

TABLE OF CONTENTS

Our Shareholders and Partners	05
Chairman’s Statement	06
Message from the Group Chief Executive Officer	10
Our Board of Directors and Management	12
Statement of Corporate Governance	14
Introduction	15
Who We Are	16
How We Perform	17
Our Vision, Mission, and Values	18
Our Theory of Change	19
Results and Impacts	20
Our Credit Guarantee Portfolio	21
Our Capacity Development Portfolio	28
Our Environment and Social Framework	30
Our Performance Highlights	32
Consolidated Financial Statements	59
Corporate Governance Report	62
Directors’ Report	74
Secretary Certificate	75
Statement of Directors’ Responsibilities	76
Independent Auditor’s Report	77
Statements of Profit and Loss and other Comprehensive Income	82
Statements of Financial Position	83
Consolidated Statement of Changes in Equity	84
Company Statement of Changes in Equity	85
Statement of Cash Flows	86
Notes	87



Abbreviations

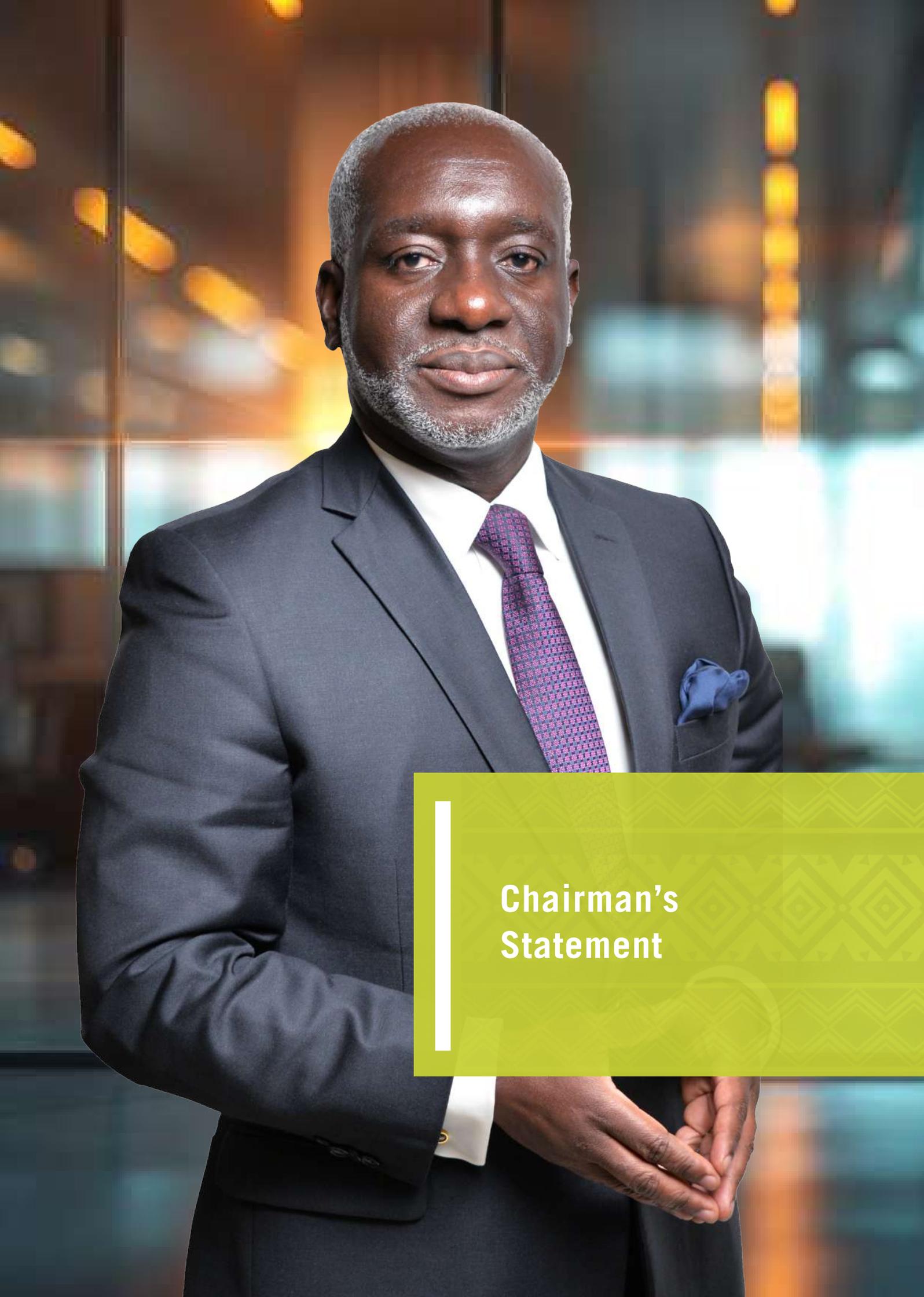
AECID	Spanish Agency for International Development Cooperation
AFAWA	Affirmative Finance Action for Women in Africa
AfDB	African Development Bank
AFS	AFAWA Finance Series
AGF	African Guarantee Fund
BD	Business Development
BDSP	Business Development Service Provider
BFRG	Bank Fundraising Guarantee
BIIC	Banque Internationale pour l'Industrie et le Commerce
CCA	Clean Cooking Alliance
CD	Capacity Development
DANIDA	Danish International Development Agency
DD	Due Diligence
DRC	Democratic Republic of the Congo
EG	Equity Guarantee
E&S	Environmental and Social
ESAP	Environment and Social Action Plan
ESMF	Environment and Social Management Framework
FI	Financial Institution
GGF	Green Guarantee Facility
GIIP	Good International Industry Practice
GLI	Gender-Lens Investing
IC	Investment Committee
IFC	International Financing Corporation
LIG	Loan Individual Guarantee
LPG	Loan Portfolio Guarantee
MEL	Monitoring, Evaluation, and Learning
NBFI	Non-Bank Financial Institution
PFI	Partner Financial Institution
PRI	Principles for Responsible Investment
SDGs	Sustainable Development Goals
SME	Small-Medium Sized Enterprise
UN	United Nations
WAEMU	West African Economic and Monetary Union
WAMZ	West African Monetary Zone
WASH	Water, Sanitation and Hygiene
WSME	Women-Led/Owned Small-Medium Sized Enterprise
YEI MDTF	Youth Entrepreneurship and Innovation Multi-Donor Trust Fund
YSME	Youth-Led/Owned Small-Medium Sized Enterprise

Our Shareholders and Sponsors



Nordic Development Fund





**Chairman's
Statement**

Highlights

USD 23.4M

Earned Revenue

USD 500M

Signed Guarantees

37,000

SMEs Financed

Dear Shareholders,

It is my pleasure to welcome you to the 2024 Annual General Meeting of the African Guarantee Fund – for Small and Medium-sized Enterprises Ltd (“AGF” or the “Company”) which I hereby formally open.

I would like to acknowledge the presence of Mr. Lars Krogsgaard, representative of IFU, who is physically present with us for the meeting and to all of you who have joined online: Ms. Christina Stenvall-Kekonnen (NDF), Mr. Markus Schladt (KFW), Mr. Antoine Burgard (AFD & FISEA), Ms. Mkola Tambwe (AfDB) and Mrs. Maria Martinez Ramon (AECID) as observer.

Please allow me also to welcome the Board of Directors, our auditors PWC Mauritius and the Group CEO and the Deputy Group CEO, representing the management of the Company.

Annual General Meetings provide a Chairman with the unique opportunity to survey the financial landscape, to comment on the financial performance and social impact and finally, to report on the opportunities addressed and the challenges faced while also providing some insights into the future performance of the Company.

Economic Environment

Our ability to continue to generate profitable growth is, of course, closely correlated and indeed heavily influenced by economic trends as well as the state of the regulatory environment in which we operate. 2023 was another year of significant turbulences worldwide, mainly because of:

- the ongoing wars in the Middle East and Ukraine;
- the increasing terrorist activities which, in Africa, result in many coups, which fuel geopolitical tensions;
- the growing tensions between the USA and China; and
- the devastating effects of climate change.

Consequently, we experienced higher food and energy prices in 2023 which in turn fueled inflation and made markets more volatile thereby adding more uncertainty in the global economy.

The aforesaid external environment had a major negative impact on African economies. In addition to the issues mentioned above, the majority of the economies on the continent are facing exchange rate pressures, limited foreign exchange reserves and debt vulnerability. This has resulted in a deceleration of the growth on the African continent from 4% in 2022 to 3% in 2023.

Performance

I am happy to report that your institution continues to support the African SMEs, through our Partner Financial Institutions (PFIs), to respond to this challenging environment.

Financials

The financial performance of AGF for 2023 is good. The **net income** of the Company stood at USD 2.6M mainly due to the foreign exchange gain of USD 1.8M (70%) because of an improvement of the Euro/USD foreign exchange rate and a positive operating profit this year at 0.8M (30%).

We earned **revenue** in 2023 of USD 23.4M (40% better than last year) attributed to a good record of each line of businesses with 30% of the revenue coming from our affiliate in West Africa.

On the other hand, **operating expenses** (excluding the Cost of Credit) at USD 16.4M increased by 12% mainly attributed to high inflation in the global economy and a notable tax increase in Kenya.

It is to be noted that the **cost of credit** increased by 18% from last year mainly because of the payment of two claims totaling USD 5M. However, this was offset by recoveries amounting to USD 900,000.

The Company has an acceptable provisioning level with the asset quality being generally good and we have maintained our **AA- rating** with Fitch.

Guarantee volumes

AGF signed USD 500M of guarantees in 2023 marking its best performance since inception. The figure includes a one-off transaction of USD 200M with the Ecobank Group representing the largest SME guarantee line in Sub Sahara Africa.

During the past three years, the volume of guarantee originated amounted to USD 1.17B, bringing the total guarantee volume issued since inception to USD 2.5B despite the frequent turbulences in the global economy and the sanitary challenges generated by the Covid pandemic and Ebola.

