>	(10,034,650)
<b>Other comprehensive (loss)/income</b>					
Exchange differences on translation of foreign subsidiary	13	<b>(3,288,067)</b>	3,938,132	-	-
<b>Total comprehensive loss for the year</b>		<b>(8,359,233)</b>	(5,858,847)	<b>(8,897,691)</b>	(10,034,650)
<b>Total comprehensive (loss)/income attributable to:</b>					
- Owners of the Company		<b>(8,463,907)</b>	(6,670,623)	-	-
- <b>Non-controlling Interests</b>		<b>104,674</b>	811,776	-	-
		<b>(8,359,233)</b>	(5,858,847)	-	-

The notes on pages 72 to 155 form an integral part of these financial statements.

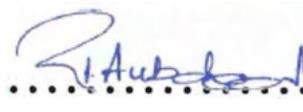
## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	Group 2021 USD	2020 USD	Company 2021 USD	2020 USD
<b>Assets</b>					
Property and equipment	17	19,343,334	14,125,572	10,852,591	6,285,123
Intangible assets	18	2,114,121	2,662,453	2,034,796	2,571,817
Investment in subsidiary	26	-	-	31,887,765	31,887,765
				<b>30,142,522</b>	
Guarantee contracts at fair value through profit or loss	8(b)	35,427,236	25,678,660		23,100,102
Deferred income on guarantee contracts	24	(30,740,495)	(23,086,019)	(26,584,612)	(18,831,416)
Other guarantees	21	-	106,736	-	106,736
Other financial instruments	8(c)	48,067,676	40,836,603	1,221,005	1,250,397
Debt instruments at amortized cost	8(a)	111,179,596	94,896,376	109,626,901	93,525,728
Receivables and deposits	19	9,528,591	9,945,869	6,251,472	5,833,820
Prepayments		1,016,738	2,622,023	1,016,738	2,622,023
Cash and cash equivalents	6	16,631,795	11,987,012	16,134,667	11,900,636
<b>Total assets</b>		<b>212,568,592</b>	<b>179,775,285</b>	<b>182,583,845</b>	<b>160,252,731</b>
<b>Liabilities</b>					
Other provisions	22	235,345	141,329	-	-
Other guarantees	21	11,533,086	9,452,827	1,286,714	-
Trade and other payables	20	1,123,311	1,635,066	972,638	1,415,253
Loans and borrowings	27	-	-	-	9,523,910
Deferred income – Land grant	24	1,822,555	2,045,256	-	-
Other liabilities	20	9,270,329	1,537,633	8,363,661	435,069
<b>Total liabilities</b>		<b>23,984,626</b>	<b>14,812,111</b>	<b>10,623,013</b>	<b>11,374,232</b>
<b>Net assets attributable to shareholders</b>		<b>188,583,966</b>	<b>164,963,174</b>	<b>171,960,832</b>	<b>148,878,499</b>
<b>Represented by:</b>					
Stated capital	23	199,891,155	179,891,155	199,891,155	179,891,155
Contribution	23	11,980,024	-	11,980,024	-
Share premium	23	7,465	7,465	7,465	7,465

Accumulated losses	<b>(28,756,005)</b>	(18,147,249)	<b>(31,020,121)</b>	(20,985,471)
Decrease in net assets for the year	<b>(5,815,041)</b>	(10,608,756)	<b>(8,897,691)</b>	(10,034,650)
Accumulated losses	<b>(34,571,046)</b>	(28,756,005)	<b>(39,917,812)</b>	(31,020,121)
Foreign currency translation reserve	<b>1,884,622</b>	4,533,490	-	-
Net assets attributable to equity holders of the Company	<b>179,192,220</b>	155,676,105	<b>171,960,832</b>	148,878,499
Non-controlling interests	<b>9,391,746</b>	9,287,069	-	-
<b>Net assets attributable to shareholders</b>	<b>188,583,966</b>	164,963,174	<b>171,960,832</b>	148,878,499

The financial statements were approved and authorized for issue by the Board of Directors on 17<sup>th</sup> June 2022 and were signed on its behalf by:

  
 .....  
**Director**

  
 .....  
**Director**

The notes on pages 72 to 155 form an integral part of these financial statements.

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 DECEMBER 2021

	Group						
	Issued capital USD	Contribution USD	Retained Earnings USD	Foreign currency Translation reserve USD	Total USD	Non Controlling Interest USD	Total Equity USD
<b>As at 1 January 2020</b>	179,898,620	-	(18,912,823)	1,360,931	162,346,728	8,475,293	170,822,021
(Decrease)/Increase in net assets			(9,843,182)		(9,843,182)	46,203	(9,796,979)
Other comprehensive income	-	-	-	3,172,559	3,172,559	765,573	3,938,132
Total comprehensive income for the year	-	-	(9,843,182)	3,172,559	(6,670,623)	811,776	(5,858,847)
<b>As at 31 December 2020</b>	<b>179,898,620</b>	<b>-</b>	<b>(28,756,005)</b>	<b>4,533,490</b>	<b>155,676,105</b>	<b>9,287,069</b>	<b>164,963,174</b>
<b>As at 1 January 2021</b>	<b>179,898,620</b>	<b>-</b>	<b>(28,756,005)</b>	<b>4,533,490</b>	<b>155,676,105</b>	<b>9,287,069</b>	<b>164,963,174</b>
Issue of shares	20,000,000	-	-	-	20,000,000	-	20,000,000
New contribution	-	11,980,024	-	-	11,980,024	-	11,980,024
Decrease in net assets			(5,815,041)		(5,815,041)	743,874	(5,071,167)
Other comprehensive income	-	-	-	(2,648,868)	(2,648,868)	(639,197)	(3,288,065)
Total comprehensive income for the year	20,000,000	11,980,024	(5,815,041)	(2,648,868)	(8,463,909)	104,677	(8,359,232)
<b>As at 31 December 2021</b>	<b>199,878,644</b>	<b>11,980,024</b>	<b>(34,571,046)</b>	<b>1,884,622</b>	<b>179,192,220</b>	<b>9,391,746</b>	<b>188,583,966</b>

The notes on pages 72 to 155 form an integral part of these financial statements.

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS FOR THE YEAR ENDED 31 DECEMBER 2021

	Company			
	Stated capital & share premium USD	Contribution USD	Accumulated losses USD	Total USD
At 1 January 2020	179,898,620	-	(20,985,471)	158,913,149
Decrease in net assets attributable to shareholders from operations for the year	-	-	(10,034,650)	(10,034,650)
At 31 December 2020	179,898,620		(31,020,121)	148,878,499
<b>At 1 January 2021</b>	<b>179,898,620</b>	<b>-</b>	<b>(31,020,121)</b>	<b>148,878,499</b>
Issue of shares	20,000,000	-	-	20,000,000
New contribution		11,980,024	-	11,980,024
Decrease in net assets attributable to shareholders from operations for the year	-		(8,897,690)	(8,897,690)
<b>At 31 December 2021</b>	<b>199,898,620</b>	<b>11,980,024</b>	<b>(39,917,811)</b>	<b>171,960,833</b>

The notes on pages 72 to 155 form an integral part of these financial statements.

## STATEMENTS OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Group 2021 USD	Group 2020 USD	Company 2021 USD	Company 2020 USD
Loss before tax		(5,071,166)	(9,796,979)	(8,897,691)	(10,034,650)
<i>Adjustment to reconcile loss before tax to net cash flows:</i>					
<i>Non-cash item:</i>					
Expected credit loss		843,003	770,787	492,223	768,157
Depreciation of property and equipment	17	240,403	197,254	190,400	146,025
Amortization of intangible assets	18	552,878	533,700	552,112	512,862
Amortization deferred income on land		89,958	75,356	-	-
Income from investments		(4,330,414)	(3,924,016)	(2,214,379)	(2,254,324)
Net foreign exchange differences		(148,503)	(770,089)	(156,166)	(771,456)
Fair value gain on guarantee contracts fair value through profit or loss	8(b)	(1,990,077)	2,687,500	710,776	2,784,730
<i>Movement in working capital:</i>					
Receivables and deposits		(4,511,964)	(468,346)	(1,899,313)	1,186,682
Prepayments		1,605,285	(1,087,203)	1,605,285	(1,087,203)
Other provisions		94,016	96,023	-	-
Other liabilities		(397,396)	23,981	1,551,438	(462,006)
Trade and other payables		(511,755)	1,167,276	(442,614)	1,048,545
Net claims paid on other guarantees		4,438,946	(998,949)	1,653,013	-
Movement on other guarantees		6,216,042	4,496,030	3,046,463	1,830,593
<b>Net cash flows used in operating activities</b>		<b>(5,666,677)</b>	<b>(6,997,675)</b>	<b>(6,854,916)</b>	<b>(6,332,045)</b>
<b>Investing activities</b>					
Acquisition of property and equipment	17	(5,458,165)	(3,955,432)	(3,735,418)	(1,871,169)
Acquisition of intangible assets	18	(4,546)	(355,524)	(15,092)	(348,090)
Investment in debt instrument at amortized cost		(17,097,732)	(30,213,639)	(17,147,356)	(30,213,639)
Deposits matured during the year		8,045,472	3,423,093	-	-
Investment in bank deposit		(23,005,792)	(6,439,109)	-	-
Interest on investments received		13,022,676	8,620,115	3,413,110	8,522,016
<b>Net cash flows generated from /(used in) investing activities</b>		<b>(24,498,087)</b>	<b>(28,920,496)</b>	<b>(17,484,757)</b>	<b>(23,910,882)</b>
<b>Financing activities</b>					
Proceeds from issue of ordinary share capital to shareholders		20,000,000	-	20,000,000	-
Contribution		11,980,024	-	11,980,024	-

Grant	6,117,590	-	6,117,590	-
Payment of loan received from subsidiary	-	-	(9,523,910)	(966,245)
<b>Net cash flows from financing activities</b>	<b>38,097,614</b>	<b>-</b>	<b>28,573,704</b>	<b>(966,245)</b>
(Decrease)/Increase in cash and cash equivalents	7,932,850	(35,918,171)	4,234,031	(31,209,172)
Foreign currency translation	(3,288,067)	3,938,132	-	-
<b>Opening balance</b>	<b>11,987,012</b>	<b>43,967,051</b>	<b>11,900,636</b>	<b>43,109,808</b>
<b>Closing balance</b>	<b>16,631,795</b>	<b>11,987,012</b>	<b>16,134,667</b>	<b>11,900,636</b>

The notes on pages 72 to 155 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 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 Global Business License 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.

As a result of recent changes made by the Finance (Miscellaneous Provisions) Act 2018 (“FMPA 2018”) to the Financial Services Act (“FSA”), the Global Business Category 1 License (GBL1) is henceforth be known as the Global Business License (GBL), while the category 2 Global Business License (GBL2) has been abolished and replaced by the authorized company. As from that 30 June 2021, 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 to 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 a 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

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The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all 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 the African Guarantee Fund and its sole subsidiary “AGF West Africa” as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon 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 the adopted IFRS requires the use of certain critical accounting estimates. It also requires the 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. STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

### 3.1 New standards, amendments and interpretations 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 Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

	Effective for accounting periods starting on or before
IFRS17: Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022

The effect of the standards that are relevant to the Company's operations is described below. None of the other standards listed above are expected to have a material impact on the Company.

#### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2021, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument will the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

#### IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities

As part of its 2018–2021 annual improvements to the IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original

financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

## 3.2

# 4. SIGNIFICANT ACCOUNTING POLICIES

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## Foreign Currency

### Functional and presentation currencies

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

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

### Functional and presentation currencies

The Group uses the direct method of consolidation. Upon 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 that 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 regarding the 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 currency translation rates into USD as of December 31, 2021 and 2020, along with the average rates for the years ended December 31, 2021 and 2020.

Country	Currency	2021		2020	
		Closing rate	Average rate	Closing rate	Average rate
Togo	XOF	0.001734	0.001798	0.001746	0.001858
Kenya	KES	0.008838	0.009259	0.009175	0.009378

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 upon the retranslation of non-monetary items is treated in line with the recognition of gain or loss on a 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, are also recognized in other comprehensive income or profit or loss, respectively).

### Group companies

On consolidation, the assets and liabilities of foreign operations are translated into USD at the rate of exchange that prevails at the reporting date, while their statements of profit or loss are translated at the exchange rates that prevail 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 the 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 immediately written down to its recoverable amount and the difference is recognized in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognized 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

The Group classifies its financial assets and financial liabilities into the following categories:

Financial assets/Liabilities	Classification
Cash and cash equivalent	Amortized cost
Other financial instrument	Amortized cost
Debt instruments at amortized cost	Amortized cost
Receivables and deposits	Amortized cost
Guarantee contracts at fair value through profit or loss	Fair value through profit or loss
Loans and borrowings	Amortized cost

### (a) Financial Assets

The financial assets of the Group comprise other financial instruments, debt instruments at amortized cost, receivables and cash and cash equivalents.

### Recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost.

### Classification and subsequent measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus (in the case of a financial asset not at fair value through profit or loss) transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective of holding financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

## 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, as this best reflects the ways in which 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 realizing 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 (for example, 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 de-recognition 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 the performance of which is evaluated on a fair value basis are measured at FVTPL.

## Assessment of 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, 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 sole payments of the 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.

## Impairment

### Financial instruments

The Group recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost (this includes debt instruments at amortized cost, other financial instruments and other receivables);
- Financial guarantee contracts (refer to part (c) of financial instruments—initial recognition and subsequent measurement)

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 realizing 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 ECLs that result from all possible default events over the expected life of a financial instrument. Twelve-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). 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 amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is “credit-impaired” when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset.

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 otherwise consider;
- Likelihood that the borrower will enter bankruptcy or other financial reorganization; 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 amortized cost are deducted from the gross carrying amount of the assets.

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 guarantees of the Fund are classified into Stage 1, Stage 2, and Stage 3, as described below:

- Stage 1: When financial guarantees are first recognized, the Fund recognizes an allowance based on 12-month ECLs. A Stage 1 financial guarantee also includes 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 its origination, the Fund records an allowance for Long-Term ECLs. A Stage 2 financial guarantee also includes facilities where the credit risk has improved and the loan has been reclassified from Stage 3. A significant increase in credit risk is assessed when there are liquidity issues or an inability to make payment on the due date by the counterparty. This is where the probability of default and the LGD will increase significantly.
- 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 probabilities of default 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. The key elements of these 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 derecognized and is still in the portfolio.
- EAD, the Exposure at Default, is an estimate of the exposure at a future default date, taking into account expected changes in exposure after the reporting date; these include the guarantee amount, whether scheduled by contract or otherwise, and 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 realization of any collateral. It is usually expressed as a percentage of the EAD.