Through AGF guarantees, more than 37,000 African SMEs have received about USD 4B of financing. Most of the SMEs would not have had access to this financing otherwise. AGF partners with almost 250 Financial Institutions in 44 countries in the continent, including 15 fragile countries.

As you are aware, the ultimate objective of AGF is poverty reduction via job creation mainly for the youth. We have enabled the creation of more than 400,000 jobs by end of 2023.

Our dedication to gender equality and environmental sustainability was reinforced through the AFAWA and Green Guarantee initiatives respectively.

On average, since inception, AGF has been issuing more than USD 200M guarantees per annum with an increased pace after the Covid pandemic. This demonstrates that ***the business model is right and our institution has been accepted and proven its worth in the financial community.*** We will need to leverage on these strategical achievements to channel more guarantees and technical assistance to PFIs with the objective of generating enhanced growth in the African SMEs sector, thereby creating increased employment in the economy on the continent.

Resources

To achieve this, the critical success factor remains the volume of resources that we will be able to mobilize in order to respond adequately to the huge market demand. The Board of Directors is handling this matter with high priority and appropriate strategic directions are being given to the management of the Company accordingly.

At this stage, I would like to reiterate my appreciation to our current Shareholders who felt that there was value in committing resources and effort in such an enterprise as AGF. I am taking this opportunity to warmly thank our new contributors, TechnoServe Inc. and Norad who injected USD 3M and USD 6M respectively in the Company.

Corporate Governance

An evaluation of the effectiveness of the governance structure at the level of the Company was carried out by an external consultant during 2023 and resulted in the **development of a management charter** and a **revised board charter** to be in line with best practices whilst considering the Company's context and specificities. The review was conducted in accordance with the Mauritius Code of Corporate Governance, King IV Code of Corporate Governance, AGF's Constitution, as well OECD Principles of Corporate Governance.

2023 witnessed several changes at the level of the Board. Mr. Morten Christiansen left the Board after serving as director for nine years and we thank him for his input and experience over the years. We welcome the appointment of more women on the

Board in 2023, namely Ms. Njeri Ngaruiya and Mrs. Hanjali Permolloo-Le Roux.

The arrival of new directors blended with the experience of the directors already in place provides the right mix and approach in the supervision of the management of the Company. All our decisions are guided by our purpose to contribute to the sustainable development of our continent by creating the conditions for the employment of our youth and women which will result in the reduction of poverty. Our strategy towards this purpose has been to consolidate risk base, sustainable growth, and competitiveness.

To achieve this, we will pursue the following broad strategies in aggregate to address the strategic issues or key drivers and deliver the vision over the the period 2024 to 2029 through organic growth, via improving the quality of products, and geographical expansion and generating growth via new and innovative products and services. We also aim to enhance human resource productivity.

Obviously, the critical success factor remains the availability of stable resources. We will continue our fundraising exercise with the objective to inject additional **USD 264M** by 2029.

Finally, expectations are rising on institutions like ours to manage the risks and capitalize on the opportunities presented by climate change

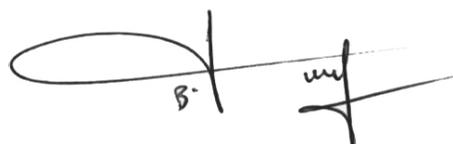
Your Institution has performed well in 2023. The quality of our asset remained strong in this very critical environment. Our business model has enabled us to support African SME through challenging times. AGF is no longer just a concept but a real institution, the first African institution wholly dedicated to mobilizing resources for SME development on this Continent.

I wish to sincerely thank once again our Shareholders for their trust and ongoing support and all banks and other partner financial Institutions which had confidence on us and decided to finance the SME sector with our support. We are looking forward to continue to increase the number of these partners every day in the continent year after year.

I would also like to use this opportunity, on behalf of the Board, to warmly thank our staff led by the Group CEO, his Deputy and the MD of our affiliate, who are working with our Partners Financial Institution at the forefront of their decision-making and with the principal aim to achieve the objectives of the Company.

Thank you to the Board of Directors at the Company level and at the affiliate. The current performance would not have been possible without your continuing strategic guidance.

Thank you.

A handwritten signature in black ink, appearing to read 'Felix A. BIKPO', with a large, stylized flourish on the left side.

Felix A. BIKPO
Chairman



Message from
the Group
Chief Executive
Officer

Highlights

USD 2.5B

Credit Guarantee portfolio

USD 4.3B

Volume of loans disbursed

USD 12.1M

Capacity Development portfolio

Elevating Our Impact in 2023

Throughout 2023, we significantly expanded our efforts and achieved transformational results. By broadening our partnerships with sponsors, shareholders, PFIs and Business Development Service Providers (BDSPs), we have helped turn a record number of 37,400 SMEs' dreams into reality. Through our combined efforts, we have ensured that African entrepreneurs are well-equipped to drive the continent forward. Together, we have achieved so much more.

Availability of Resources

Africa is brimming with innovative and brilliant minds ready to build the companies of tomorrow, yet access to capital and CD supports remains a significant barrier to their growth. FIs across the continent are eager to support SMEs but often struggle with managing perceived risks. We step in to bridge this gap. By offering risk-sharing credit guarantees and CD supports, we empower these institutions to confidently extend credit and expertise to SMEs. As of 31st December 2023, our credit guarantee portfolio stood at USD 2.5B with 250 PFIs supporting SMEs in 44 countries. Our CD portfolio USD 12.1M. This enhanced availability of resources is a true game-changer.

Accessibility of Resources

Every determined entrepreneur should have access to resources that enable them to scale. Our credit guarantees and CD supports specifically target the underserved and undercapitalized, including green SMEs, women-led/owned small-medium sized

enterprises (WSMEs), and youth-led/owned small-medium sized enterprises (YSMEs). By making resources more accessible, we promote inclusive and sustainable economic growth. The ripple effects of our work are evident in the communities where these businesses operate. The SMEs we fund create jobs, enhance livelihoods, and contribute to Africa's sustainable economic development transition.

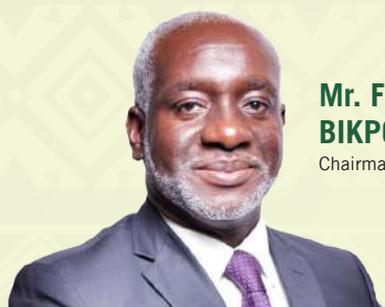
Our Promise

We firmly believe in the power of SMEs to drive economic growth, create jobs, and improve lives. We also trust in the skills and networks of our partners to support our vision for a more prosperous Africa. Our efforts cultivate an abundance mindset, encouraging more entrepreneurs to innovate while demonstrating to FIs that African SMEs are globally competitive investment opportunities. By working together, we are co-creating change. Everyday.



Jules Ngankam
Group Chief Executive Officer

Board of Directors



**Mr. Felix
BIKPO**
Chairman



**Mr. Kenny
NWOSU**



**Mr. Riad
AUBDOOL**



**Mr. Wale
SHONIBARE**



**Mr. Richard
MARNEY**



**Mr. Antoine
BURGARD**



**Mr. Morten
CHRISTIANSEN**
(until 30th April 2023)



**Mrs. Sandhya
JOOGEE**
(until 27th June 2023)



**Mr. Henrik
FRANKLIN**
(until 21st August
2023)



**Mrs. Hanjali
PERMALLOO -
LE ROUX**
(since 27th June 2023)



**Ms. Njeri
NGARUIYA**
(since 18th September
2023)

Management



**Jules
NGANKAM**
Group Chief
Executive Officer



**Constant
N'ZI**
Deputy Group CEO
& Group Chief Risk
Officer



**Daisy
WANJIE**
Group Chief
Finance Officer



**Franck
ADJAGBA**
Group Director of
Business Development



**Ali
BALLO**
Group Chief,
Internal Controller &
Compliance Officer



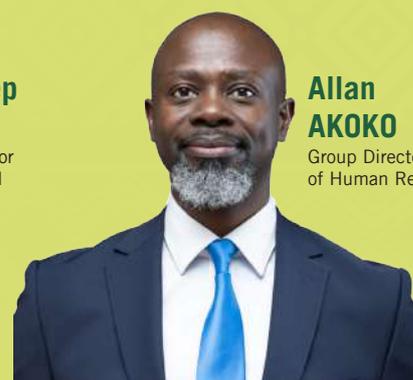
**Bendjin
KPEGLO**
Managing Director
of AGF West Africa -
Lomé, Togo



**Juneid
KODABUX**
Group Director of Legal
and Corporate Affairs



**Nishdeep
SETHI**
Group Director
of Structured
Finance and
Products



**Allan
AKOKO**
Group Director
of Human Resources



**Sibi
LAWSON**
Deputy Managing
Director of AGF West
Africa - Lomé, Togo



**Patrick
LUMUMBA**
Group Director of
Capacity Development



**Mr. David
EKABOUMA**
Group Director of
Monitoring and
Evaluation (Until
March 2023)

Statement of Corporate Governance

AGF is committed to the highest standards of corporate governance and business ethics. We believe that sound and effective corporate governance is fundamental to enhancing our Board of Directors' (Board) ability to guide management in its efforts to generate sustainable value, enhance business integrity, and maintain investors' confidence in our ability to achieve our 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.

In 2023, the Board maintained high levels of corporate governance in the following areas.

- Ensuring adequate accounting records are maintained for disclosure at any time, and with reasonable accuracy, to reflect the financial position of the Company.
- Taking reasonable steps to safeguard the assets of AGF and prevent and detect fraud and other irregularities.
- Presenting financial statements that give a true and fair view of the affairs of the Company.
- Ensuring the preparation of the annual financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements.
- 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.

01. Continuous Programme Development

The annual Board Retreat was held in Mauritius in April 2023 where various topics were discussed during the workshops. The Directors underwent regular training and received updates on anti-money laundering / countering the financing of terrorism (AML/CFT) requirements during the Board Meeting held in December 2023.

02. Constitution

The Constitution of AGF was last amended on 14th December 2022, in line with the Companies Act 2001.

03. Statement of Compliance

AGF holds the highest standards of corporate governance through awareness of business ethics and supervision of its Board. The Board is satisfied that it has discharged its responsibilities for the year in respect of corporate governance.

INTRODUCTION

01



Who We Are



Catalysing Capital across Africa

AGF is a pan-African non-bank FI (NBFI) established in 2011 by the Danish International Development Agency (DANIDA), the Spanish Agency for International Development Cooperation (AECID), and the African Development Bank (AfDB) to facilitate increased access to finance for SMEs.

What We Do

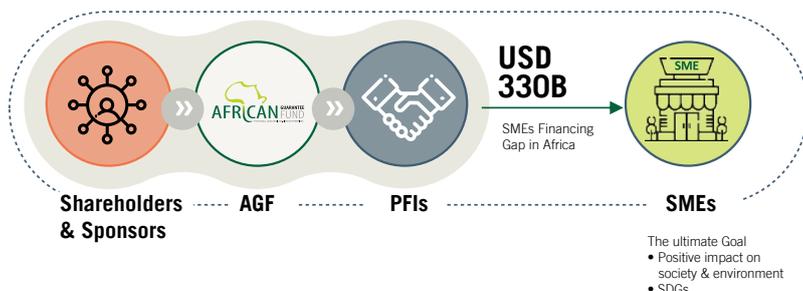
SMEs are integral to achieving the United Nations' (UN) Sustainable Development Goals (SDGs) in Africa. They make up 90% of the private sector and drive economic growth, job creation, and environmental sustainability. They represent the future of Africa's economic growth. However, African SMEs face significant challenges in accessing finance, with a funding gap estimated at USD 330B.

At AGF, we foster the growth of SMEs across Africa by providing our PFIs with fit-for-purpose credit guarantees and CD interventions. Our strategic partnerships leverage our shareholders' and sponsors' funding by up to ten times for African SMEs. Through our work, we promote economic growth and sustainable development across the continent.

Our Environmental and Social Commitments

We pride ourselves on being an impact-driven institution that is committed to advancing the UN SDGs.

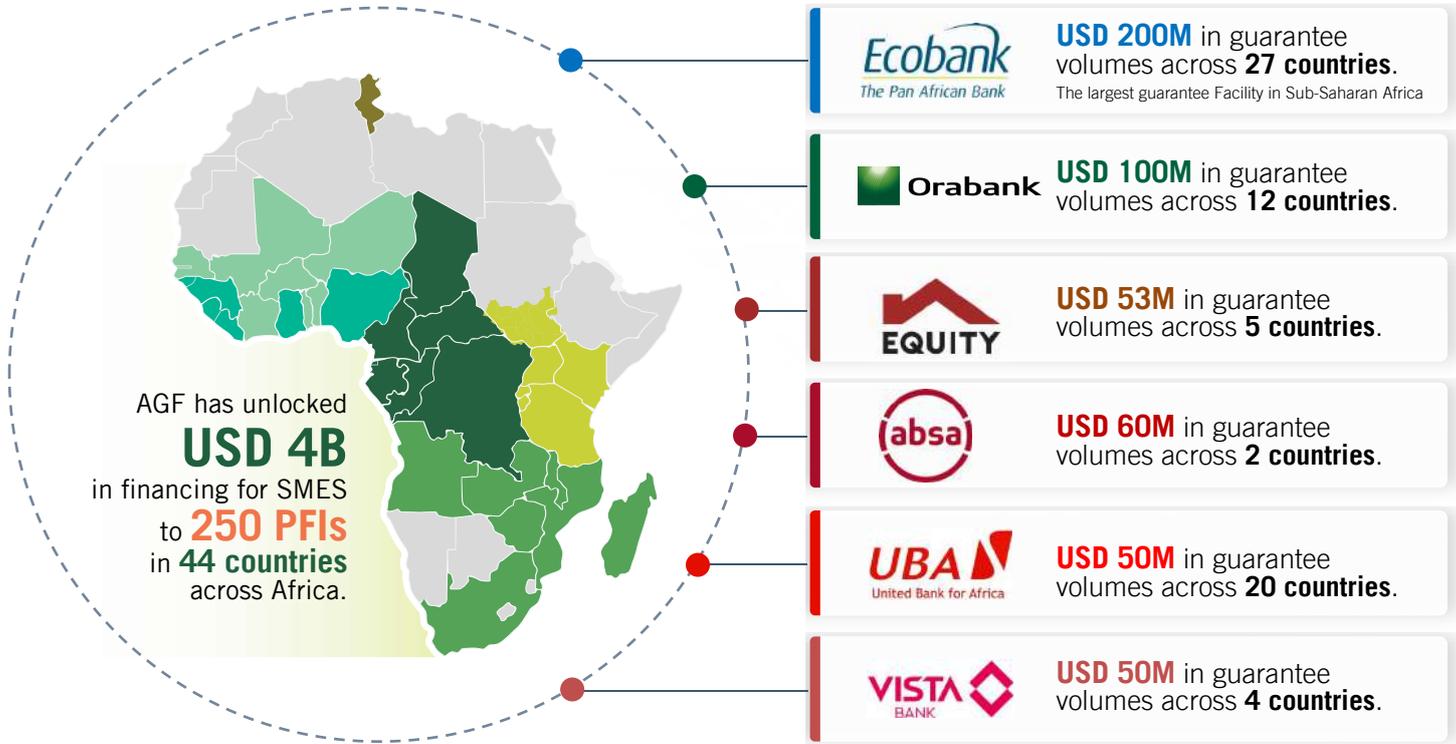
We have a well-established Environmental and Social (E&S) Policy and E&S Management Framework (ESMF) that are aligned to Good International Industry Practice (GIIP), and we follow the International Financing Corporation (IFC)'s Performance Standards. We are a member of 2X Global, a group of the world's leading investors committed to investing with a gender lens. We are also a signatory to the UN Global Compact and implement universal sustainability principles, including the UN Principles for Responsible Investment (PRI).



Our robust reputation is supported by our blended finance structure and an external AA- rating from Fitch, reflecting a stable outlook. We are proud to be the best credit rated private company in Africa.

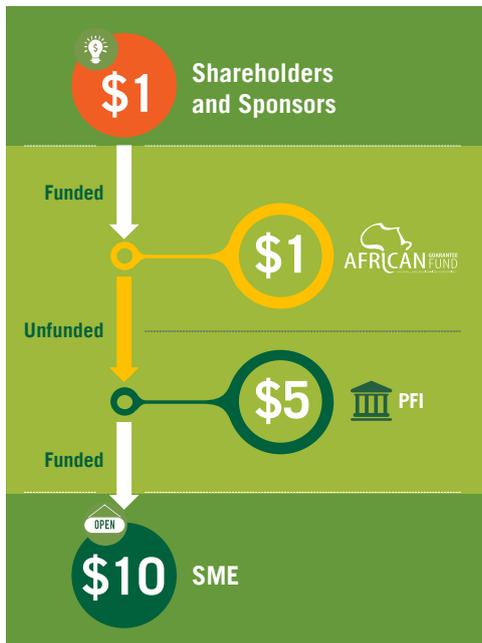
How We Perform

Our Reach and Track Record



Our Leverage

By inserting our credit guarantees into the SME funding value chain, our shareholders' and sponsors' funding is leveraged 10x.



Key Numbers





Our Vision



To be the leading non-bank FI that meets Africa's financing providers' needs, effectively serving SMEs while maintaining our uncompromised Principles as we grow