## 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 recognized, less cumulative amortization recognized 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 recognized within Provisions.

### (b) Financial Liabilities

Financial liabilities of the Group are measured at amortized 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.

## De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (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 substantially retained all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 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 substantially retained all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes 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.

(c) Guarantee contracts

AGF has in its financials four types of products:

- Loan Individual Guarantee (LIG)
- Loan Portfolio Guarantee (LPG)
- Bank's Fund-Raising Guarantee (BFRG)
- Covid-19 Facility guarantee

### i. Loan Individual Guarantee (LIG)

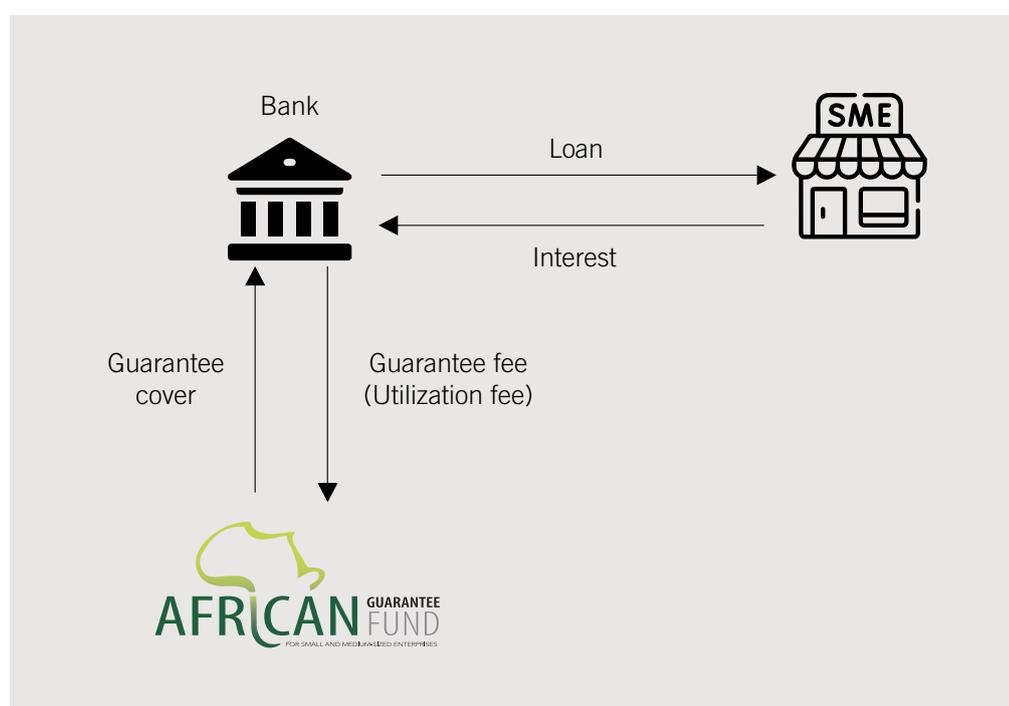
The Loan Individual Guarantee has been grouped in other guarantees in the statement of financial position.

## 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. Fee Structures

On LIGs, AGF charges two 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 recognized less amortization 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. No premium is received upfront on the guarantee contracts issued by the Group. The fair value is nil at initial recognition.

### ii. Loan Portfolio Guarantee (LPG)

#### a. Definition

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 obtain AGF approval prior to the placement of each loan under the guarantee.

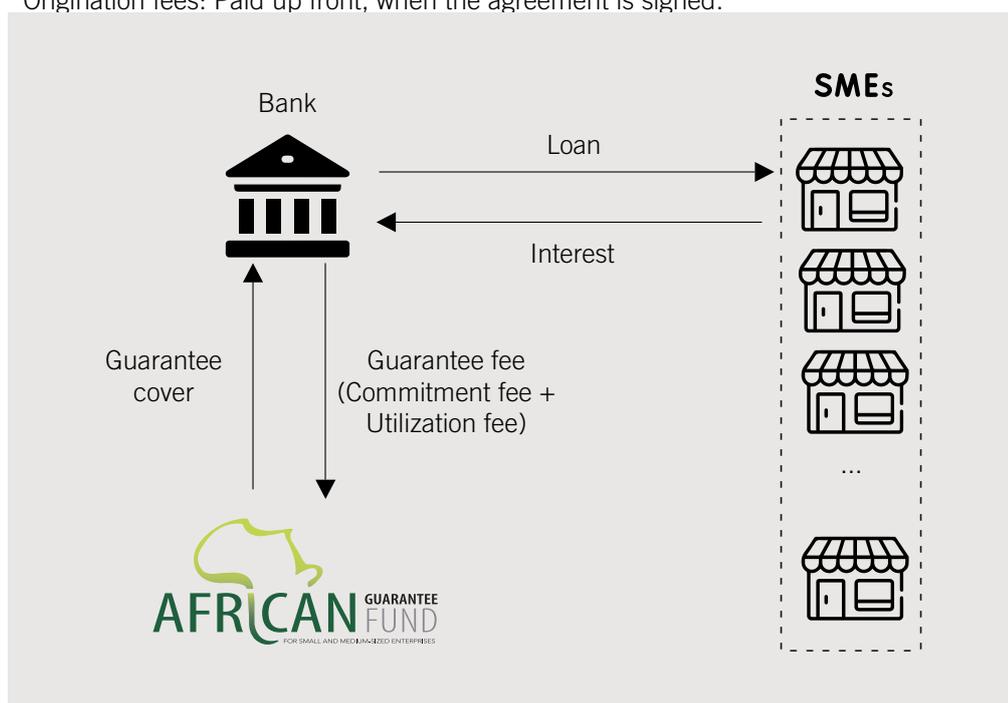
The LPG contracts are accounted as “Guarantee at fair value through profit or loss” on the face of the statement of financial position.

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

## b. Fees Structures

On LPGs, AGF charges three 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, as well as 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 during initial recognition.

The fair value of the LPGs during 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, it represents day 1 gain in terms of IFRS 9. Due to the unobservable nature of the inputs into the valuation, the day 1 gain is deferred during initial recognition and subsequently released to profit or loss over the period of the LPG contracts.

After initial recognition, AGF continues to measure the fair value of the LPG contracts using the variables.

## iii. Covid-19 Facility Guarantee

### a. Definition

The Covid-19 Facility is a guarantee product that allows a Partner Lending Institution to place under AGF guarantee existing facilities that were performing before Covid-19, even if they became non-performing during the pandemic.

### b. Main Features

The Covid-19 Facility provides incentives to Partner Lending Institutions to issue fresh financing to SMEs despite the deterioration of their creditworthiness under the Covid-19 context. The incentives include:

- Discounted pricing
- Higher coverage ratio
- Fast tracking of claim payments in order to ensure liquidity relief to financial institutions
- More technical assistance to better assess SMEs’ credit worthiness in a Covid-19 context

This facility covers loans under the Loan Individual Guarantee, Loan Portfolio Guarantee and Bank Fund-Raising Guarantee products; hence, the contracts under Covid-19 facility guarantee are recorded in the same way as Loan Portfolio Guarantees, Loan Individual Guarantees and Bank Fund-Raising Guarantees respectively.

## iv. Bank Fund-Raising Guarantee (BFRG)

**The Bank Fund-Raising Guarantee has been grouped in other guarantees in the statement of financial position.**

## 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 in the same way as LIGs. Refer to note above for classification and measurement.

## Fair Value Measurement

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 are acting in their economic best interests.

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 for 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

- measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Group's management determines the policies and procedures for recurring fair value measurement, such as 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 summarized 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 useful lives of different lengths, they are accounted for as separate items (major components) of property and equipment.

Property and equipment are measured at cost less impairment. 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 reliably measured. Expenditure that 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.

Included in property and equipment is land, which has been measured at cost.

## Land Grants

Grants related to non-depreciable assets requiring the fulfilment of certain obligations are recognized in profit or loss over the periods that bear the cost of meeting the obligations. The Group has received a grant of land that 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.

## Intangible Assets

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

Expenditure subsequently incurred on an 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 and website	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.

Assets on which impairment losses have 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

The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group only leases the building, and the lease is expiring in financial year 2022 without further renewal, as the Group is constructing its own office building that it will begin to occupy in financial 2022. Lease payments on short-term lease value assets are recognized as an expense on a straight-line basis over the lease term.

## 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 if 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. Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling, and 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. Re-measurements are not classified to profit or loss in subsequent periods.

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

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

Net interest is calculated by applying the discount rate to the net defined liability or asset. The Group recognizes the changes in the net defined benefit obligation under “Pension provisions” in the consolidated statement of comprehensive income. Service costs comprise 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 reliably estimated.

## 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, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. 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

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

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

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 upon liquidation. The obligation arises because liquidation is either certain to occur and outside the control of the entity (for example, a limited-life entity) or is not certain to occur but is at the option of the instrument holder.

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

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

For an instrument to be classified as an equity instrument, in addition to the instrument having all of 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 recognized net assets or the change in the fair value of the recognized and unrecognized 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 have all the features or meet all 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 of 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 recognized in equity.

## Revenue Recognition

Revenue is recognized as depicting 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.

### Assessment fee and commission revenue

Assessment fee and commission revenue are recognized as the related services are performed and provided that there are no significant uncertainties in respect of related collections. The revenue is recognized 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 the 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 the guaranteed principal amount.

## **Interest Income**

Interest income is accrued on a time basis, with 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. These 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 the Company's functional currency is critical, since the recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The directors have considered these factors and determined that the functional currency of the Company is the US Dollar ("USD"), as it most faithfully reflects the underlying transactions, events and conditions that are relevant to the Company.

### **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, the 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. Refer to note 20 for more information.

### **Determination of fair value of guarantee contracts**

Fair valuation of guarantee contracts is a key source of estimation uncertainty at the reporting date, and

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.

## 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, the land grant has been amortized 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 further believe that this lifespan assumed is reasonable and in line with the depreciation rate of the asset. Refer to note 24.

## Going Concern

The financial statements have been prepared on a going concern basis and there is no significant reason to believe that the Company will not continue throughout the next 12-month period despite the Covid-19 global pandemic.

The Covid-19 pandemic has developed rapidly throughout 2021. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have negatively affected the group's results in the reporting period. The positive and negative impacts of the Covid-19 pandemic on the Group are as outlined below:

- Reduction in the expenses relating to travel and office expenses; the AGF staff continue to work from home.
- There was an increase in revenue mainly due to a higher than expected new volume of guarantees that were signed in 2021.
- The gain through the Fair Value of LPG products due to a higher utilization level than previous year

The African Guarantee Fund has considered measures to control the effect of the pandemic on its business. Fitch undertook a review of the group's financials and issued a report maintaining AGF's AA-rating with a stable outlook.

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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The Group's activities expose it to a variety of financial risks: credit risks, liquidity risks, market risks (including interest rate and foreign currency risks) and operational risks. The Group's overall risk management program 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 regularly report to the Board of Directors on their activities.

### Credit Risk

Credit risk refers to 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 is 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 is outlined below.

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Cash and cash equivalents (excluding cash in hand)

	2021				Group 2020				Company 2020			
	Balance		Rating		Balance		Rating		Balance		Rating	
	USD	Short Term	Long Term	Short Term	Long Term	USD	Short Term	Long Term	USD	Short Term	Long Term	
Absa Bank Mauritius**	325,033	Ba1	Ba1	B	BB+	134,631	B	Ba1	325,033	Ba1	B	BB+
Barclays Bank London*	5,288,171	A-2	BBB	A-2	BBB	8,041,508	A-2	A-2	5,288,171	A-2	A-2	BBB
Stanbic Bank Kenya*	5,982,387	B	B+	B	BB-	1,448,999	B	B	5,982,387	B	B	BB-
NCBA Bank Kenya	2,458,549	B	B+	A1 (KE)	A+ (KE)	1,105,994	A1 (KE)	B	2,458,549	B	A1 (KE)	A+ (KE)
Ecobank**	1,472,956	B3u	NP	B	B	1,175,730	B	B3u	1,472,956	B3u	B	B
Absa Bank Kenya	262,182	N/A	N/A	B	BB-	43,190	B	N/A	262,182	N/A	B	BB-
Equity Bank*	441,891	NPu	B2u	N/A	N/A	-	N/A	NPu	441,891	NPu	N/A	N/A
BCEAO Siège (EURO)	-	N/A	N/A	N/A	N/A	16,996	N/A	-	-	-	N/A	N/A
BTCI	84,709	N/A	N/A	N/A	N/A	30,115	N/A	-	-	-	N/A	N/A
ECOBANK TOGO	329,768	N/A	N/A	N/A	N/A	39,075	N/A	-	-	-	N/A	N/A
BATG	88,694	N/A	N/A	N/A	N/A	-	N/A	-	-	-	N/A	N/A
BOA TOGO	-	N/A	N/A	N/A	N/A	376	N/A	-	-	-	N/A	N/A
BACI	-	N/A	N/A	N/A	N/A	-	N/A	-	-	-	N/A	N/A
<b>Total</b>	<b>16,734,340</b>					<b>12,036,613</b>			<b>16,231,168</b>			<b>11,950,051</b>
Allowance for expected credit loss	(107,752)					(57,987)			(101,679)			(57,101)
	<b>16,626,587</b>					<b>11,978,626</b>			<b>16,129,489</b>			<b>11,892,950</b>

(\*) 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 2021, amounts of USD 5,207 and USD 5,178 for the Group and the Company respectively, representing cash in hand, were not included in the table (2020: USD 8,386 and USD 7,686, respectively).