Our Mission



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

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

Our 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

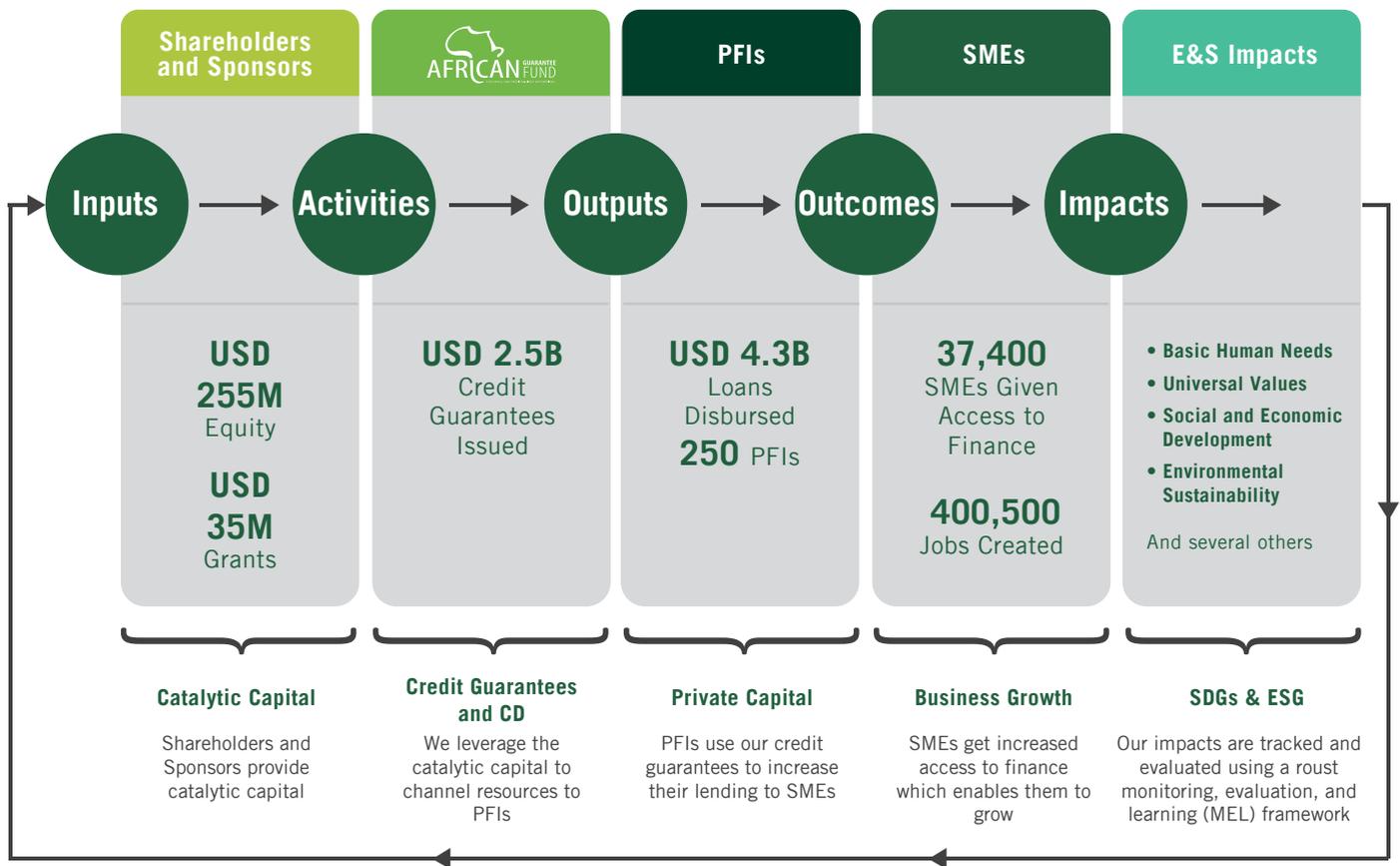
Right First Time

We deliver on our commitments accurately and promptly

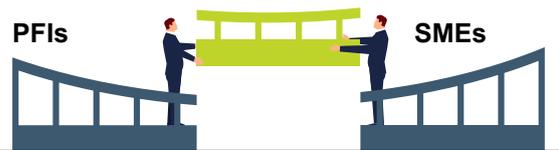
Our Theory of Change

Our theory of change shows how mobilising catalytic capital from shareholders and sponsors through credit guarantees and CD unlocks higher volumes of private capital from PFIs. This results in SMEs' having increased access to finance which enables them to grow and deliver more E&S impacts. By bridging the funding gap between PFIs and SMEs, we are helping to achieve the UN SDGs. This results in increased access to finance that enables SMEs to grow and deliver societal and environmental impacts.

By bridging the funding gap between FIs and SMEs in Africa, AGF is helping to achieve the SDGs.



Bridging the private sector funding gap in Africa



To ultimately achieve the SDGs





**RESULTS
AND IMPACT**

02

Credit Guarantee Portfolio

AGF provides credit guarantees designed to share risk with PFIs and mobilise additional capital to achieve development impacts. In doing so, we aim to tackle:

- The inability of SMEs to meet PFIs' lending requirements (e.g., provision of acceptable collateral); and
- The inability of PFIs to provide right-sized financing products for SMEs

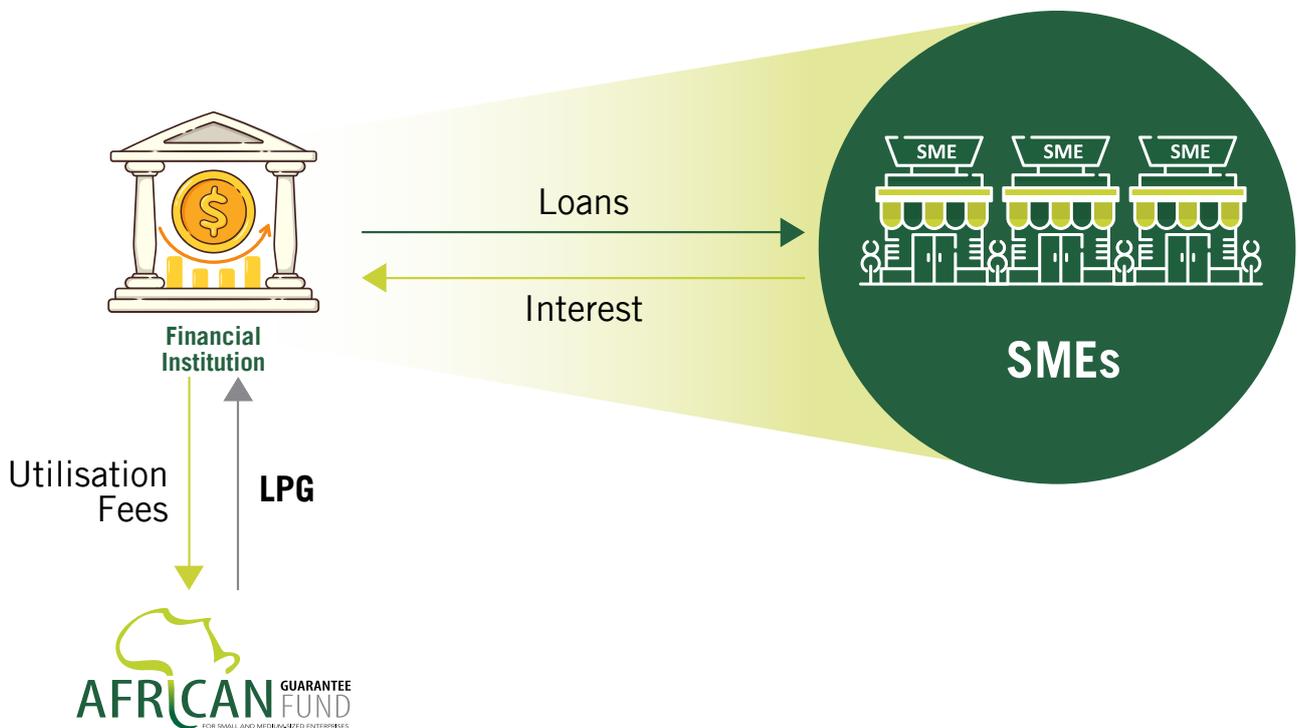
By the end of 2023, AGF had achieved its highest-ever yearly credit guarantee volume totalling USD 535M. Cumulatively, AGF's credit guarantees issued portfolio stood at USD 2.5B of which USD 342M was re-guaranteed.

In 2023, there were 76 new agreements signed bringing the credit guarantee portfolio to a total of 515 guarantees issues from 250 PFIs across in 44 African countries.

AGF has four types of credit guarantees designed to unlock financial resources and spur the growth of SMEs across various sectors in Africa. They are:

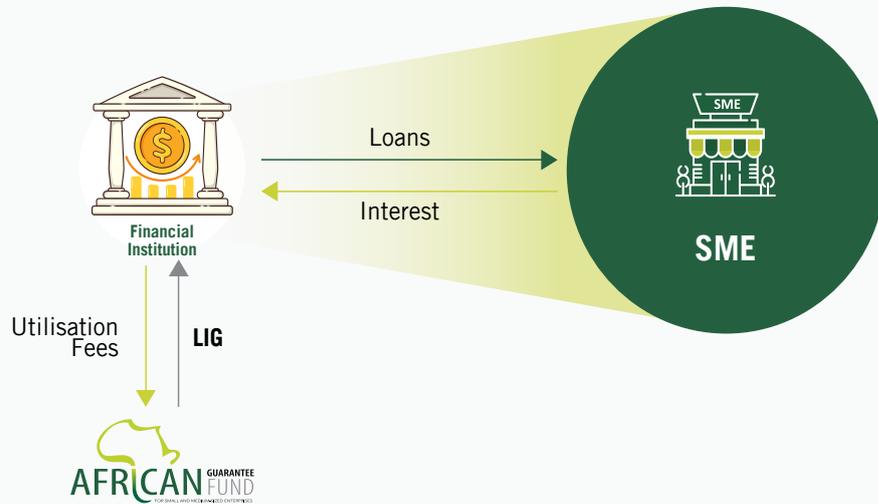
- **Loan Portfolio Guarantee (LPG)**

A facility that covers multiple loans made by a PFI to multiple SMEs whose identity is unknown. This enables the PFI to scale up its lending activities to targeted SMES.



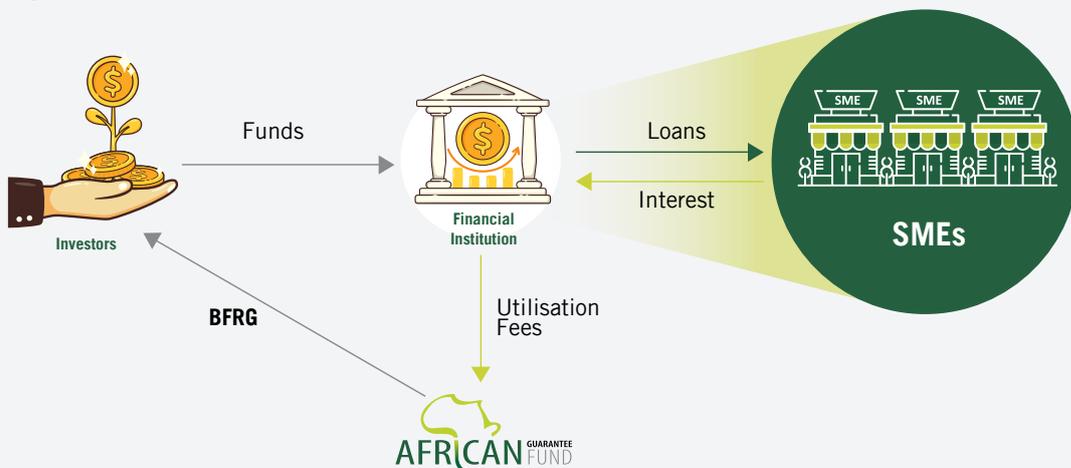
- **Loan Individual Guarantee (LIG)**

A facility that covers a single loan made by a PFI to a single SME whose identity is known. This enables the PFI to scale-up its lending activities to targeted SMEs.



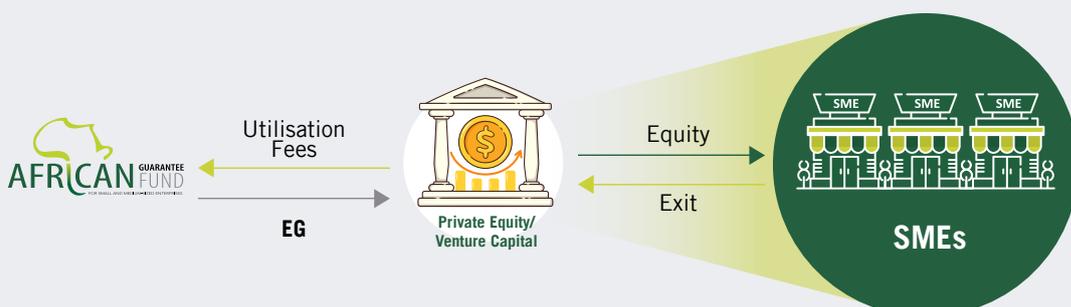
- **Bank Fundraising Guarantee (BFRG)**

A facility that facilitates the acquisition of funds by a PFI intended for onward lending to SMEs. This enables the PFI to raise funds whose proceeds are used to facilitate scale-up of credit facilities to eligible SMEs.



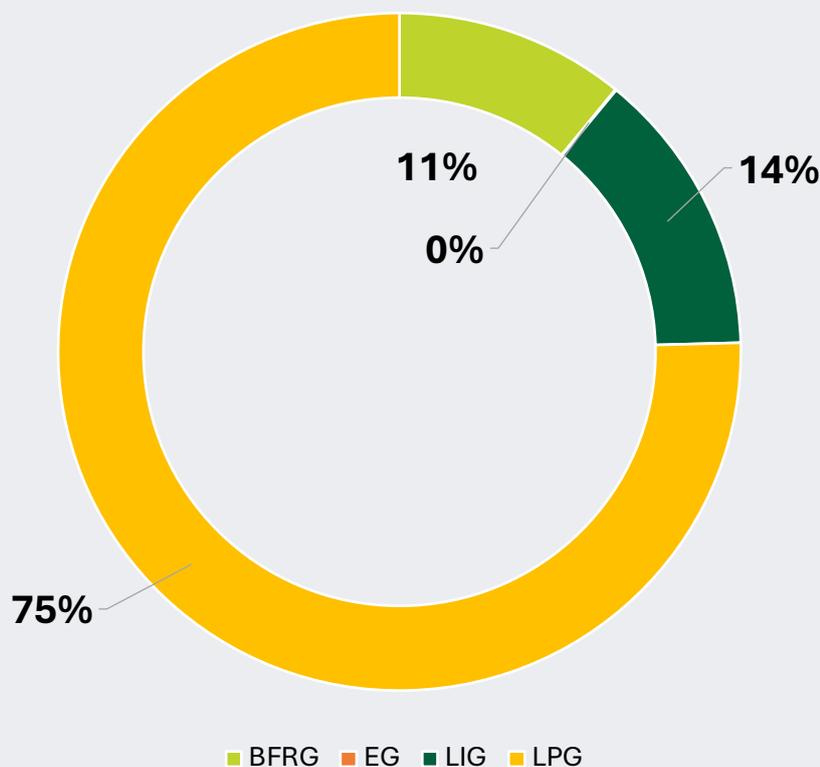
- **Equity Guarantee (EG)**

A facility that covers the risks associated with equity investments made by a Private Equity or Venture Capital fund into SMEs. This provides access to finance for SMEs that have a weak financial structure.



Of the four credit guarantee products offered, AGF has so far predominantly issued LPGs, followed by LIGs and then BFRGs, as shown in below graph:

Credit Guarantees by Product Type



The LPG product continues to be well-received by PFIs, because:

- It is a proven de-risking mechanism that they can use to launch or scale-up their SME lending campaigns;
- It allows their credit facilities to gain coverage without AGF’s prior approval. This expedites their SME lending decisions; and

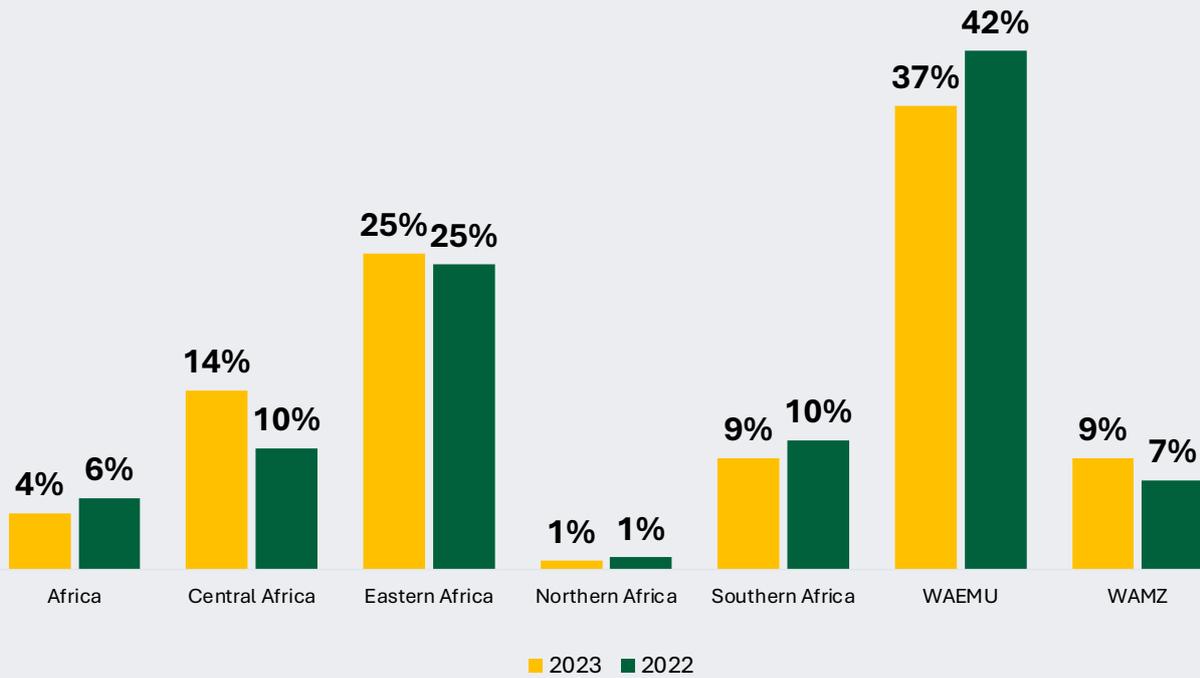
SME lending decisions; and

- It supports a revolving mechanism whereby any amount that is paid by an SME is available for re-drawing under the guarantee arrangement.

Of the new credit guarantees AGF issued, most were based West and East Africa. While WAEMU and Eastern Africa continued to have the highest number of credit guarantees issued owing to AGF’s established physical presence in these areas, its portfolio’s concentration rates have declined on a year-over-year basis as there have been gains in both Central Africa and WAMZ.

The uptick in AGF’s credit guarantee exposure to Central Africa is attributed to the strengthening and expansion of its partnerships in the Democratic Republic of the Congo (DRC). Likewise, the increase in AGF’s WAMZ credit guarantee activity is largely explained by its partnership with Access Bank, a giant within the Nigerian banking sector. This credit guarantee marks the initial phase of what is expected to be a larger partnership with the wider Access Bank Group.

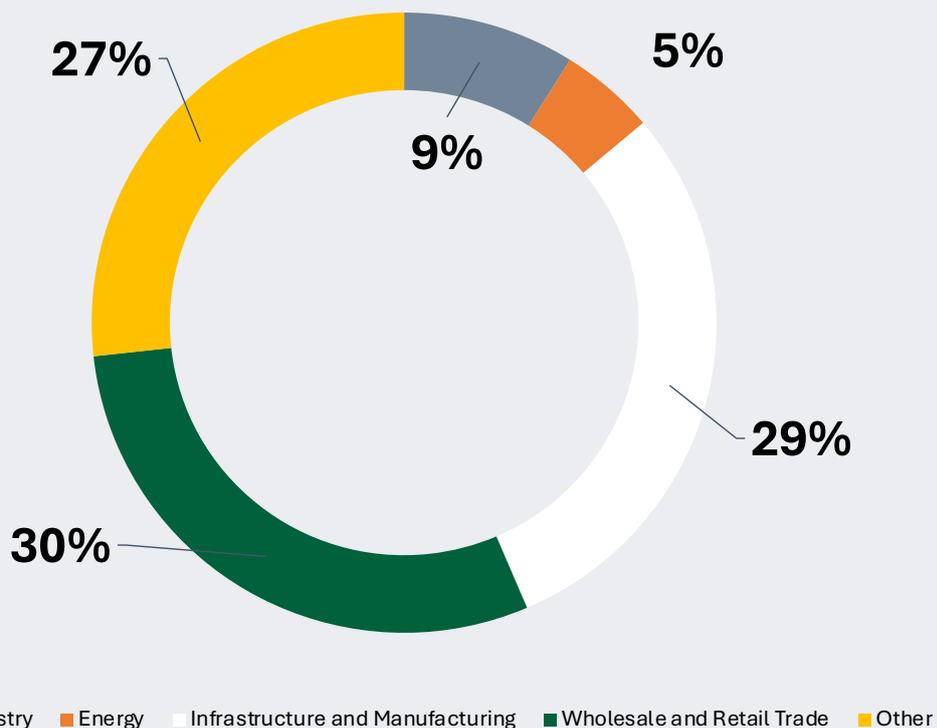
Credit Guarantees Issued by Region



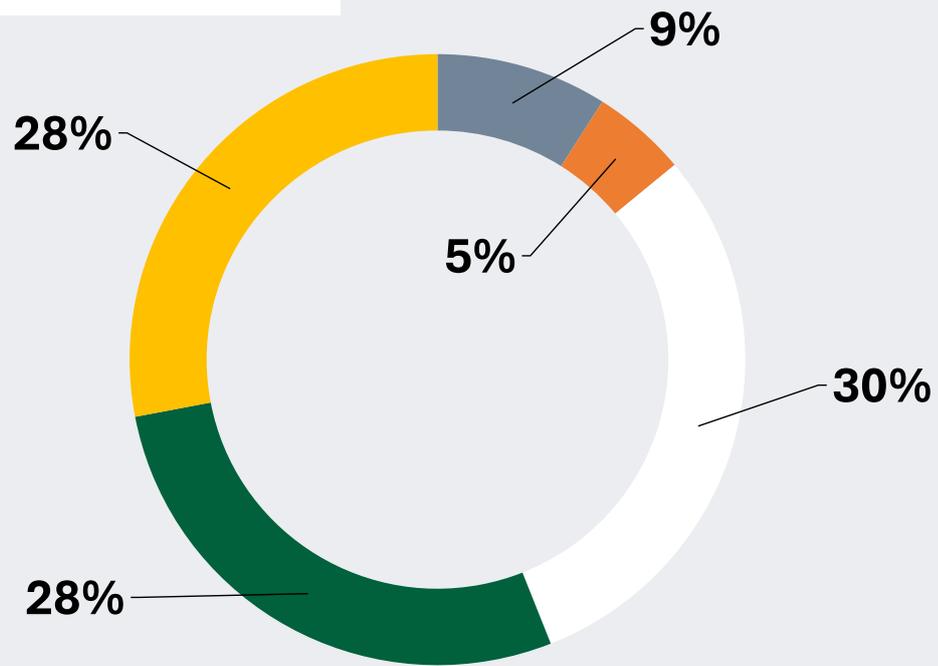
AGF continues to promote credit guarantees which prioritise three sectors (i.e., Agriculture, Energy and Infrastructure & Manufacturing) due to their ability to spur rapid economic development via a higher potential to create thousands of jobs for youth and women.