## 6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk

#### Cash and cash equivalents (including cash in hand) (Continued)

GROUP	2021 USD	2020 USD	COMPANY	2021 USD	2020 USD
Cash at bank and on hand	<b>11,390,441</b>	3,696,056	Cash at bank and on hand	<b>7,843,711</b>	3,609,680
Short-term deposits	<b>5,241,354</b>	8,290,956	Short-term deposits	<b>8,290,956</b>	8,290,956
<b>Total</b>	<b>16,631,795</b>	11,987,012	<b>Total</b>	<b>16,134,667</b>	11,900,636

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

#### Debt instruments at amortized costs, cash and cash equivalents, other financial instruments and receivables

Rating*	Group		Company	
	2021 USD	2020 USD	2021 USD	2020 USD
AAA	3,478,255	8,334,225	3,478,255	8,334,225
AA	17,833,868	13,136,629	17,833,868	13,136,629
AA-	22,081,553	14,528,965	22,081,553	14,528,965
A+	7,890,491	3,986,242	7,890,491	3,986,242
A	20,135,079	17,293,146	20,135,079	17,293,146
A-	3,696,550	5,693,858	3,696,550	5,693,858
BBB+	500,261	1,759,452	500,261	1,722,296
BBB	10,973,382	21,283,741	10,973,382	13,949,813
BBB-	14,203,323	23,077,556	14,203,323	23,077,556
BB+	8,858,275	-	8,858,275	-
BB-	-	22,294	-	-
B+	20,361	37,839,150	-	5,047,969
B	1,485,281	1,004,112	-	-
B-	55,152	78,770	-	-
Not Rated	-	15,092,692	-	10,092,980
	<b>111,211,830</b>	163,130,832	<b>109,651,036</b>	116,863,679
Allowance for expected credit loss	<b>(32,234)</b>	(5,464,971)	<b>(24,135)</b>	(4,353,098)
	<b>111,179,596</b>	157,665,860	<b>109,626,901</b>	112,510,581

\*Source: Bloomberg

The credit risk is mitigated through:

- Portfolio diversification by applying limits by region, country, sector, single obligor, product, and risk category
- Portfolio hedging by using re-guarantees to share credit risk with other guarantee funds
- Intensive due diligence

Contract covenants, providing 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. Owing to the nature of its operations, AGF will always have a large amount 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 investments are well diversified within each region and are within the single obligor limits.

	Group				Company			
	Book Value 2021	%	Book Value 2020	%	Book Value 2021	%	Book Value 2020	%
Africa	<b>18,458,818</b>	<b>16.60%</b>	79,137,967	48.51%	<b>16,898,024</b>	<b>15.41%</b>	32,870,814	28.13%
Europe	<b>22,050,420</b>	<b>19.83%</b>	37,388,895	22.92%	<b>22,050,420</b>	<b>20.11%</b>	37,388,895	31.99%
America	<b>20,091,793</b>	<b>18.07%</b>	12,434,400	7.62%	<b>20,091,793</b>	<b>18.32%</b>	12,434,400	10.64%
Middle East	<b>20,702,262</b>	<b>18.62%</b>	15,601,995	9.56%	<b>20,702,262</b>	<b>18.88%</b>	15,601,995	13.35%
Asia	<b>23,447,608</b>	<b>21.08%</b>	12,194,955	7.48%	<b>23,447,608</b>	<b>21.38%</b>	12,194,955	10.44%
Oceania	<b>6,460,929</b>	<b>5.81%</b>	6,372,620	3.91%	<b>6,460,929</b>	<b>5.89%</b>	6,372,620	5.45%
Allowance for expected credit loss	<b>(32,234)</b>		(5,464,971)		<b>(24,135)</b>		(4,353,098)	
<b>Total</b>	<b>111,179,596</b>	<b>100%</b>	157,665,860	100%	<b>109,626,901</b>	<b>100%</b>	112,510,581	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

Neither the Group nor the Company is 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.

## 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 aims to mitigate currency risk. Such currency risk arises from writing guarantees in currencies other than USD, while having an asset base to support those guarantees denominated in USD. In particular, the portfolio counteracts 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's major contingent liabilities (a highly significant proportion 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 2021 and 2020, the Group and the Company's net exposure to foreign exchange risk was as follows:

	Group				
	USD 2021	EURO 2021	KES 2021	XOF 2021	Total USD 2021
Assets	144,754,092	184,491	246,005,432	35,024,143,782	207,881,851
Liabilities	9,245,641	-	10,257,808	1,660,516,643	12,216,195
Closing rate	1	1.1377	0.008837951	0.001734	
<b>Net exposure in USD</b>	<b>135,508,451</b>	<b>209,895</b>	<b>2,083,526</b>	<b>57,863,784</b>	<b>195,665,656</b>
	Company				
	USD 2021	EURO 2021	KES 2021	XOF 2021	Total USD 2021
Assets	144,754,091	184,491	246,005,432	-	147,138,170
Liabilities	9,245,641	-	10,257,808	-	9,336,299

Closing rate	1	1.1377	0.008837951	0.001734	-
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<b>Net exposure in USD</b>	<b>135,508,450</b>	<b>209,895</b>	<b>2,083,526</b>	<b>-</b>	<b>137,801,871</b>
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	Company					Total USD 2020
	USD 2020	EURO 2020	KES 2020	XOF 2020		
Assets	123,134,779	611,339	11,826,067	-		123,989,544
Liabilities	1,759,664	-	9,880,997	5,125,893,434		11,374,232
Closing rate	1	1.2207	0.009175	0.001858		0
<b>Net exposure in USD</b>	<b>121,375,115</b>	<b>746,261</b>	<b>17,846</b>	<b>(9,523,910)</b>		<b>112,615,312</b>

## Liquidity Risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty when 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 non-discounted payments. The amounts in the undetermined category relate to the guarantee designated at fair value through profit or loss.

As at 31 December 2021	Group					Total USD
	On demand USD	1 to 3 months USD	3 to 6 months USD	6 to 12 months USD	1 to 8 years USD	
Cash and cash equivalents	11,390,441	5,241,354	-	-	-	16,631,795
Held-to-maturity financial assets	-	13,055,064	6,442,482	19,163,233	72,518,817	111,179,596
Other financial assets	150,000	2,555,479	441,897	3,959,061	40,961,239	48,067,676
Guarantee designated at Fair value through profit or loss	-	-	-	-	35,427,236	35,427,236
Deferred income on guarantee contracts	-	-	-	-	(30,740,495)	(30,740,495)
Receivables and deposits	-	615,585	948,391	6,227,293	1,737,322	9,528,591

<b>Total financial assets</b>	<b>11,540,441</b>	<b>21,467,482</b>	<b>7,832,770</b>	<b>29,349,588</b>	<b>119,904,119</b>	<b>190,094,399</b>
Trade and other payables	1,123,311	-	-	-	-	1,123,311
Other guarantees	-	-	-	-	11,533,086	11,533,086
Deffered Income	-	-	-	-	1,822,555	1,822,555
Other liabilities	9,270,329	-	-	-	-	9,270,329
<b>Total financial liabilities</b>	<b>10,393,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,355,641</b>	<b>23,749,281</b>

As at 31 December 2021						Company
	On demand	1 to 3 months	3 to 6	6 to 12	1 to 8 years	Total
	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	7,843,711	8,290,956	-	-	-	16,134,667
Held-to-maturity financial assets	-	13,055,064	6,442,482	19,163,233	70,966,122	109,626,901
Other financial assets	-	-	-	-	1,221,005	1,221,005
Guarantee designated at Fair value through profit or loss	-	-	-	-	30,142,522	30,142,522
Deferred income on guarantee contracts	-	-	-	-	(26,584,612)	(26,584,612)
Receivables and deposits	-	562,517	501,724	4,175,972	1,011,259	6,251,472
<b>Total financial assets</b>	<b>7,843,711</b>	<b>21,908,536</b>	<b>6,944,206</b>	<b>23,339,205</b>	<b>76,756,296</b>	<b>136,791,955</b>
Trade and other payables	972,639	-	-	-	-	972,639
Other liabilities	8,363,660	-	-	-	-	8,363,660
<b>Total financial liabilities</b>	<b>9,336,299</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,336,299</b>

As at 31 December 2020	Group					Total USD
	On demand USD	1 to 3 months USD	3 to 6 months USD	6 to 12 months USD	1 to 8 years USD	
Cash and cash equivalents	3,696,056	8,290,956	-	-	-	11,987,012
Debt instruments at amortised cost	-	19,566,590	110,152,125	975,341	63,339,229	94,896,376
Other financial assets	2,786,689	215,900,705	928,896,490	9,846,303	5,684,644	40,836,603
Guarantee designated at Fair value through profit or loss	-	-	-	-	25,678,660	25,678,660
Deferred income on guarantee contracts	-	-	-	-	(23,086,019)	(23,086,019)
Other guarantees	-	-	-	-	106,736	106,736
Receivables and deposits	-	907,949	271,670	8,309,831	456,419	9,945,869
<b>Total financial assets</b>	<b>6,482,746</b>	<b>50,355,566</b>	<b>12,215,782</b>	<b>19,131,475</b>	<b>72,179,669</b>	<b>160,365,237</b>
Trade and other payables	<b>1,635,066</b>	-	-	-	-	<b>1,635,066</b>
Other guarantees	-	-	-	-	<b>9,452,827</b>	<b>9,452,827</b>
Deferred Income	-	-	-	-	<b>2,045,256</b>	<b>2,045,256</b>
Other liabilities	<b>1,537,633</b>	-	-	-	-	<b>1,537,633</b>
<b>Total financial liabilities</b>	<b>3,172,699</b>	-	-	-	<b>11,498,083</b>	<b>14,670,782</b>

As at 31 December 2020	Company						Total USD
	On demand USD	1 to 3 months USD	3 to 6 months USD	6 to 12 months USD	1 to 8 years USD		
Cash and cash equivalents	3,609,680	8,290,956	-	-	-	11,900,636	
Debt instruments at amortised cost	-	19,466,643	11,007,468	-	63,051,617	93,525,728	
Other financial assets	-	-	-	-	1,250,397	1,250,397	
Guarantee designated at Fair value through profit or loss	-	-	-	-	23,100,102	23,100,102	
Deferred income on guarantee contracts	-	-	-	-	(18,831,416)	(18,831,416)	
Other guarantees	-	-	-	-	106,736	106,736	
Receivables and deposits	-	636,269	271,670	4,623,972	301,909	5,833,820	
Derivative contracts	-	-	-	-	-	-	
<b>Total financial assets</b>	<b>3,609,680</b>	<b>28,393,868</b>	<b>11,279,138</b>	<b>4,623,972</b>	<b>68,979,345</b>	<b>116,886,003</b>	
Loans and borrowings	-	-	9,523,910	-	-	9,523,910	
Trade and other payables	1,415,253	-	-	-	-	1,415,253	
Other liabilities	435,069	-	-	-	-	435,069	
<b>Total financial liabilities</b>	<b>1,850,322</b>	<b>-</b>	<b>9,523,910</b>	<b>-</b>	<b>-</b>	<b>11,374,232</b>	

## 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 in order to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness, as well as to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls designed to address operational risk is assigned to senior management within each department. This responsibility is supported by the development of the Group's overall 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 the Group's standards is supported by a program of regular reviews undertaken by the Internal Control department. The results of internal audit reviews are discussed with the management of the department to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

## Capital Management

When managing capital, the principal objective of the Group 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	
	2021	2020	2021	2020
Trade and other payables	1,123,311	1,635,066	972,639	366,708
Borrowed Funds	-	-	-	8,557,665
Other liabilities	9,270,329	1,537,633	8,363,660	897,075
<b>Net debt</b>	<b>10,393,640</b>	<b>3,172,699</b>	<b>9,336,299</b>	<b>9,821,448</b>
Equity	<b>188,583,966</b>	164,963,174	<b>171,960,833</b>	158,913,149
Total Capital	<b>188,583,966</b>	164,963,174	<b>171,960,833</b>	158,913,149
<b>Capital and net debt</b>	<b>198,977,606</b>	<b>168,135,873</b>	<b>181,297,132</b>	<b>168,734,597</b>
<b>Gearing ratio</b>	<b>5%</b>	2%	<b>5%</b>	6%

## 7. FAIR VALUE MEASUREMENTS

Debt instrument at amortised cost	Group 2021		Group 2020		Company 2021		Company 2020	
	Carrying amount USD	Fair value USD						
Bk Nederlandse Gemeenten			2,363,149	2,331,043	2,363,149		2,363,149	2,331,043
European investment bank			5,971,076	5,948,991	5,971,076		5,971,076	5,948,991
Poland			5,693,858	5,677,539	5,693,858		5,693,858	5,677,539
Kingdom of Morocco	<b>8,858,275</b>	<b>8,918,370</b>	9,000,960	9,158,316	<b>8,858,275</b>	<b>8,918,370</b>	9,000,960	9,158,316
State of Qatar	<b>8,843,401</b>	<b>8,760,710</b>	8,139,174	8,237,435	<b>8,843,401</b>	<b>8,760,710</b>	8,139,174	8,237,435
Republic of Chile	<b>7,370,764</b>	<b>7,318,608</b>	3,986,242	4,150,920	<b>7,370,764</b>	<b>7,318,608</b>	3,986,242	4,150,920
African export- import bank 2019	<b>8,039,749</b>	<b>8,413,840</b>	8,051,089	8,028,320	<b>8,039,749</b>	<b>8,413,840</b>	8,051,089	8,028,320
Export-Import Bank Korea	<b>5,831,209</b>	<b>5,848,658</b>	5,900,800	6,032,315	<b>5,831,209</b>	<b>5,848,658</b>	5,900,800	6,032,315
Banque Ouest Africaine de Développement			1,722,242	1,710,452	1,722,242		1,722,242	1,710,452
Westpac Banking Corporation	<b>3,488,783</b>	<b>3,425,092</b>	3,450,233	3,439,270	<b>3,488,783</b>	<b>3,425,092</b>	3,450,233	3,439,270
Lithuania	<b>3,300,773</b>	<b>3,117,670</b>	3,404,243	3,311,234	<b>3,300,773</b>	<b>3,117,670</b>	3,404,243	3,311,234
Iceland	<b>5,425,192</b>	<b>5,379,076</b>	5,649,539	5,598,920	<b>5,425,192</b>	<b>5,379,076</b>	5,649,539	5,598,920
Abu Dhabi	<b>7,183,843</b>	<b>7,174,580</b>	7,235,829	7,364,560	<b>7,183,843</b>	<b>7,174,580</b>	7,235,829	7,364,560
Bermuda	<b>8,040,252</b>	<b>7,995,960</b>	8,239,365	8,283,480	<b>8,040,252</b>	<b>7,995,960</b>	8,239,365	8,283,480
Indonesia	<b>5,835,798</b>	<b>6,573,495</b>	5,908,010	5,162,640	<b>5,835,798</b>	<b>6,573,495</b>	5,908,010	5,162,640
Romania	<b>5,670,091</b>	<b>6,013,376</b>	5,890,876	5,873,010	<b>5,670,091</b>	<b>6,013,376</b>	5,890,876	5,873,010
Commonwealth Bank Australia	<b>2,972,147</b>	<b>2,919,749</b>	2,939,558	2,933,350	<b>2,972,147</b>	<b>2,919,749</b>	2,939,558	2,933,350
REPUBLIC OF PANAMA	<b>2,503,506</b>	<b>2,401,580</b>			<b>2,503,506</b>	<b>2,401,580</b>		
DEVELOPMENT BK OF JAPAN	<b>1,529,031</b>	<b>1,492,136</b>			<b>1,529,031</b>	<b>1,492,136</b>		
MALAYSIA SOVEREIGN SUKUK	<b>2,481,814</b>	<b>2,428,757</b>			<b>2,481,814</b>	<b>2,428,757</b>		
ABU DHABI GOVT INT'L	<b>849,301</b>	<b>831,608</b>			<b>849,301</b>	<b>831,608</b>		
EXPORT-IMPORT BANK KOREA	<b>1,489,358</b>	<b>1,455,975</b>			<b>1,489,358</b>	<b>1,455,975</b>		
KOREA DEVELOPMENT BANK	<b>985,004</b>	<b>955,494</b>			<b>985,004</b>	<b>955,494</b>		
Republic of Poland Government								
International Bond	<b>1,214,736</b>	<b>1,181,015</b>			<b>1,214,736</b>	<b>1,181,015</b>		
Province of Ontario Canada	<b>1,179,859</b>	<b>1,150,611</b>			<b>1,179,859</b>	<b>1,150,611</b>		
CHINA DEVELOPMENT BANK	<b>1,179,698</b>	<b>1,153,144</b>			<b>1,179,698</b>	<b>1,153,144</b>		
Hong Kong Government International Bond	<b>1,957,619</b>	<b>1,937,731</b>			<b>1,957,619</b>	<b>1,937,731</b>		
Slovenia Government International Bond	<b>993,886</b>	<b>968,925</b>			<b>993,886</b>	<b>968,925</b>		

Debt instrument at amortised cost	Group 2021		Group 2020		Company 2021		Company 2020	
	Carrying amount USD	Fair value USD	Carrying amount USD	Fair value USD	Carrying amount USD	Fair value USD	Carrying amount USD	Fair value USD
Qatar Government International Bond	1,869,638	1,852,054			1,869,638	1,852,054		
Israel Government International Bond	1,956,079	1,947,360			1,956,079	1,947,360		
Export Development Canada	997,412	989,251			997,412	989,251		
Asian Development Bank	991,733	981,543			991,733	981,543		
Bank of England Euro Note	1,495,153	1,488,331			1,495,153	1,488,331		
International Finance Corp	1,489,110	1,478,776			1,489,110	1,478,776		
Indonesia Government International Bond	666,084	654,285			666,084	654,285		
Hungary Government International Bond	1,967,995	1,929,736			1,967,995	1,929,736		
Philippine Government International Bond	500,261	490,659			500,261	490,659		
Romanian Government International Bond	493,484	480,101			493,484	480,101		
Banque Ouest Africaine de Développement	-	-	37,156	37,156	-	-	-	-
Société immobilière et financière de la côte africaine	-	-	46,445	45,835	-	-	-	-
Etat du Benin	-	-	928,896	924,675	-	-	-	-
Banque d'investissement et de Développement de la CEDEAO	-	-	7,747	7,747	-	-	-	-
Etat du Mali	55,152	55,146	78,770	77,753	-	-	-	-
Caisse Régionale Refinancement Hypothécaire	76,051	75,861	104,761	102,456	-	-	-	-
Etat du Sénégal			48,395	22,192	-	-	-	-
Etat du Sénégal (EOS)	20,361	21,379	75,216	74,846	-	-	-	-
Bond Guinea Bissau	48,405	48,405	51,286	51,053	-	-	-	-
Oragroup	1,360,825	1,373,889						
Impact on IFRS 9	(32,234)	-	(28,539)	-	(24,135)	-	(20,515)	-
<b>Total</b>	<b>111,179,596</b>	<b>111,682,935</b>	<b>94,896,376</b>	<b>94,585,508</b>	<b>109,626,901</b>	<b>110,108,256</b>	<b>93,525,728</b>	<b>93,241,795</b>

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

	2021 USD	Group 2020 USD	2021 USD	Company 2020 USD
Opening balance	25,678,660	22,024,327	23,100,102	19,329,526
Fair value movement during the year	1,990,077	(2,687,500)	(710,776)	(2,784,730)
Movement in deferred income account	8,036,326	6,111,570	7,753,196	6,555,306
FX translation	(277,827)	230,263	-	-
	<b>35,427,237</b>	<b>25,678,660</b>	<b>30,142,522</b>	<b>23,100,102</b>

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 are classified under Level 3 of the fair value hierarchy (this was the same for 2020).

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 (including the appropriate discount rate) have been used.

The FX translation amount of USD (171,353) in 2021 is the impact of foreign exchange differences in the opening and closing balance of the subsidiary’s fair value amount in 2021.

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 2021, the nominal amount of guarantee contracts at fair value through gain or loss amounted to USD 157,037,519 (2020: USD 107,311,415) for the loan portfolio guarantee product.

The fair value of receivables and deposits, trade and other payables and other liabilities are disclosed in Note 18 and Note 19 respectively. Refer to 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.

## 8.(A) DEBT INSTRUMENTS AT AMORTIZED COST

### GROUP

2021	Purchase value (including commission) USD	Group Maturity Date	Coupon Rate	Book Value USD
AFREXIM	8,194,477	20/06/24	3.93%	8,039,749
EXPORT-IMPORT BK KOREA	1,137,523	11/04/22	2.73%	1,017,290
REPUBLIC OF CHILE	3,905,031	30/10/22	2.64%	4,001,903
STATE OF QATAR	4,492,043	20/01/22	2.59%	4,084,200
MOROCCO GOVT INT'L BOND	1,059,788	11/12/22	3.48%	1,009,217
STATE OF QATAR (B)	1,851,985	14/03/24	2.07%	1,816,144
ICELAND	6,002,726	11/05/22	1.56%	5,425,192
LITHUANIA	3,477,538	01/02/22	3.07%	3,300,773
Commonwealth Bank Australia	2,927,239	16/03/23	2.45%	2,972,147
Westpac Banking Corporation	3,441,844	15/05/23	2.47%	3,488,783
MOROCCO GOVT INT'L BOND (B)	5,034,802	11/12/22	2.40%	4,791,133
EXPORT-IMPORT BK KOREA (B)	4,963,581	01/11/22	1.96%	4,813,919
Bermuda I	6,713,396	06/02/24	1.92%	6,476,030
Bermuda II	1,610,648	03/01/23	1.87%	1,564,223
Indonesia	5,930,054	15/01/25	2.66%	5,835,798
Romania	5,985,781	07/02/22	2.63%	5,670,091
MOROCCO GOVT INT'L BOND (C)	3,193,792	11/12/22	2.41%	3,057,925
ABU DHABI	7,261,294	30/09/24	1.34%	7,183,843
STATE OF QATAR (C)	2,161,930	14/03/24	1.40%	2,105,384
REPUBLIC OF CHILE	2,201,012	21/01/26	3.13%	2,184,362
REPUBLIC OF PANAMA	2,552,751	29/01/26	7.13%	2,503,506
DEVELOPMENT BK OF JAPAN	1,541,909	16/09/25	2.75%	1,529,031
MALAYSIA SOVEREIGN SUKUK	2,505,225	22/04/25	3.04%	2,481,814
ABU DHABI GOVT INT'L	856,032	16/04/25	2.50%	849,301
STATE OF QATAR	846,932	16/04/25	3.40%	837,673
EXPORT-IMPORT BANK KOREA	1,504,965	10/11/25	3.25%	1,489,358
KOREA DEVELOPMENT BANK	993,751	13/01/26	3.00%	985,004
REPUBLIC OF CHILE	1,195,899	27/03/25	3.13%	1,184,500
Republic of Poland Government International Bond	1,226,881	06/04/26	3.25%	1,214,736
Province of Ontario Canada	1,188,304	27/04/26	2.50%	1,179,859
CHINA DEVELOPMENT BANK	1,189,217	01/06/26	3.00%	1,179,698
Hong Kong Government International Bond	264,507	28/05/24	2.50%	261,656
Hong Kong Government International Bond	1,714,409	28/05/24	2.50%	1,695,963

2021	Purchase value (including commission) USD	Maturity Date	Coupon Rate	Group Book Value USD
Slovenia Government International Bond	992,823	18/02/24	5.25%	993,886
Qatar Government International Bond	1,867,844	23/04/23	3.88%	1,869,638
Israel Government International Bond	1,984,226	30/06/23	3.15%	1,956,079
Export Development Canada	997,002	24/02/23	1.38%	997,412
Asian Development Bank	991,430	24/01/23	1.63%	991,733
2021	Purchase value (including commission) USD	Maturity Date	Coupon Rate	Group Book Value USD
Bank of England Euro Note	1,494,392	28/04/23	0.50%	1,495,153
International Finance Corp	1,489,092	24/10/22	2.00%	1,489,110
Indonesia Government International Bond	665,714	11/01/23	2.95%	666,084
Hungary Government International Bond	494,041	21/02/23	5.38%	494,441
Hungary Government International Bond	495,836	22/11/23	5.75%	483,812
Philippine Government International Bond	499,582	21/01/24	4.20%	500,261
Romanian Government International Bond	492,522	22/01/24	4.88%	493,484
Hungary Government International Bond	988,189	25/03/24	5.38%	989,742
CRRH SGI	92,922	17/01/24	6.10%	50,729
CRRH UEMOA TOP FINANCE	46,461	21/07/24	6.10%	25,321
EO -ETAT MALI AFRICA BOURSE	90,712	20/04/24	6.50%	55,152
EOS 05	108,852	01/01/23	6.50%	20,361
Guinea Bissau	928,897	27/01/25	6.50%	48,405
ORAGROUP	1,432,006	27/01/28	6.92%	1,360,825
Allowance for expected credit loss				(32,234)
<b>Total</b>	<b>115,279,807</b>			<b>111,179,596</b>

## COMPANY

2021	Purchase value	Maturity Date	Coupon Rate	Company
	(including commission)			Book Value
	USD			USD
Afrexim	8,171,655	20/06/24	3.93%	8,039,749
Export -Import BK Korea (B)	1,137,523	11/04/22	2.73%	1,017,290
Republic of Chile	3,905,031	30/10/22	2.64%	4,001,903
State of Qatar	4,492,043	20/01/22	2.59%	4,084,200
Morocco Govt Int'l Bond	1,059,788	11/12/22	3.48%	1,009,217
State of Qatar (B)	1,851,985	14/03/24	2.07%	1,816,144
Iceland	6,002,726	11/05/22	1.56%	5,425,192
Lithuania	3,477,538	01/02/22	3.07%	3,300,773
Commonwealth Bank Australia	2,927,239	16/03/23	2.45%	2,972,147
Westpac Banking Corporation	3,432,910	15/05/23	2.47%	3,488,783
Morocco Govt Int'l Bond	5,034,802	11/12/22	2.40%	4,791,133
Export -Import BK Korea (B)	4,963,581	01/11/22	1.96%	4,813,919
Bermuda I	6,713,396	06/02/24	1.92%	6,476,030
Bermuda II	1,610,648	03/01/23	1.87%	1,564,223
Indonesia	5,930,054	15/01/25	2.66%	5,835,798
Romania	5,985,781	07/02/22	2.63%	5,670,091
Morocco Govt Int'l Bond (C)	3,193,792	11/12/22	2.41%	3,057,925
Abu Dhabi	7,261,294	30/09/24	1.34%	7,183,843
State of Qatar (C)	2,161,930	14/03/24	1.40%	2,105,384
Republic of Chile	2,201,012	21/01/26	3.13%	2,184,362
Republic of Panama	2,552,751	29/01/26	7.13%	2,503,506
Development Bank of Japan	1,541,909	16/09/25	2.75%	1,529,031
Malaysia Sovereign Sukuk	2,505,225	22/04/25	3.04%	2,481,814
Abu Dhabi Govt Int'l	856,032	16/04/25	2.50%	849,301
State of Qatar	846,367	16/04/25	3.40%	837,673
Export -Import BK Korea	1,504,965	10/11/25	3.25%	1,489,358
Korea Development Bank	993,751	13/01/26	3.00%	985,004
Republic of Chile	1,195,899	27/03/25	3.13%	1,184,500
Republic of Poland Government International	1,226,881	06/04/26	3.25%	1,214,736
Province of Ontario Canada	1,188,304	27/04/26	2.50%	1,179,859
China Development Bank	1,189,217	01/06/26	3.00%	1,179,698
Hong Kong Government International Bond	264,507	28/05/24	2.50%	261,656
Hong Kong Government International Bond	1,714,409	28/05/24	2.50%	1,695,963
Slovenia Government International Bond	992,823	18/02/24	5.25%	993,886
Qatar Government International Bond	1,867,668	23/04/23	3.88%	1,869,638
Israel Government International Bond	1,984,082	30/06/23	3.15%	1,956,079

2021	Purchase value (including commission) USD	Maturity Date	Coupon Rate	Company Book Value USD
Export Development Canada	996,968	24/02/23	1.38%	997,412
Asian Development Bank	991,405	24/01/23	1.63%	991,733
Bank of England Euro Note	1,494,392	28/04/23	0.50%	1,495,153
International Finance Corp	1,489,092	24/10/22	2.00%	1,489,110
Indonesia Government International Bond	665,714	11/01/23	2.95%	666,084
Hungary Government International Bond	494,041	21/02/23	5.38%	494,441
Hungary Government International Bond	495,836	22/11/23	5.75%	483,812
Philippine Government International Bond	499,582	21/01/24	4.20%	500,261
Romanian Government International Bond	492,522	22/01/24	4.88%	493,484
Hungary Government International Bond	988,189	25/03/24	5.38%	989,742
<b>Total</b>	<b>112,579,957</b>			<b>109,651,063</b>
<b>Allowance for expected credit loss</b>				<b>(24,135)</b>
<b>Total</b>	<b>115,279,807</b>			<b>109,626,901</b>