As of 31st December 2023, the guarantees utilised stood at USD 310M.

Credit Guarantees Issued by Sector (2023)



Credit Guarantees Issued by Sector (2022)

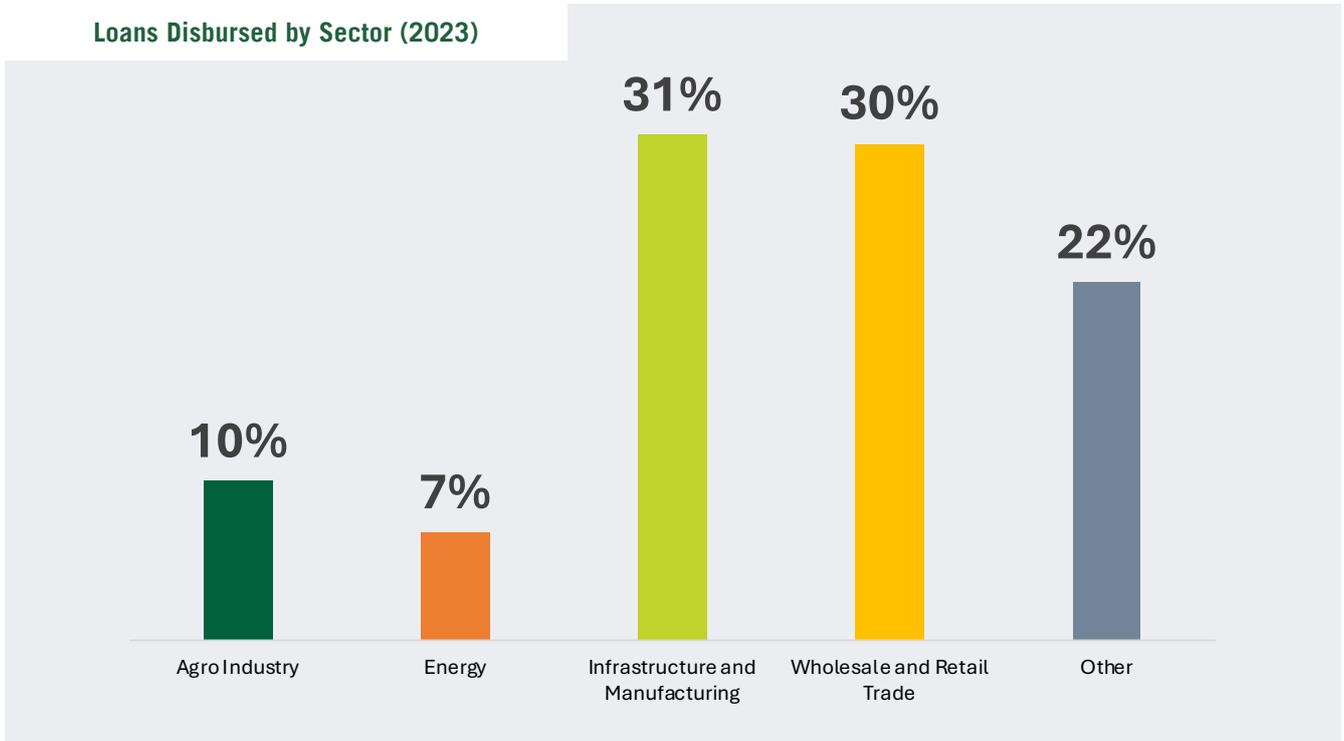


■ Agro Industry ■ Energy ■ Infrastructure and Manufacturing ■ Wholesale and Retail Trade ■ Other

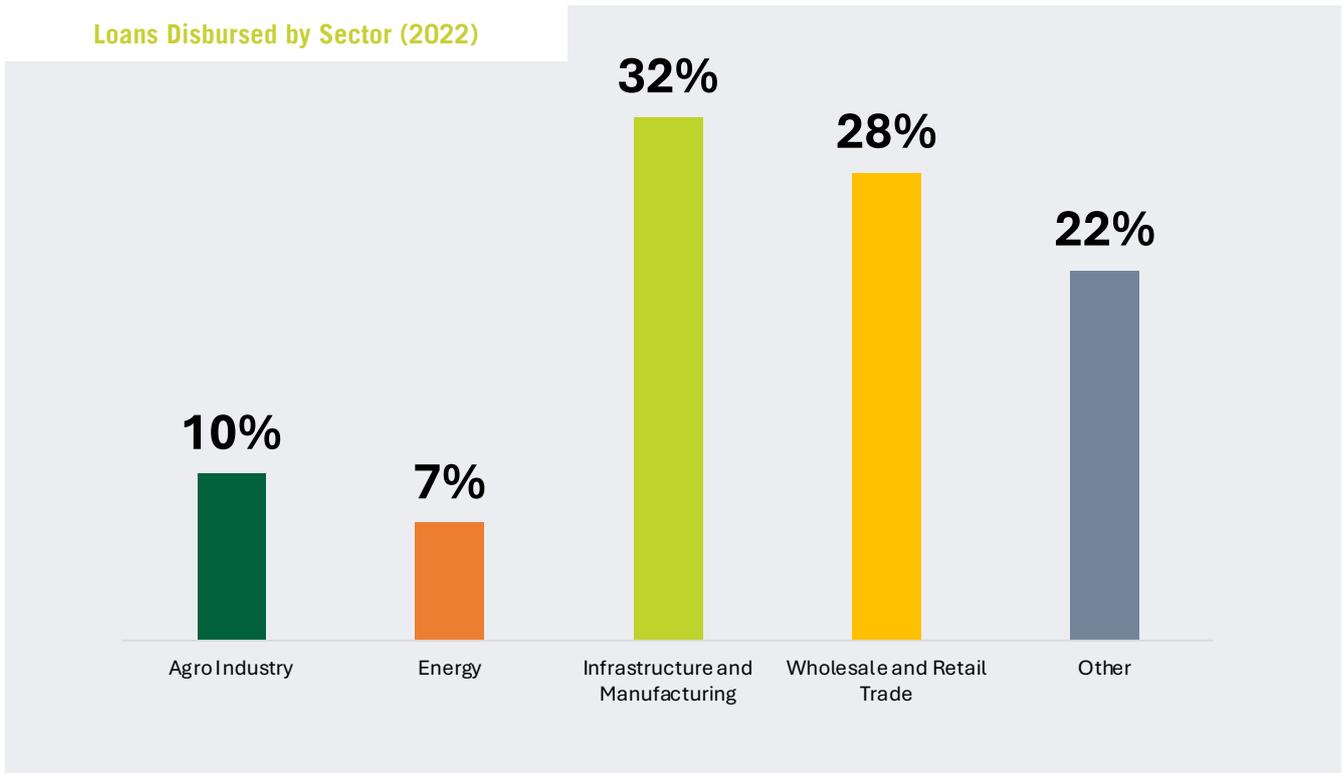
Outputs

As of 31st December 2023, the volume of loans disbursed amounted to USD 4.3B. This was a 17% increase over 2022 figures (USD 3.7B).

Loans Disbursed by Sector (2023)



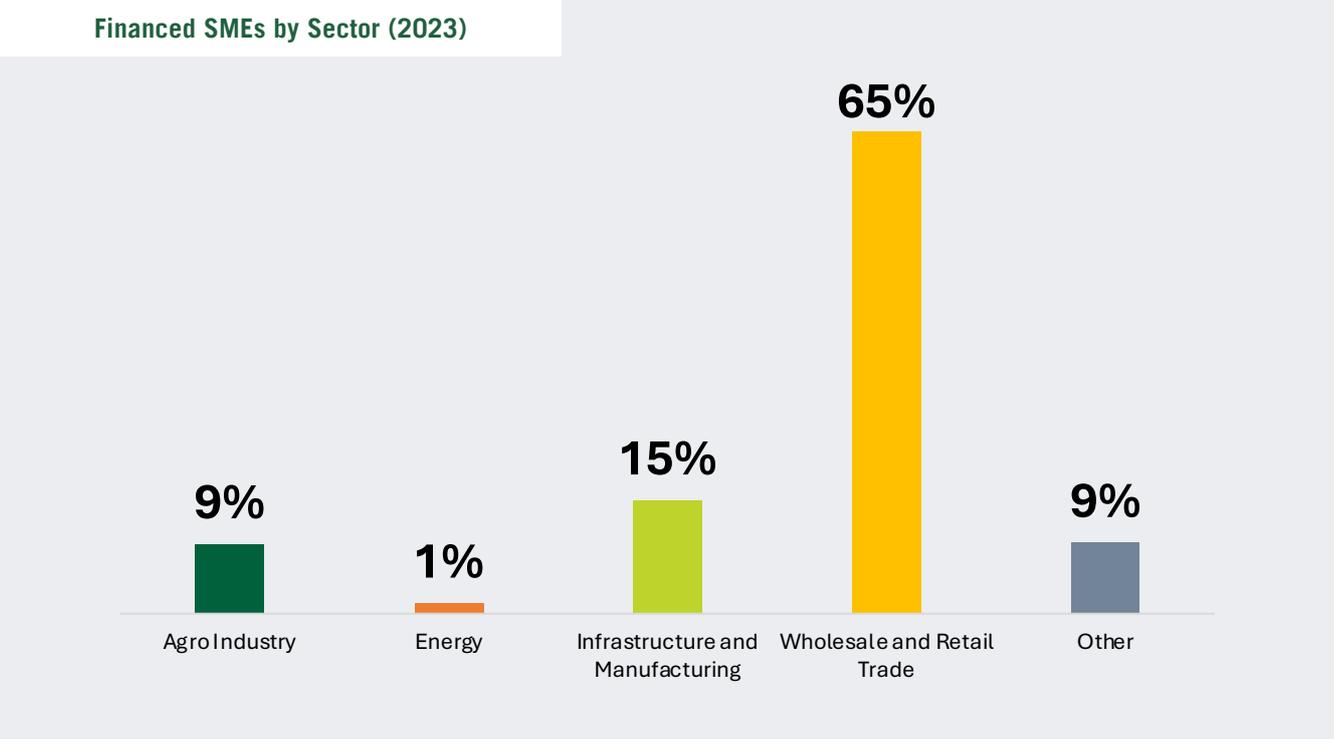
Loans Disbursed by Sector (2022)