## GROUP

2020	Group			Book Value USD
	Purchase value including commission) USD	Maturity Date	Coupon Rate	
Abu Dhabi	7,258,365	9/30/2024	2.13%	7,235,829
Afrexim	8,171,655	6/20/2024	4.13%	8,051,089
Bank Nederlandse Gemeenten	2,598,433	16/02/2021	4.38%	2,363,149
Banque Ouest Africaine de Développement	1,824,269	6/5/2021	5.50%	1,722,242
Bermuda	8,315,092	1/3/2023	4.14%	8,239,365
BIDC.03 SGI	35,669	3/30/2021	6.50%	7,747
BOAD SGI	102,693	2/5/2021	5.95%	37,156
Commonwealth Bank Australia	2,941,546	16/03/2023	2.70%	2,939,558
European Investment Bank	2,596,771	13/05/2021	4.00%	5,971,076
Export-Import Bank Korea	6,088,830	1/11/2022	4.50%	5,900,800
Iceland	5,988,782	11/5/2022	5.88%	5,649,539
Indonesia	5,919,306	1/15/2025	4.13%	5,908,010
Lithuania	3,466,229	1/2/2022	6.63%	3,404,243
Morocco	6,078,938	11/12/2022	4.25%	9,000,960
Poland	6,146,839	21/04/2021	5.13%	5,693,858
Republic of Chile	3,903,335	30/10/2022	2.25%	3,986,242
Romania	5,508,795	2/7/2022	6.75%	5,890,876
State of Qatar	6,337,255	14/03/2024	5.00%	8,139,174
Westpac Banking Corporation	3,432,910	15/05/2023	2.72%	3,450,233
Bond Guinea Bissau	47,769	1/27/2025	5.90%	51,286
CRRH SGI	139,383	1/17/2024	6.10%	104,761
EO -Etat Mali Africa Bourse	90,712	4/20/2024	6.50%	78,770
Etat du Senegal	52,096	1/1/2023	6.50%	48,395
Etat du Senegal (EOS)	108,852	1/1/2021	6.50%	75,216
Etat Senegal Top Finance	61,616	2/28/2021	6.60%	
Oat Benin	855,738	9/7/2021	6.10%	928,896
Oblig. Sifca Africa Bourse	128,366	8/8/2021	6.90%	46,445
				(28,539)
<b>Total</b>	<b>88,200,241</b>			<b>94,896,376</b>

## COMPANY

2020	Purchase Value (including commission) USD	Maturity Date	Coupon Rate	Company
				Book Value USD
Abu Dhabi	7,258,365	30/09/2024	2.13%	7,235,829
Afrexim	8,171,655	20/06/2024	4.13%	8,051,089
Bank Nederlandse Gemeenten	2,598,433	16/02/2021	4.38%	2,363,149
Banque Ouest Africaine de Développement	1,824,269	05/06/2021	5.50%	1,722,296
Bermuda	8,315,092	03/01/2023	4.14%	8,239,365
Commonwealth Bank Australia	2,941,546	16/03/2023	2.70%	2,939,558
European Investment Bank	2,596,771	13/05/2021	4.00%	5,971,076
Export-Import Bank Korea	6,088,830	11/01/2022	4.50%	5,900,800
Iceland	5,988,782	05/11/2022	5.88%	5,649,539
Indonesia	5,919,306	15/01/2025	4.13%	5,908,010
Lithuania	3,466,229	02/01/2022	6.63%	3,404,242
Morocco	6,078,938	12/11/2022	4.25%	9,000,960
Poland	6,146,839	21/04/2021	5.13%	5,693,858
Republic of Chile	3,903,335	30/10/2022	2.25%	3,986,242
Romania	5,508,795	07/02/2022	6.75%	5,890,876
State of Qatar	6,337,255	14/03/2024	5.00%	8,139,174
Westpac Banking Corporation	3,432,910	15/05/2023	2.72%	3,450,180
Allowance for expected credit loss				(20,515)
<b>Total</b>	<b>86,577,350</b>			<b>93,525,728</b>

The allowance for the expected credit loss (ECL) of the Group and Company has been derived from the Standard & Poor credit rating for Kenya. An average loss given default of 45% (2020: 45%) has been used to calculate the ECL.

## 8.(B) GUARANTEE CONTRACTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair value of guarantee contracts: USD 35,427,237 and USD 31,855,786 for the Group and Company respectively (2020: USD 25,678,660 and USD 23,100,102 respectively).

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
<b>Opening balance</b>	<b>25,678,660</b>	<b>22,024,327</b>	<b>23,100,102</b>	<b>19,329,526</b>
Movement through profit & loss account	1,990,077	(2,687,500)	(710,776)	(2,784,730)
Movement in deferred income account	8,036,326	6,111,570	7,753,196	6,555,306
FX translation	(277,827)	230,263	–	–
<b>Closing balance</b>	<b>35,427,237</b>	<b>25,678,660</b>	<b>30,142,522</b>	<b>23,100,102</b>

Fair valuation gain/(loss) on financial guarantee contracts is the net effect of the changes in the valuation of the guarantees classified as loan portfolio products.

The group's net profit in fair value of USD 1,990,077 was mainly due to a better performance in terms of annual growth in utilization in 2021 compared to expected growth (as projected in December 2020).

The net claim (less recoveries) paid on the loan portfolio guarantee contracts in 2021 was USD 1,653,013 for the group and the same amount for the company. This amount was paid directly through the profit or loss statement.

Sensitivity analysis for the assumptions used in the fair valuation of the guarantee contracts at fair value through profit or loss are as follows:				
	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
If the Company's average annual growth in utilization is lower by 100 basis points (-1%) relative to the management assumption (from 25% to 24%), the fair value gain will decrease by:	(428,120)	(273,934)	(196,394)	(265,221)
If the Company's annual default rate over the period of the contract is higher by 10 basis points (+0.1%) relative to the management assumption (from 0.3% to 0.4%), the fair value gain will decrease by:	(1,746,572)	(2,766,777)	(1,815,293)	(2,451,463)

If the Company's average recovery rate is lower by 100 basis points (-1%) relative to the management assumption (from 5% to 4%), the fair value gain will decrease by:	<b>(43,664)</b>	(64,451)	<b>(42,810)</b>	(57,812)
If the Company's discount rate is higher by 100 basis points (+1%) relative to the management assumption (from 5% to 6%), the fair value gain will decrease by:	<b>(1,194,098)</b>	(1,591,974)	<b>(1,046,224)</b>	(1,412,873)

## 8.(C) OTHER FINANCIAL INSTRUMENTS

Other financial instruments consist of long-term deposits made by the Group in different African banks. Interest rates are fixed. Details are as follows:

Bank	Group			2021
	Annual rates	Terms	Amount (USD)	
BGFI Bank Benin	6.00%	20/5/2020 - 19/5/2023	1,734,337	
BOA Senegal	6.00%	21/6/2021 - 20/6/2026	4,335,843	
Banque Atlantique Togo	6.54%	16/6/2021 - 15/6/2024	1,734,337	
Banque Atlantique Togo	6.00%	19/7/2021 - 18/7/2024	1,387,470	
Banque Atlantique Togo	5.50%	25/6/2021 - 24/6/2024	1,214,036	
Coris Burkina Faso	6.50%	3/12/2019 - 2/12/2022	2,601,506	
Orabank Togo	5.95%	28/4/2021 - 27/4/2024	867,169	
Coris Bank CI	6.00%	8/6/2020 - 7/6/2024	4,335,843	
Orabank Cote D'ivoire	6.00%	8/6/2020 - 7/6/2024	3,468,675	
Societe Generale Togo	5.50%	23/4/2020 - 22/4/2023	867,169	
Societe Generale Togo	6.00%	24/7/2021 - 23/7/2024	1,734,337	
SIB CI	5.50%	30/05/2021 - 30/04/2023	1,734,337	
BOA Burkina Faso	5.04%	31/5/2021 - 31/5/2026	3,468,675	
Coris Bank 3e DAT 6,5%	6.50%	2/7/2021 - 1/7/2026	1,734,337	
Societe Generale BF	5.30%	18/8/2021 - 17/8/2026	4,335,843	
Orabank Benin	4.89%	13/8/2021 - 13/8/2026	2,601,506	
Banque Atlantique Senegal DAT 6%	6.00%	27/9/2021 - 27/9/2026	3,468,675	
Banque Islamique Senegal DAT 6%	6.00%	12/10/2021 - 12/10/2027	2,601,506	
Banque Atlantique Senegal DAT 6%	6.00%	15/11/2021 - 16/11/2026	1,214,036	
BCEAO	0.00%	on call	1,147,505	
Stanbic Bank	3.00%	21/12/17 - 21/12/22	1,266,370	
Allowance for expected credit loss			(631,546)	
Stanbic Bank	3.00%	21/12/17 - 26/09/24	1,266,370	
Allowance for expected credit loss			(45.365)	
			1,221,005	
<b>Total</b>			<b>47,221,966</b>	

			Group
Bank	Annual rates	Terms	2020 Amount (USD)
BGFI Bank Benin	6.00%	27/01/2010 - 29/01/2021	1,857,793
BOA Senegal	6.00%	17/06/2015 - 17/06/2021	2,786,689
			Group
			2020
Bank	Annual rates	Terms	Amount (USD)
Banque Atlantique Togo	6.54%	15/06/2018 - 15/06/2021	1,857,793
Banque Atlantique Togo	6.00%	19/07/2018 - 18/07/2021	1,486,234
Banque Atlantique Togo	5.50%	7/04/2017 - 6/04/2020	1,300,455
Coris Burkina Faso	6.50%	3/12/2010 - 3/12/2019	2,786,689
BSIC Togo3ème DAT	6.00%	8/06/2015 - 8/06/2021	928,896
Orabank -Togo	5.95%	28/04/2012 - 27/04/2021	928,896
BOA Togo	5.75%	24/01/2018 - 24/01/2021	928,896
BOA Togo	5.50%	7/04/2017 - 6/04/2020	928,896
BOA Togo	5.75%	13/07/2018 - 12/07/2021	928,896
Coris Bank CI	6.00%	8/06/2016 - 7/06/2020	4,644,482
Orabank Cote D'ivoire	6.00%	8/06/2016 - 7/06/2020	3,715,586
Societe Generale Togo	5.50%	24/04/2017 - 20/04/2020	928,896
Societe Generale Togo	6.000%	24/07/2018 - 23/07/2021	1,857,793
SIB CI	5.50%	30/05/2020 - 30/04/2023	1,857,793
Ecobank Togo	5.75%	24/01/2018 - 24/01/2021	2,786,689
BCEAO	0.00%	on call	7,498,602
Stanbic Bank	3.00%	21/12/17 - 21/12/22	1,266,370
Allowance for expected credit loss			(439,747)
<b>Total</b>			<b>40,836,603</b>

			Company
			2020
	Annual rates	Terms	Amount (USD)
Stanbic Bank	3.00%	21/12/17 - 21/12/22	1,266,370
Allowance for expected credit loss			(15,973)
<b>Total carrying value</b>			<b>1,250,397</b>

The allowance for the expected credit loss (ECL) of the Group and Company has been derived from the Standard & Poor credit rating for Kenya.

## 9. UTILIZATION FEES

	2021 USD	Group 2020 USD	2021 USD	Company 2020 USD
Live financial guarantees volume	818,008,937	745,202,551	561,884,065	444,190,650
Cumulative disbursed loans under live guarantee volume as at 31st December	608,868,977	614,857,293	437,784,489	378,762,492
Cumulative utilization percentage on live guarantees	74%	83%	78%	85%
<b>Utilization fees</b>	<b>4,490,582</b>	<b>4,855,461</b>	<b>2,511,583</b>	<b>2,598,710</b>

Utilization fees are calculated 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 average outstanding guaranteed amount. The utilization volume fluctuates on an annual basis depending on the disbursement and the repayment of the loans to the SMEs. The cumulative utilization percentage is a function of cumulative disbursed guarantees under live guarantees and the outstanding live financial guarantees volume.

## 10. ASSESSMENT AND COMMISSION FEES

	2021 USD	Group 2020 USD	2021 USD	Company 2020 USD
Origination fees	1,420,297	934,411	1,038,563	746,779
Commission fees	280,196	291,785	82,819	291,785
	<b>1,700,493</b>	<b>1,226,196</b>	<b>1,121,382</b>	<b>1,038,564</b>

## 11. INCOME FROM INVESTMENTS

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Interest from debt instruments at amortized cost	2,038,088	1,971,969	2,038,088	1,971,969
Interest received on fixed-term deposits	176,290	282,355	176,290	282,355
Interest income on Central Bank (AGF WA)			–	–
Interest income on bonds (AGF WA)	79,193	88,921	–	–
Interest income on term deposits (AGF WA)	2,036,843	1,580,771	–	–
	<b>4,330,414</b>	<b>3,924,016</b>	<b>2,214,379</b>	<b>2,254,324</b>

## 12. OTHER INCOME

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
AGF West Africa amortized income **	89,958	86,906	–	–
Previous year origination income	–	–	–	–
Sundry income	30,970	7,364	–	–
	<b>120,929</b>	<b>94,270</b>	<b>–</b>	<b>–</b>

\* Please refer to Note 23 on deferred income regarding AGF West Africa amortized 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.

## 13. 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 the Group of XOF 5bn.

## The foreign currency translation has been calculated as follows:

	Group
AGF WA closing balance sheet as at 31 December 2020 in XOF (IFRS adjusted)	<b>25,822,272,302</b>
AGF WA closing balance sheet in USD using 2020 USD/XOF rate at 584.3 (a)	<b>47,972,437</b>
AGF WA closing balance sheet in USD using 2021 USD/XOF rate at 538.27 (b)	<b>44,784,531</b>
Exchange differences on translation of the closing balance sheet (a) – (b)	<b>(3,187,906)</b>
Exchange differences on translation of other adjustments	<b>(100,161)</b>
Exchange differences on translation of foreign subsidiary	<b>(3,288,067)</b>

## 14. STAFF EXPENSES

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Wages and salaries	4714,976	4,615,398	3,723,008	3,903,996
Pension costs	363,446	412,902	166,503	134,144
Social security contributions and similar taxes	1,317	754	1,317	754
	<b>5,079,739</b>	<b>5,029,054</b>	<b>3,890,828</b>	<b>4,038,894</b>

## 15. EXPENSES BY NATURE

	Group		Company	
	2021 USD	2020 USD	2021 USD	2020 USD
Administrative expenses	47,850	47,700	47,850	47,700
Board expenses	231,554	216,064	80,226	139,330
Legal and tax advisory fees	743,490	343,876	710,431	300,517
<b>Administrative and legal fees</b>	<b>1,022,894</b>	607,640	<b>838,508</b>	487,547
Telephone	93,307	90,149	83,249	76,531
Courier and postage	9,892	20,137	4,856	16,986
Others	57,265	55,496	12,501	12,242
<b>Communication expenses</b>	<b>160,465</b>	165,782	<b>100,606</b>	105,759
Marketing material and public relations	129,890	274,679	128,150	226,914
Conference sponsorship	143,075	96,310	143,075	96,310
Marketing expenses	272,965	370,989	271,225	323,224
Rent	273,091	242,621	222,100	193,233
Service charges	27,706	29,102	27,706	29,102
Security and maintenance	39,117	36,980	36,050	36,980
Parking and electricity	14,382	16,324	13,135	16,324
Insurance	3,521	8,278	3,521	5,454
Premises expenses	357,817	333,305	302,513	281,093
Staff recruitment	15,965	171,425	15,965	171,425
Staff succession planning & staff training	25,412	73,274	25,412	73,274
Consultancy	240,207	375,727	201,028	266,732
Provision & audit fees	245,204	246,835	172,480	178,250
Office supplies	58,310	40,362	43,241	33,468
Bank charges	20,339	17,600	17,455	13,495
Sundry expenses*	479,792	216,524	298,310	120,210
<b>Other expenses</b>	<b>1,085,229</b>	1,141,747	<b>773,890</b>	856,854

\*Sundry expenses include IT maintenance, vehicle maintenance and other repair and maintenance costs.