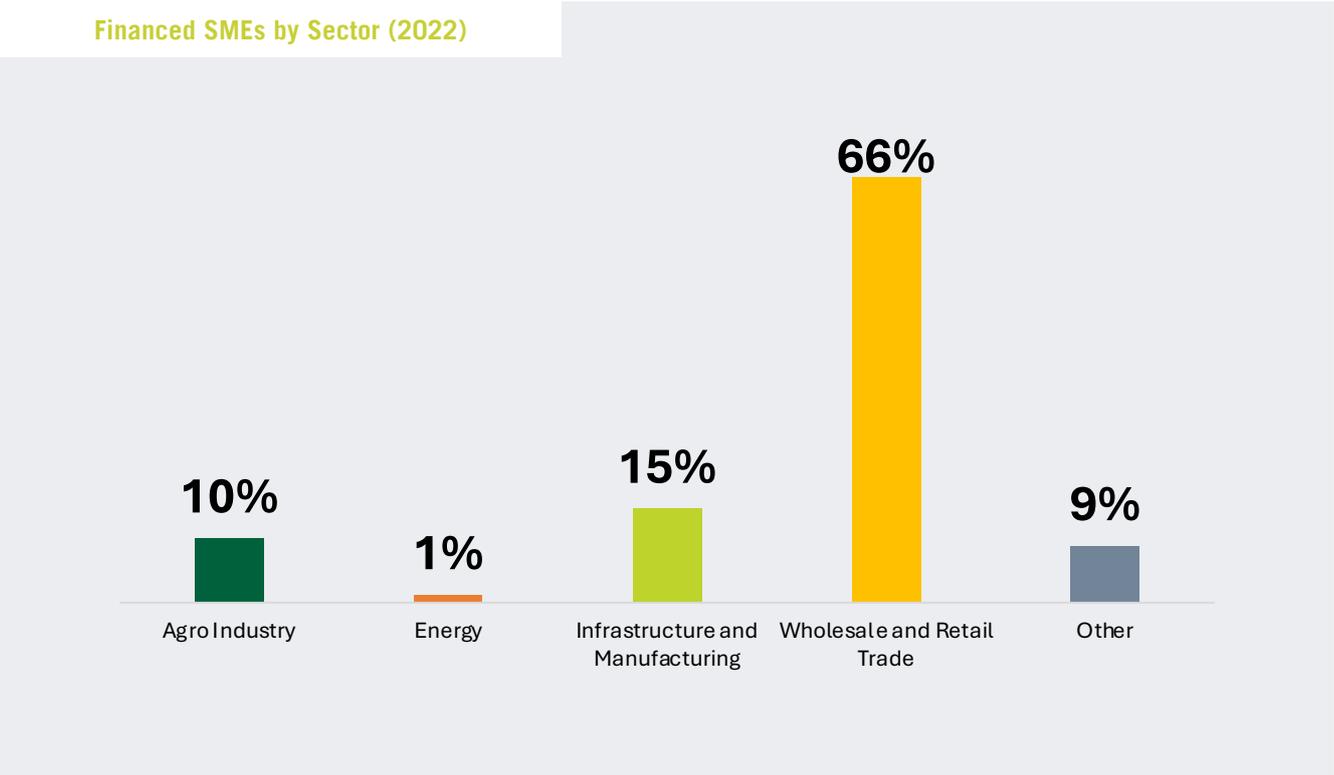
Outcomes

As of 31st of December 2023, AGF's credit guarantees unlocked financing for 37,400 SMEs. This amounted to a 21% increase in the number of SMEs that were financed in 2022 (33,100).

Financed SMEs by Sector (2023)



Financed SMEs by Sector (2022)



Capacity Development Portfolio

AGF works with PFIs to mitigate their operational risks when on-lending to SMEs by providing CD. CD projects serve to reduce informational, skills, and product gaps, as well as promote operational efficiencies. PFIs' uptake of CD ultimately contributes towards their utilisation of AGF's credit guarantees.

AGF believes CD projects ensures the sustainability of its financing results, as well as achieves the following strategic objectives:

- **Risk Mitigation:** Supporting PFIs to effectively appraise and build a portfolio of high-quality SME loans and manage their SME lending portfolios. By extension, this involves minimising the number of credit guarantee claims lodged and, thereby reducing AGF's cost of credit;
- **Business Development (BD):** Facilitating the growth in PFIs' SME portfolios by working with BDSPs to create and/or expand their pipeline of credit-ready SMEs, as well as develop targeted networking opportunities to strengthen linkages between PFIs and SMEs;
- **Ecosystem Transformations:** Providing support for national conferences and sector-specific trainings to encourage PFIs and FIs to finance targeted subsets of SMEs (e.g., women, youth, green etc.), as well as optimising SMEs' skills in critical areas (e.g., business management, business planning, financial management etc.)

All PFIs are eligible for Risk Mitigation and BD CD, including those which already participate in thematic financing facilities (i.e., the GGF, AFAWA G4G and COVID-19 windows). By not requiring every PFI and SME to engage in CD projects, AGF has intentionally kept the content of its CD interventions flexible and relevant. Additionally, some ecosystem transformations CD projects are offered to both PFIs and FIs that don't have an existing relationship with AGF.

While some CD projects are thematic, AGF often uses generic CD interventions to cast greater awareness and sensitisation to various populations and sector value chains.

PFIs that have benefited from AGF's CD support have outperformed those yet to participate in a CD project(s) in terms of both their SME portfolio quality and their credit guarantee utilisation rate.

Description	PFIs with CD	PFIs without CD
Utilisation Rate (%)	122	72
Cumulative Claim Ratio (%)	0.8	2.4

Over the course of 2023, 10 CD projects had been approved. As of 31st December 2023, AGF had undertaken 84 CD projects in collaboration with the following stakeholders:

CD Stakeholder	Number of CD Projects	Value of CD Projects (USD, M)
PFI	35	12.1 M
BDSP	11	
SME	5	
Generic CD Projects	29	
AGF Staff	4	
Total	84	

Environment and Social Framework

AGF is guided by the objectives and principles of its Environment and Social (E&S) Policy. These inform AGF’s approach to the identification, assessment, approval and management of PFI and SME-related E&S risks as named within its E&S Management Framework (ESMF).

Both AGF’s E&S Policy and ESMF are aligned to international standards, including but not limited to, the European Development Finance Institutions’ Principles for Responsible Financing, AfDB’s Integrated Safeguard System, and core International Labour Organization Labour Standards.

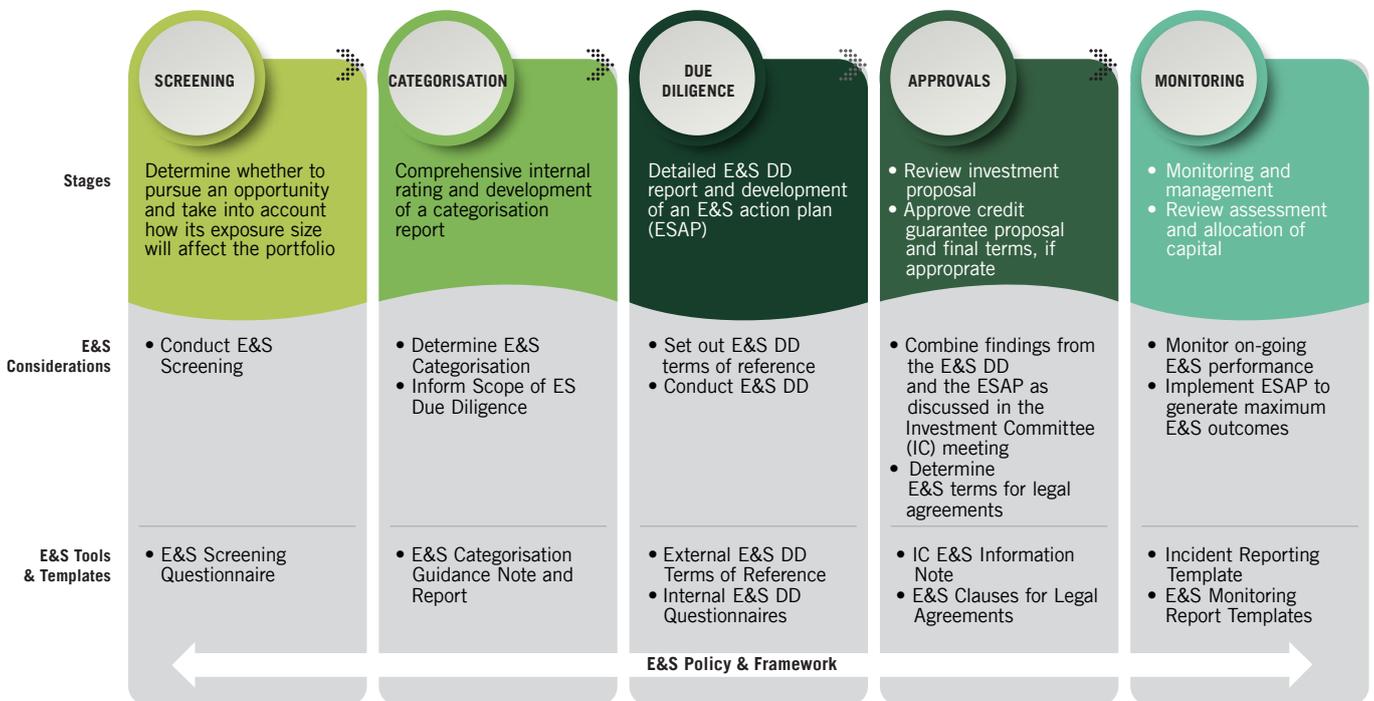
AGF has also adopted a robust exclusion list to ensure that it does not invest, guarantee or provide CD to any activity, production, use, distribution, business or trade that is on the IFC’s Performance Standards on Environmental and Social Sustainability Performance Standards.