## 16. TAXATION

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### **Mauritius:**

The Company, being the holder of a Global Business License, is liable for income tax in Mauritius on its taxable profit arising from its worldwide 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 foreign-sourced income in question. 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 latter is based on 80% of the Mauritian tax on the relevant foreign-sourced income. In computing its total foreign tax credit, the Company is permitted to pool all its foreign-sourced income. Capital gains are outside the scope of the Mauritian tax net, while trading profits made by the Company from the sale of shares are exempt from tax.

### **Kenya:**

The Company undertakes its operations in Kenya and thus has a branch in Kenya. As such, it is subject 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 branch pays all its liable taxes, including withholding tax at the rate of 5% for local goods and services and 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 branch has unused accumulated tax losses as at 31 December 2021 and 2020.

### **Togo:**

The company's subsidiary is located in Togo. Being a financial institution under the supervision of the banking commission, it is liable for 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 exempt from all taxes. This exemption applies in particular to direct taxes (e.g. corporate taxes, taxes on income from capital, taxes on financial activities) and indirect taxes (value-added taxes, consumption taxes on petroleum products, etc.)

Company amounted to USD 20,485,565 (Company 2020: USD 16,127,845) Deferred tax assets have not been recognized in respect of tax losses carried forward, as the Directors consider it improbable that future taxable profits will be available against which the unused tax losses can be utilized.

Year of Assessment	Expiry Year	Group and Company	
		2021 USD	2020 USD
2012	2017	475,931	475,931
2013	2018	1,488,855	1,488,855
2014	2020	1,035,462	1,035,462
2015	2021	1,161,579	1,161,579
2016	2021	1,643,634	1,643,634
2017	2022	2,325,838	2,325,838
2018	2023	3,698,209	3,698,209
2019	2024	2,649,004	2,649,004
2020	2025	1,649,333	1,649,333
2021	2026	4,357,720	-
		<b>20,485,565</b>	<b>16,127,845</b>

## 17. PROPERTY AND EQUIPMENT

### Group

<b>COST</b>	<b>Office equipment USD</b>	<b>Fittings USD</b>	<b>Furniture USD</b>	<b>Computer equipment USD</b>	<b>Motor vehicles USD</b>	<b>Assets under construction USD</b>	<b>Land and Building USD</b>	<b>Total USD</b>
At 1 January 2021	328,023	1,184,447	302,216	370,635	328,468	13,880,119	-	16,393,909
Reclassification*	-	-	261,294	-	-	(8,492,920)	6,061,918	-
FX	(9,178)	(870)	10,094	(2,224)	(1,387)	-	-	(3,565)
Additions	2,654	-	1,834	16,719	-	4,421,632	-	5,465,289
Transfer from prepayments	-	-	-	-	-	1,022,450	-	1,022,450
Disposals	(275,888)	(1,165,092)	(244,269)	(250,635)	(49,152)	-	-	(1,985,035)
<b>At 31 December 2021</b>	<b>45,612</b>	<b>18,485</b>	<b>331,169</b>	<b>134,495</b>	<b>277,929</b>	<b>10,831,281</b>	<b>6,061,918</b>	<b>19,870,596</b>
At 1 January 2020	319,805	1,183,827	302,216	339,708	328,468	9,964,453	-	12,438,477
Additions	8,218	620	-	30,927	-	3,915,667	-	3,955,432
<b>At 31 December 2020</b>	<b>328,023</b>	<b>1,184,447</b>	<b>302,216</b>	<b>370,635</b>	<b>328,468</b>	<b>13,880,120</b>	<b>-</b>	<b>16,393,909</b>
<b>DEPRECIATION</b>								
At 1 January 2021	(303,429)	(1,048,043)	(286,340)	(310,717)	(319,809)	-	-	(2,268,338)
FX	1,326	674	(10,094)	2,224	1,387	-	925	(3,560)
Disposals	275,888	1,165,092	244,269	250,635	49,152	-	-	1,985,035
Charge for the year	(16,280)	(136,166)	(23,935)	(37,769)	-	-	(26,252)	(240,402)
<b>At 31 December 2021</b>	<b>(42,495)</b>	<b>(18,444)</b>	<b>(76,100)</b>	<b>(95,627)</b>	<b>(269,270)</b>	<b>-</b>	<b>(25,327)</b>	<b>(527,264)</b>
At 1 January 2020	(286,895)	(961,997)	(264,915)	(265,588)	(291,688)	-	-	(2,071,083)
Charge for the year	(16,534)	(86,046)	(21,424)	(45,129)	(28,121)	-	-	(197,254)
<b>At 31 December 2020</b>	<b>(303,429)</b>	<b>(1,048,043)</b>	<b>(286,340)</b>	<b>(310,717)</b>	<b>(319,809)</b>	<b>-</b>	<b>-</b>	<b>(2,268,338)</b>
<b>NET BOOK VALUE</b>								
At 31 December 2021	3,116	42	255,069	38,868	8,659	10,831,281	6,036,591	19,343,334
At 31 December 2020	24,594	136,404	15,877	59,918	62,573	13,880,120	-	14,125,572

\*During the year under review, AGF West Africa successfully completed the construction of its building, the working in progress pertaining to the construction has been subsequently reclassified to Land and Buildings. Included in Land and building is an amount of USD 2, 169,708 pertaining to Land.

COST	Company						
	Office equipment	Fittings	Furniture	Computer	Motor vehicles	Assets under construction	Total
	USD	USD	USD	USD	USD	USD	USD
At 1 January 2021	194,814	1,164,811	302,217	236,776	231,288	6,070,121	8,200,026
Transfer from prepayments	-	-	-	-	-	1,022,450	1,022,450
Additions	-	-	-	6,388	-	3,729,030	3,735,418
Write-off	(187,717)	(1,164,811)	(244,269)	(178,333)	-	-	(1,775,130)
<b>At 31 December 2021</b>	<b>7,097</b>	<b>-</b>	<b>57,947</b>	<b>64,831</b>	<b>231,288</b>	<b>10,821,601</b>	<b>11,182,765</b>
At 1 January 2020	194,814	1,164,811	302,217	216,628	231,288	4,219,099	6,328,857
Additions	-	-	-	20,148	-	1,851,022	1,871,169
At 31 December 2020	194,814	1,164,811	302,217	236,776	231,288	6,070,121	8,200,026
<b>DEPRECIATION</b>							
At 1 January 2021	(180,338)	(1,034,432)	(286,339)	(182,507)	(231,288)	-	(1,914,904)
Write off	187,717	1,164,811	244,269	178,333	-	-	1,775,130
Charge for the year	(13,572)	(130,379)	(15,878)	(30,571)	-	-	(190,400)
<b>At 31 December 2021</b>	<b>(6,193)</b>	<b>-</b>	<b>(57,947)</b>	<b>(34,745)</b>	<b>(231,288)</b>	<b>-</b>	<b>(330,174)</b>
At 1 January 2020	(175,354)	(960,109)	(264,914)	(162,648)	(205,852)	-	(1,768,878)
Charge for the year	(4,984)	(74,323)	(21,424)	(19,859)	(25,435)	-	(146,025)
<b>At 31 December 2020</b>	<b>(180,338)</b>	<b>(1,034,432)</b>	<b>(286,339)</b>	<b>(182,507)</b>	<b>(231,288)</b>	<b>-</b>	<b>(1,914,904)</b>
<b>NET BOOK VALUE</b>							
At 31 December 2021	904	-	-	30,086	-	10,821,601	10,852,591
At 31 December 2020	14,476	130,379	15,878	54,269	-	6,070,121	6,285,123

Included in property, plant and equipment as at 31 December 2021 was an amount of USD 8,116,334 (2020: USD,3,364,852) relating to expenditure for the construction of a building that will be used for office purposes by the Fund (excluding the cost of the land: USD 2,705,267). The value of the construction in progress for the building was certified by a certified Quantity

Surveyor. An amount of USD 1,022,450 was transferred from advance payment to assets under construction following completion of work.

## 18. INTANGIBLE ASSETS

	Software USD	Website USD	Assets under work in progress USD	Group Total USD
<b>COST</b>				
At 1 January 2020	3,556,206	55,988	775,844	4,388,038
Transfer from work in progress	685,452	-	(685,452)	-
Write off	(750,110)	(76)	(19,304)	(769,490)
Additions	20,618	-	3,232	23,850
At 31 December 2020	3,512,166	55,912	74,320	3,642,398
At 1 January 2020	3,259,084	55,988	717,442	4,032,514
Reclassifications	-	-	-	-
Additions	297,122	-	58,402	355,524
At 31 December 2020	3,556,206	55,988	775,844	4,388,038
<b>AMORTIZATION</b>				
At 1 January 2021	(1,686,056)	(39,529)	-	(1,725,585)
Reclassifications	(2,931)	2,931	-	-
Write off	750,110	76	-	750,186
Charge for the year	(548,161)	(4,717)	-	(552,878)
At 31 December 2021	(1,487,038)	(41,238)	-	(1,528,276)
At 1 January 2021	(1,157,462)	(34,423)	-	(1,191,885)
Charge for the year	(528,594)	(5,106)	-	(533,700)
At 31 December 2021	(1,686,056)	(39,529)	-	(1,725,585)

### NET BOOK VALUE

<b>At 31 December 2021</b>	<b>2,025,128</b>	<b>14,673</b>	<b>74,320</b>	<b>2,114,121</b>
At 31 December 2020	1,870,150	16,459	775,844	2,662,453

## Company

	<b>Software USD</b>	<b>Website USD</b>	<b>Assets under work in progress USD</b>	<b>Total USD</b>
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### COST

At 1 January 2021	3,239,695	44,864	685,452	3,970,011
Transfer from work in progress	685,452		(685,452)	-
Disposals	(723,819)			(723,819)
Additions	15,091	-		15,091
<b>At 31 December 2021</b>	<b>3,216,418</b>	<b>44,864</b>	<b>-</b>	<b>3,261,282</b>
At 1 January 2020	2,943,577	44,864	633,480	3,621,921
Transfer from work in progress		-	-	
Additions	296,118	-	51,972	348,090
<b>At 31 December 2020</b>	<b>3,239,695</b>	<b>44,864</b>	<b>685,452</b>	<b>3,970,011</b>

### AMORTISATION

At 1 January 2021	(1,358,666)	(39,528)	-	(1,398,194)
Reclassification	(2,931)	2,931		-
Disposals	723,819	-	-	723,819
Charge for the year	(547,395)	(4,717)	-	(552,112)
<b>At 31 December 2021</b>	<b>(1,185,173)</b>	<b>(41,314)</b>	<b>-</b>	<b>(1,226,487)</b>
At 1 January 2021	(850,910)	(34,422)		(885,332)
Charge for the year	(507,756)	(5,106)		(512,862)
<b>At 31 December 2021</b>	<b>(1,358,666)</b>	<b>(39,528)</b>	<b>-</b>	<b>(1,398,194)</b>

### NET BOOK VALUE

At 31 December 2021	2,031,245	3,550	-	2,034,796
At 31 December 2020	1,881,029	5,336	685,452	2,571,817

## 19. RECEIVABLES AND DEPOSITS

	2021	Group	2021	Company
	USD	2020	USD	2020
	USD	USD	USD	USD
Trade receivables	8,356,547	9,038,689	6,643,497	7,749,701
ECL impact	(5,537,514)	(4,938,699)	(4,667,378)	(4,259,508)
Net receivables	2,819,032	4,099,990	1,976,119	3,490,192
CD Trust	1,011,957	889,622	1,011,957	889,622
	2021	Group	2021	Company
	USD	2020	USD	2020
	USD	USD	USD	USD
Other receivables	5,657,454	4,904,453	3,223,248	1,402,201
Deposits	40,148	51,805	40,148	51,805
	9,528,591	9,945,869	6,251,472	5,833,820

Trade receivables are non-interest bearing. These are invoices that have been sent to the clients and the accrual of income to be invoiced for the last semester in 2021. Deposits include utility payments. Other receivables mainly comprise income fees 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. Please refer to note 30 for an ECL breakdown.

	Total	Neither past due nor				More than 1
		impaired	31– 60	61– 90	91 – 1 year	
	USD	USD	USD	USD	USD	year
	USD	USD	USD	USD	USD	USD
Group 2021	2,819,032	1,102,052	339,963	16,284	710,991	649,742
2020	4,099,990	2,835,205	118,042	299,476	665,850	181,416
Company 2021	1,976,119	1,086,759	311,305	16,284	235,722	326,048
2020	3,490,192	2,835,205	101,399	–	358,660	152,845

## 20. TRADE, OTHER PAYABLES AND OTHER LIABILITIES

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Trade payables	228,269	282,592	282,592	62,779
Accrued payables	895,042	1,352,474	690,047	1,352,474
	<b>1,123,311</b>	<b>1,635,066</b>	<b>972,639</b>	<b>1,415,253</b>

The carrying values of trade payables and accrued payables approximate their fair values at 31 December 2021 and 2020. Trade payables are interest-free and are repayable within a period of three months.

Other liabilities	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Statutory payables	96,660	282,592	96,660	228,719
		Group		Company
	2021	2020	2021	2020
	USD	USD	USD	USD
Other liabilities				
Sundry liabilities	6,387,736	1,352,474	5,481,068	668,356
Legal claim (b)	2,785,933	-	2,785,933	-
	<b>9,270,329</b>	<b>1,635,066</b>	<b>8,363,661</b>	<b>897,075</b>

(a) The amount payable to the related party is repayable on demand, unsecured and carries no interest. Sundry liabilities include an amount of USD 6.1 million that was received from AFDB as AFAWA grant

(b) Legal claim refer to provisions made for an out of court settlement post financial year end. Refer to note 31 and 32 for more information.

## 21. OTHER GUARANTEES

Other guarantees represent guarantees under the loan individual portfolio and the bank fundraising portfolio. The total volume of AGF's live financial guarantees as at 31 December 2021 stood at USD 818,008,937 for the Group (2020: USD 745,202,551) and USD 561,884,065 for the Company (2020: USD 379,580,216).

	2021	Group	2021	Company
	USD	2020	USD	2020
	USD	USD	USD	USD
Opening Balance	9,346,091	3,357,475	(106,736)	(1,937,329)
Claims paid for other guarantees	(1,653,013)	(998,949)	(1,653,013)	-
Movement in other guarantees (less claims)	4,203,539	6,326,623	3,046,463	1,830,593
FX	(470,267)	660,942	-	-
<b>Closing Balance</b>	<b>11,533,086</b>	<b>9,346,091</b>	<b>1,286,714</b>	<b>(106,736)</b>

Movement in other guarantees is the change in the calculation of the expected credit loss for the guarantees classified as loan individual products and bank fundraising products. Included in statement of profit or loss as part of claims payment of USD 4,438,946 is an amount of USD 2.7m pertaining to a legal claim. Refer to note 31 and 32 for the claim payment.

## 22. OTHER PROVISIONS

<u>2021</u>	Pensions (i)	Group
	USD	Total
	USD	USD
<b>Balance 1 January,</b>	<b>141,329</b>	<b>141,329</b>
Foreign exchange movement	94,016	94,016
Movement in the year		
<b>Balance 31 December</b>	<b>235,345</b>	<b>235,345</b>

<u>2020</u>	Pensions (i)	Group
	USD	Total
	USD	USD
<b>Balance 1 January,</b>	<b>45,306</b>	<b>45,306</b>
Foreign exchange movement	96,023	96,023
Movement in the year	-	-
<b>Balance 31 December</b>	<b>141,329</b>	<b>141,329</b>

- i. Pensions: This caption includes provisions and liabilities relating to employee benefits under defined benefit plans. The defined benefit plans are unfunded. Refer to Note 21 for additional details.
- ii. Litigations and other provisions: Since 2012, the subsidiary “AGF West Africa” has been assigned to Tribunal due to a dispute between a third party and the 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.

## 23. CLASSES OF SHARES

	Group and Company	
	Number	USD
Class B shares	6,451	64,540,014
Class C shares	13,520	135,351,138
Class D shares	3	3
Contribution shares		11,980,024
	19,974	211,871,179

	Group and Company	
	Number	USD
Class B shares	4,454	44,540,016
Class C shares	13,520	135,351,136
Class D shares	3	3
	17,977	179,891,155

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

### Class A, B and C Shares

Class A, B and C shares are redeemable at the option of the Shareholder or at the option of the Company.

Class A, B and C shares confer on their holders 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, Class B 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 Shares

Class D Shares shall not be entitled to any dividend. Class D Shares shall not be redeemable. Class D Shares 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 Class of Shares in issue. If at any time there are 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.

There was an additional contribution from Government of Canada (GAC) of US 10 million and USAID of USAID 2 million. No shares were allocated on the GAC and USAID contribution. The percentages of shareholding for financial years 2021 and 2020 are presented below.

Shareholders	Paid in capital	Number of shares	2021
			Percentage
KFW	61,750,000	6,175	30.92%
DANIDA	36,500,001	3,650	18.27%
IFU	35,540,016	3,554	17.79%
AECID	20,000,001	2,000	10.01%
NDF	17,101,136	1,695	8.49%
AFD	14,000,001	1,400	7.01%
AFDB	15,000,000	1,500	7.51%
<b>Total</b>	<b>199,891,155</b>	<b>19,974</b>	<b>100.0%</b>

Shareholders	Paid in capital	Number of shares	2020
			Percentage
KFW	61,750,000	6,175	34.36%
DANIDA	36,500,001	3,650	20.31%
AECID	20,000,001	2,000	11.13%
NDF	17,101,136	1,695	9.43%
IFU	15,540,016	1,554	8.65%
AFD	14,000,001	1,400	7.79%
AFDB	15,000,000	1,500	8.35%
<b>Total</b>	<b>179,891,155</b>	<b>17,974</b>	<b>100.0%</b>

## 24. DEFERRED INCOME

	2021	2020	2021	2020
	Group	Group	Company	Company
	USD	USD	USD	USD
Deferred income – Land grant (i)	1,822,555	2,045,256	–	–
Deferred income – Guarantee contracts at fair value through profit or loss (ii)	30,740,495	23,086,019	26,584,612	18,831,416
Year 2 Movement	32,563,050	25,131,275	26,584,612	18,831,416

- i. 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 the 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.

i.

	<b>2021</b>	<b>2020</b>
	<b>Group</b>	<b>Group</b>
Asset	2,184,769	2,184,769
FX movement	(92,339)	121,206
Deferred income	(1,822,555)	(2,045,256)
Year 3 Movement	269,875	260,719

ii. Guarantee contracts at fair value through profit or loss

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>At 1 January 2021</b>	<b>23,086,019</b>	<b>16,604,594</b>	<b>18,831,416</b>	<b>12,276,111</b>
Deferred income from new guarantee contracts	15,133,881	11,506,780	13,103,572	11,314,273
Deferred income recognized during the year	(7,479,405)	(5,025,355)	(5,350,376)	(4,758,968)
Reversal of deferred income from cancelled contracts	–	–	–	–
<b>At 31 December 2021</b>	<b>30,740,495</b>	<b>23,086,019</b>	<b>26,584,612</b>	<b>18,831,416</b>

## 25. RELATED PARTY DISCLOSURES

During the year ended 31 December 2021 and 2020, the Company transacted with related entities. Details of the nature and volume of these transactions and the balances with the related entities are as follows:

Transactions	Relationship	Nature of transactions	Group		Company	
			2021	2020	2021	2020
			USD	USD	USD	USD
Directors of the Company	Directors	Remuneration and allowances	231,554	10,733	80,226	10,733
Transactions	Relationship	Nature of transactions	Group		Company	
			2021	2020	2021	2020
			USD	USD	USD	USD
Capacity Development Trust	Common directorship	Administration fees	649,104	889,622	649,104	889,622
AGF West Africa	Subsidiary	Loans and borrowings	-	-	94,993	9,523,910
Capacity Development Trust	Common directorship	Amount payable	-	-	-	-
Rogers Capital Fund Services Ltd	Administrator and Secretary	Administration and Secretarial fees	47,850	42,700	47,850	42,700

Directors' remuneration and allowances include board members' flights and accommodation, as well as board member remuneration.

Capacity development includes administration fees owed to AGF and disbursements made on behalf of the trust.

Administration and secretarial fees in 2021 were paid to Rogers capital fund services.

## 25. RELATED PARTY DISCLOSURES

### Key management personnel

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Short-term benefits	15,063	18,500	15,063	18,500
Long-term benefits	119,660	89,611	119,660	89,611
Other Board expenses	76,318	10,733	76,318	10,733
	<b>211,040</b>	<b>118,844</b>	<b>211,040</b>	<b>118,844</b>

## 26. INVESTMENT IN SUBSIDIARY

Details of the Investment are as follows:

	2021 USD	2020 USD
Unquoted investment At 1 January 2021 and 31 December 2021	31,887,765	31,887,765

Name of subsidiary company	Place of incorporation	Business activity	2021 & 2020 Ownership		
			2021 USD	2020 USD	2020 USD
AGF West Africa	Togo	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.

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

	Group 2021	Group 2020	Subsidiary 2021	Subsidiary 2020
Profit for the year	(4,297,736)	(9,796,979)	801,842	465,055
Controlling interest (80.56%)	(5,041,610)	(9,843,182)	645,964	374,648
Non-controlling interest (19.44%)	743,874	46,203	155,878	90,407

### Non-controlling Interest

Name	Country of incorporation and operation	2021	2020
African Guarantee Fund West Africa	Togo	19.44%	19.44%
African Guarantee Fund West Africa		2021 USD	2020 USD
Accumulated balances of material non-controlling interest		9,391,746	9,287,069
Profit allocated to material non-controlling interest		743,874	46,203

Details of the Investment are as follows:

The summarized 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	2021 USD	2020 USD
Income	7,598,582	
Expenses	(3,772,056)	(4,343,392)
Net profit	3,826,526	237,670

### Statement of financial position

African Guarantee Fund West Africa	2021 USD	2020 USD
Total assets	61,872,511	62,046,102
Total liabilities	(13,361,614)	(14,073,663)
Net assets	48,510,897	47,972,439

### Statement of cashflow position

African Guarantee Fund West Africa	2021 USD	2020 USD
Operating activities	19,246,621	(665,630)
Financing activities	(9,523,910)	966,245
Investing activities	(6,023,892)	(5,009,614)

## 27. LOANS AND BORROWINGS

As at 31 December 2021, the Company did not have any outstanding amount (2020: USD 9,523,910) for its subsidiary, "AGF West Africa". The loan amount of FCFA 5 billion was paid in full including interest accrued.

## 28. CONTINGENT LIABILITIES AND COMMITMENTS

### Contingent Liabilities

	Group		Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Financial guarantees (live)	818,008,937	745,202,551	561,884,065	444,190,650
Financial guarantees re-guaranteed	(174,056,053)	(156,145,772)	(135,249,636)	(83,096,440)
<b>Net exposure</b>	<b>643,952,884</b>	<b>589,056,779</b>	<b>426,634,430</b>	<b>361,094,210</b>
Re-guarantee fees	(720,215)	(1,313,951)	(720,215)	(1,313,951)

At year end, there were no claims arising from these guarantee contracts. This would indicate the 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 for as assets when claims lodged by the Company to the guarantors are approved.

### Custodian Fees

The Group and the Company pay custodian fees 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	
	2021	2020	2021	2020
	USD	USD	USD	USD
<b>Custody fees</b>	<b>200,423</b>	183,134	<b>194,609</b>	177,600

## Operating lease commitments

Construction of African Guarantee Fund's offices is completed for Lomé and the staff have moved in. The construction for offices in Nairobi is almost done pending furniture as at end of December 2021. The rental lease is for one floor that is currently being used by the staff in Nairobi.

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

	Group		Company	
	2021	2020	2021	Company 2020
	USD	USD	USD	USD
Properties				
Within 1 year	85,956	176,784	85,956	176,784
After 1 year but within 5 years	-	603,409	-	603,409
	85,956	780,193	85,956	780,193

## 29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

As at 31 December 2021	Group		
	Within 12 months	After 12 months	Total
	USD	USD	USD
<b>Assets</b>			
Property and equipment	-	19,343,334	19,343,334
Intangible assets	-	2,114,121	2,114,121
Debt instrument at amortised cost	38,660,779	72,518,817	111,179,596
Guarantee at Fair value through profit or loss	-	35,427,236	35,427,236
Prepayments	1,016,738	-	1,016,738
Receivables and deposits	7,791,269	1,737,322	9,528,591

As at 31 December 2021	Within 12 months USD	After 12 months USD	Group Total USD
Cash and cash equivalent	16,624,742	7,053	16,631,795
<b>Total assets</b>	<b>71,199,965</b>	<b>172,109,122</b>	<b>243,309,087</b>
<b>Liabilities</b>			
Provision for Guarantees	-	11,533,086	11,533,086
Other provisions	-	235,345	235,345
Other liabilities	8,681,626	(2,197,230)	6,484,396
Loans and borrowings	-	-	-
Deferred income	-	1,822,555	1,822,555
Trade and other payables	1,126,264	(2,953)	1,123,311
<b>Total Liabilities</b>	<b>9,807,890</b>	<b>11,390,803</b>	<b>21,198,693</b>
<b>As at 31 December 2020</b>			
<b>Assets</b>			
Property and equipment	0	14,125,572	14,125,572
Intangible assets	0	2,662,453	2,662,453
Debt instrument at amortised cost	31,557,147	63,339,229	94,896,376
Guarantee at Fair value through profit or loss	0	25,678,660	25,678,660
Prepayments	603,623	2,018,400	2,622,023
Receivables and deposits	9,489,450	456,419	9,945,869
Other financial instruments	35,151,959	5,684,644	40,836,603
Cash and cash equivalent	11,987,012	0	11,987,012
<b>Total assets</b>	<b>88,789,191</b>	<b>113,965,377</b>	<b>202,754,568</b>
<b>Liabilities</b>			
Provision for Guarantees	0	9,452,827	9,452,827
Other provisions	0	141,329	141,329
Other liabilities	1,484,335	111,994	1,596,329
<b>As at 31 December 2020</b>			
	<b>Within 12 months USD</b>	<b>After 12 months USD</b>	<b>Group Total USD</b>
Loans and borrowings	0	0	0
Deferred income	0	2,045,256	2,045,256
Trade and other payables	1,635,066	0	1,635,066
<b>Total Liabilities</b>	<b>3,119,401</b>	<b>11,751,406</b>	<b>14,870,807</b>

As at 31 December 2021	Company		
	Within 12 months	After 12 months	Total
	USD	USD	USD
<b>Assets</b>			
Property and equipment	-	10,852,591	10,852,591
Intangible assets	-	2,034,796	2,034,796
Held-to-maturity financial assets	38,660,779	70,966,122	109,626,901
Guarantee at Fair value through profit or loss	-	30,142,522	30,142,522
Prepayments	1,016,738	-	1,016,738
Receivables and deposits	5,240,213	1,011,259	6,251,472
Other financial instruments	-	1,221,005	1,221,005
Cash and cash equivalent	16,127,614	7,053	16,134,667
<b>Total assets</b>	<b>61,045,344</b>	<b>116,235,348</b>	<b>177,280,692</b>
<b>Liabilities</b>			
Provision for Guarantees	-	1,286,714	1,286,714
Other provisions	-	-	-
Other liabilities	6,856,332	(1,278,605)	5,577,727
Loans and borrowings	-	-	-
Trade and other payables	972,638	-	972,638
<b>Total Liabilities</b>	<b>7,828,970</b>	<b>8,109</b>	<b>7,837,079</b>
<b>Assets</b>			
Property and equipment	0	6,285,123	6,285,123
Intangible assets	0	2,571,817	2,571,817
Debt instrument at amortised cost	30,474,111	63,051,617	93,525,728
Guarantee at Fair value through profit or loss	0	23,100,102	23,100,102
Prepayments	603,623	2,018,400	2,622,023
Receivables and deposits	5,531,911	301,909	5,833,820
Other financial instruments	0	1,250,397	1,250,397
Cash and cash equivalent	43,109,808	-312,091,72	11,900,636
<b>Total assets</b>	<b>79,719,453</b>	<b>67,370,193</b>	<b>147,089,646</b>
<b>Liabilities</b>			
Provision for Guarantees	0	0	0
Other provisions	0	0	0
Other liabilities	381,771	53,298	435,069
Loans and borrowings	0	9,523,910	9,523,910

Deferred income			0
Trade and other payables	1,415,253	0	1,415,253
<b>Total Liabilities</b>	<b>1,797,024</b>	<b>9,577,208</b>	<b>11,374,232</b>

### 30. EXPECTED CREDIT LOSS

The table below shows the ECL charges/(reversal) on financial instruments for the year recorded in the income statement.

	Group		Company	
	2021 USD	2020 USD	2021 USD	2020 USD
Debt instruments at amortised costs	3,696	(40,290)	3,620	(10,470)
Other financial instruments, cash and cash equivalents	240,493	(10,449)	80,734	(36,093)
Receivables	598,815	821,527	407,871	814,720
	<b>843,003</b>	<b>770,787</b>	<b>492,225</b>	<b>768,157</b>

The tables below present the ECL charges and the ECL balance on the volume of the financial instruments for the year 2021 and 2020. Gross carrying amount is the volume of the gross financial assets. ECL charged is the expected credit loss in accordance with IFRS 9 on financial assets. Refer to Note 4 on the classification and measurement of financial instruments.

#### i. Debt instruments at amortized cost

2021	Stage 1	Stage 2	Stage 3	Group Total
<b>Gross carrying amount as at 01 January 2021</b>	-	94,916,891	-	94,916,891
Transfers between stages	-	-	-	-
Other movement	-	16,294,939	-	16,294,939
ECL charged for the financial year	-	(8,099)	-	(8,099)
<b>Gross carrying amount at 31 December 2021</b>	-	<b>111,203,731</b>	-	<b>111,203,731</b>
<b>ECL Charged at 01 January 2021</b>	-	<b>28,539</b>	-	<b>28,539</b>
Transfers between stages	-	-	-	-
ECL charged for the financial year	-	3,696	-	3,696
<b>ECL Charged at 31 December 2021</b>	-	<b>32,234</b>	-	<b>32,234</b>

2021	Stage 1	Stage 2	Stage 3	Company Total
<b>Gross carrying amount as at 01 January 2021</b>	-	93,546,243	-	93,546,243
Transfers between stages	-	-	-	-
Other movement	-	16,104,793	-	16,104,793
ECL charged for the financial year	-	-	-	-
<b>Gross carrying amount at 31 December 2021</b>	-	<b>109,651,036</b>	-	<b>109,651,036</b>
<b>ECL balance at 01 January 2021</b>	-	20,515	-	20,515
Transfers between stages	-	-	-	-
ECL charged for the financial year	-	3,620	-	3,620
<b>ECL balance at 31 December 2021</b>	-	<b>24,135</b>	-	<b>24,135</b>

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

2020	Stage 1	Stage 2	Stage 3	Group Total
<b>Gross carrying amount as at 01 January 2020</b>	-	<b>9,366,048</b>	<b>328,055</b>	<b>9,694,103</b>
Transfer between stages	-	(4,448,455)	4,448,455	-
Movement	-	5,190,460	-	5,190,460
ECL charged for the financial year	-	(997,725)	(3,940,974)	(4,938,699)
<b>Gross carrying amount at 31 December 2020</b>	-	<b>9,110,333</b>	<b>835,536</b>	<b>9,945,869</b>
ECL charged at 01 January 2020	-	<b>1,118,255</b>	<b>2,998,916</b>	<b>4,117,171</b>
Transfers between stages	-	-	-	-
ECL charged for the financial year	-	(120,530)	942,058	821,528
<b>ECL charged at 31 December 2020</b>	-	<b>997,725</b>	<b>3,940,974</b>	<b>4,938,699</b>

2020	Stage 1	Stage 2	Stage 3	Company Total
Gross carrying amount as at 01 January 2020	-	5,601,428	254,742	5,856,170
Transfers between stages	-	(3,751,883)	3,751,883	-
Other movement	-	4,237,157	-	4,237,157
ECL charged for the financial year	-	(713,729)	(3,545,779)	(4,259,508)
<b>Gross carrying amount at 31 December 2020</b>	-	<b>5,372,973</b>	<b>460,846</b>	<b>5,833,819</b>
ECL charged at 01 January 2020	-	728,138	2,716,651	3,444,789
Transfers between stages	-	431,452	(431,452)	-
ECL charged for the financial year	-	(445,861)	1,260,580	814,719

ECL charged at 31 December 2020	-	713,729	3,545,779	4,259,508
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i. Other financial instruments, cash and cash equivalents

2021	Stage 1	Stage 2	Stage 3	Group Total
<b>Gross carrying amount as at 01 January 2021</b>	<b>12,044,113</b>	<b>40,852,576</b>	-	<b>52,896,690</b>
Transfers between stages			-	-
Movement	4,794,970	7,899,846		12,694,816
ECL charged for the financial year	(106,680)	(631,546)	-	(738,226)
<b>Gross carrying amount at 31 December 2021</b>	<b>16,732,402</b>	<b>48,120,877</b>	-	<b>64,853,279</b>
<b>ECL charged at 01 January 2021</b>	<b>57,987</b>	<b>439,746</b>	-	<b>497,734</b>
Transfers between stages			-	-
ECL charged for the financial year	48,693	191,799	-	240,493
<b>ECL charged at 31 December 2021</b>	<b>106,680</b>	<b>631,546</b>	-	<b>738,226</b>

2021	Stage 1	Stage 2	Stage 3	Company Total
<b>Gross carrying amount as at 01 January 2021</b>	<b>11,900,636</b>	<b>1,250,397</b>	-	<b>13,151,033</b>
Transfers between stages			-	-
Other movement	4,334,638	(29,392)		4,305,246
ECL charged for the financial year	(100,607)	-	-	(100,607)
<b>Gross carrying amount at 31 December 2021</b>	<b>16,134,667</b>	<b>1,221,005</b>	-	<b>17,355,672</b>
<b>ECL charged at 01 January 2020</b>	<b>57,101</b>	<b>15,973</b>	-	<b>73,075</b>
Transfers between stages			-	-
ECL charged for the financial year	43,506	37,227	-	80,734
<b>ECL charged at 31 December 2020</b>	<b>100,607</b>	<b>53,201</b>	-	<b>153,808</b>

2020	Stage 1	Stage 2	Stage 3	Company Total
<b>Gross carrying amount as at 01 January 2020</b>	<b>43,109,808</b>	<b>1,231,830</b>	-	<b>44,341,638</b>
Transfers between stages	(60,058)	60,058	-	0
Movement	(31,092,013)	(41,491)		(31,133,504)
ECL charged for the financial year	(57,101)	-	-	(57,101)
<b>ECL charged at 01 January 2020</b>	<b>74,626</b>	<b>34,542</b>	-	<b>109,168</b>
Transfers between stages			-	-

ECL charged for the financial year	(17,525)	(18,569)	–	(36,093)
<b>ECL charged at 31 December 2020</b>	<b>57,101</b>	<b>15,973</b>	<b>–</b>	<b>73,075</b>

#### i. Receivables

2021	Stage 1	Stage 2	Stage 3	Group Total
Gross carrying amount as at 01 January 2021	-	9,110,333	835,536	9,945,869
Transfer between stages	-	-	-	-
Movement		5,120,236		5,120,236
ECL charged for the financial year	-	(1,596,540)	(3,940,974)	(5,537,514)
<b>Gross carrying amount at 31 December 2021</b>	<b>-</b>	<b>12,634,029</b>	<b>(3,105,438)</b>	<b>9,528,591</b>

2021	Stage 1	Stage 2	Stage 3	Group Total
ECL charged at 01 January 2021	-	997,725	3,940,974	4,938,699
Transfers between stages	-	-	-	-
ECL charged for the financial year	-	598,816	(1)	598,815
<b>ECL charged at 31 December 2021</b>	<b>-</b>	<b>1,596,540</b>	<b>3,940,974</b>	<b>5,537,514</b>

2021	Stage 1	Stage 2	Stage 3	Company Total
Gross carrying amount as at 01 January 2021	-	5,372,974	460,846	5,833,820
Transfer between stages	-	-	-	-
Movement	-	5,085,030		5,085,030
ECL charged for the financial year	-	(1,121,599)	(3,545,779)	(4,667,378)
<b>Gross carrying amount at 31 December 2021</b>	<b>-</b>	<b>9,336,405</b>	<b>(3,084,933)</b>	<b>6,251,472</b>

ECL charged at 01 January 2021	-	713,729	3,545,779	4,259,508
ECL charged for the financial year	-	407,871	-	407,871
<b>ECL charged at 31 December 2021</b>	<b>-</b>	<b>1,121,598</b>	<b>3,545,779</b>	<b>4,667,378</b>

2020	Stage 1	Stage 2	Stage 3	Group Total
Gross carrying amount as at 01 January 2020	-	9,366,048	328,055	9,694,103
Transfer between stages	-	(4,448,455)	4,448,455	-
Movement		5,190,460		5,190,460
ECL charged for the financial year	-	(997,725)	(3,940,974)	(4,938,699)
<b>Gross carrying amount at 31 December 2020</b>	<b>-</b>	<b>9,110,333</b>	<b>835,536</b>	<b>9,945,869</b>

ECL charged at 01 January 2020	-	1,118,255	2,998,916	4,117,171
ECL charged for the financial year	-	(120,530)	942,058	821,528
<b>ECL charged at 31 December 2020</b>	<b>-</b>	<b>997,725</b>	<b>3,940,974</b>	<b>4,938,699</b>

2020				Company
	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 01 January 2020</b>	–	5,601,428	254,742	5,856,170
Transfer between stages	–	(3,751,883)	3,751,883	–
Movement	–	4,237,157	-	4,237,157
ECL charged for the financial year	–	(713,729)	(3,545,779)	(4,259,508)
<b>Gross carrying amount at 31 December 2020</b>	–	<b>5,372,973</b>	<b>460,846</b>	<b>5,833,819</b>
<b>ECL charged at 01 January 2020</b>	–	728,138	2,716,651	3,444,789
Transfers between stages	–	431,452	(431,452)	–
ECL charged for the financial year	–	(445,861)	1,260,580	814,719
<b>ECL charged at 31 December 2020</b>	–	<b>713,729</b>	<b>3,545,779</b>	<b>4,259,508</b>

## i. Financial guarantee

The table below presents the classification and measurement of the loan individual guarantees (LIGs) and bank fund raising guarantees (BFRGs). These types of guarantees are treated as financial guarantee contracts and are initially measured at fair value (NPV). Subsequently, these contracts are measured at the higher of the amount initially recognized less expected credit loss. The financial guarantees are assessed on a yearly basis; thereafter, the staging is reallocated.

### Classification

2021				Group
	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount as at 01 January 2021</b>	194,236,981	32,798,676	28,463,656	255,499,313
Transfers between stages	(94,517,212)	(5,806,915)	189,610	(100,134,517)
New volume in 2021	2,293,612	-	-	2,293,612
<b>Gross carrying amount at 31 December 2021</b>	<b>102,013,381</b>	<b>26,991,761</b>	<b>28,653,266</b>	<b>157,658,408</b>

### Measurement

2021	Stage 1	Stage 2	Stage 3	Total
<b>ECL Charged at 01 January 2021</b>	847,899.70	1,654,059.47	9,633,078.31	12,135,037
<b>NPV at 01 January 2021</b>	2,831,203.78	321,273.59	-	3,152,477
Transfers between stages	-	-	-	-
<b>ECL on Claims</b>	-	-	-	-
ECL charged for the financial year	266,030	155,440	(2,183,915)	(1,762,445)
NPV for the financial year	(546,691)	(241,389)	-	(788,080)
<b>NPV at 31 December 2021</b>	<b>2,284,513</b>	<b>79,884</b>	<b>-</b>	<b>2,364,397</b>
<b>ECL Charged at 31 December 2021</b>	<b>581,870</b>	<b>1,498,620</b>	<b>11,816,993</b>	<b>13,897,483</b>

## Classification

2021	Stage 1	Stage 2	Stage 3	Company Total
<b>Gross carrying amount as at 01 January 2021</b>	70,837,782	1,348,723	11,133,753	83,320,258
Transfers between stages	(14,756,090)	(906,825)	(1,144,830)	(16,807,745)
New volume in 2021	5,534,620	-	-	5,534,620
<b>Gross carrying amount at 31 December 2021</b>	<b>61,616,312</b>	<b>441,898</b>	<b>9,988,923</b>	<b>72,047,133</b>

## Measurement

2021	Stage 1	Stage 2	Stage 3	Company Total
<b>ECL Charged at 01 January 2021</b>	485,188	17,804	1,533,438	2,036,431
<b>NPV at 01 January 2021</b>	1,851,520	291,647	-	2,143,167
2021	Stage 1	Stage 2	Stage 3	Company Total
Transfers between stages	-	-	-	-
ECL on Claims	-	-	-	-
ECL charged for the financial year	73,741	16,841	(963,793)	(873,211)
NPV for the financial year	(230,432)	(289,808)	-	(520,240)
<b>NPV at 31 December 2021</b>	<b>1,621,088</b>	<b>1,839</b>	<b>-</b>	<b>1,622,927</b>
<b>ECL Charged at 31 December 2021</b>	<b>411,447</b>	<b>963</b>	<b>2,497,231</b>	<b>2,909,641</b>

## 31. CONTINGENT LIABILITY

AGF entered into a guarantee agreement with a third party for an amount of USD 11,050,000. Due to breaches of the agreement, AGF terminated the agreement in March 2018. The third party filed a notice of arbitration on 22 April 2021 before the Chartered Institute of Arbitrators in the UK claiming that AGF had failed to pay the claim amount of USD 5,031,259.

The legal claim gave rise to a contingent liability in line with IAS 37 at year end as the probability of settling the liability was uncertain.

Subsequent to the reporting date (refer to note 32), an out of court settlement of USD 2,785,933 was agreed, as full and final settlement of the above mentioned claim, between the parties. Accordingly a provision for the same amount has been recorded in the financial statements.

## 32. POST-BALANCE SHEET EVENTS AFTER THE REPORTING DATE

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African guarantee fund received USD 10 million from Proparco as additional capital on the 23 March 2022.

Following the out of court settlement of USD 2,785,933 in March 2022 pertaining to a case that was filed in March 2021, the financial statements have been adjusted to reflect the amount agreed as full and final settlement of the claim.

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