AGF continuously reevaluates the relevance of its E&S procedures and processes. Its Board of Directors approved the latest edits to AGF’s E&S Policy and ESMF in September 2023.

All AGF staff participate in an annual training on E&S. The last training occurred in March 2023.

Procedures and Processes

Each prospective credit guarantee and where applicable, each SME is evaluated for its E&S risk per the following procedures and processes:



- **Screening:** AGF’s exclusion list is applied to determine whether the opportunity is allowable and whether exposure to it will ensure adherence to any portfolio allocation threshold considerations.

- **Categorisation:** The Equator Principles III (2013) are applied to determine the type, location, sensitivity, scale, nature and magnitude of potential E&S risks and impacts:
 - i. **Category A or FI-1 (A):** Projects with potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented;
 - ii. **Category B or FI-2 (B):** 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
 - iii. **Category C or FI-3 (C):** Projects with minimal or no social or environmental impacts.
- **Due Diligence:** An investigation of care is performed to determine how the PFI assesses its own E&S risks and how well the SME is equipped to manage E&S risks.
- **Approvals:** The relevant DD findings are discussed alongside any ESAPs, additional terms and conditions, monitoring and reporting requirements are during the IC meeting and captured in the legal agreements.
- **Monitoring:** Regular monitoring and reporting are conducted per the terms of the credit guarantee agreement (e.g., frequency of monitoring or reporting, level of detail required based on category etc.).

PFI's monitoring usually occurs through the following means:

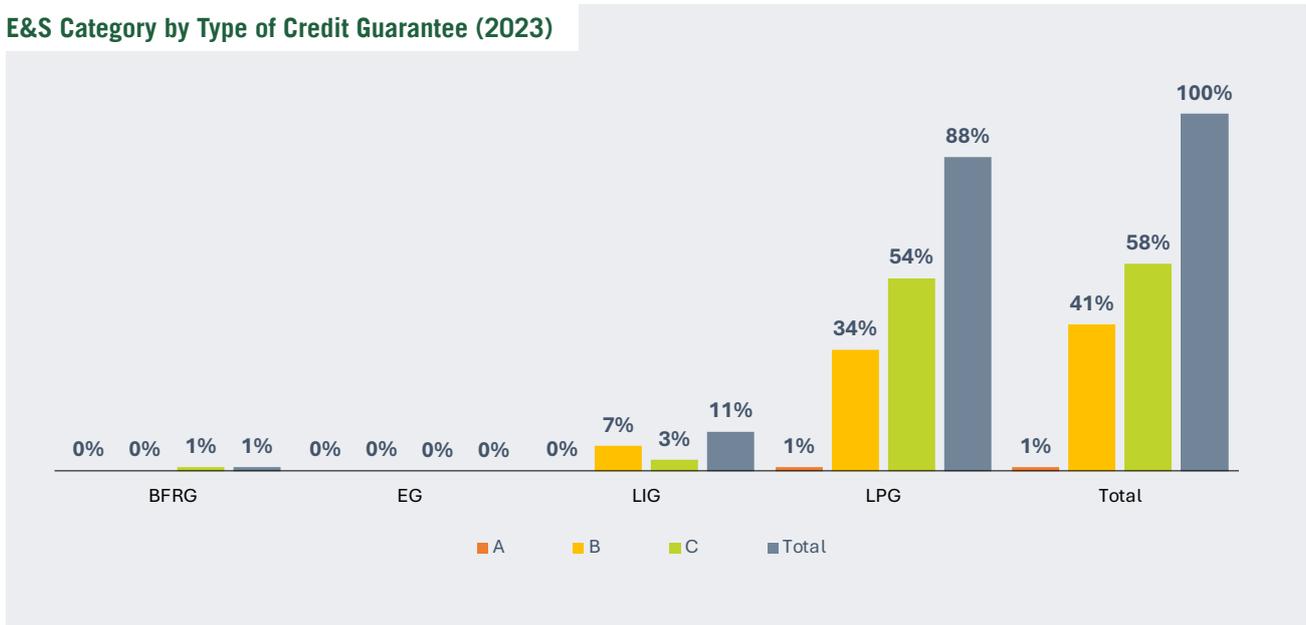
- Review of ESAPs
- Review of annual monitoring reports

2023 Highlights

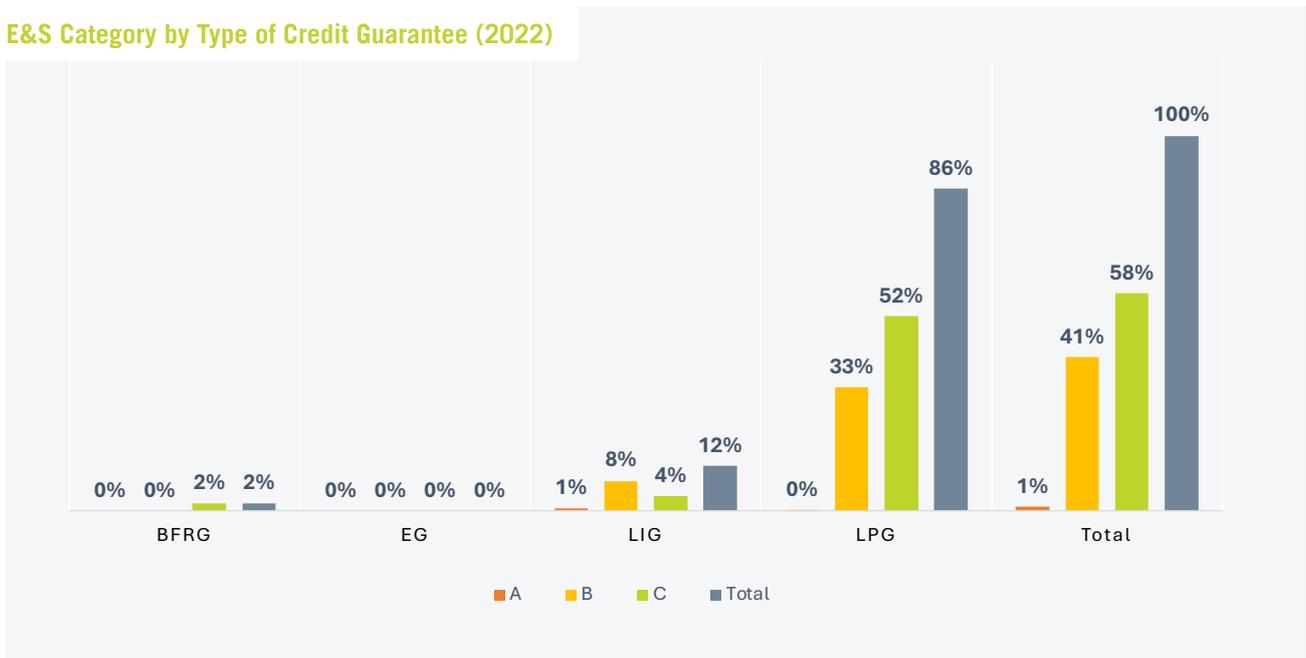
E&S Category by Type of Credit Guarantee

There has been little year-over-year change in terms of AGF's gross product E&S risks. The slight uptick in B and C across the credit guarantee portfolio is reflective of the overall higher guarantee volumes. The upward trend is not alarming as it remains within B and C's acceptable thresholds.

E&S Category by Type of Credit Guarantee (2023)



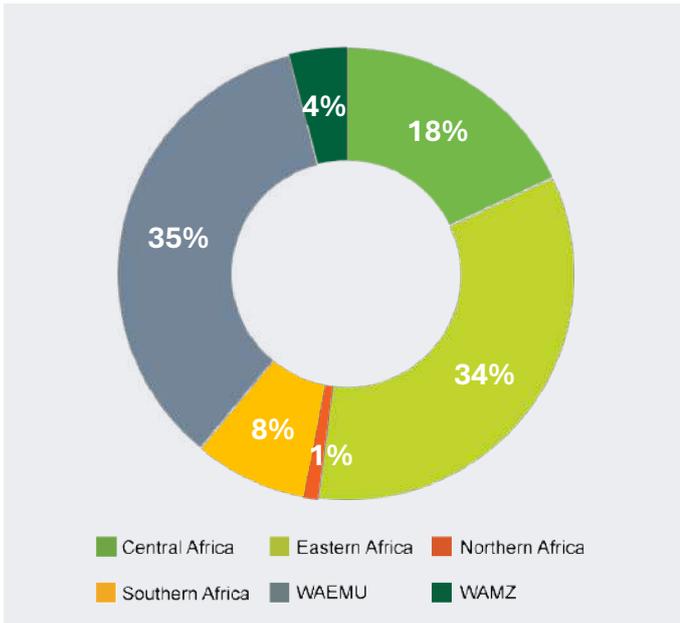
E&S Category by Type of Credit Guarantee (2022)



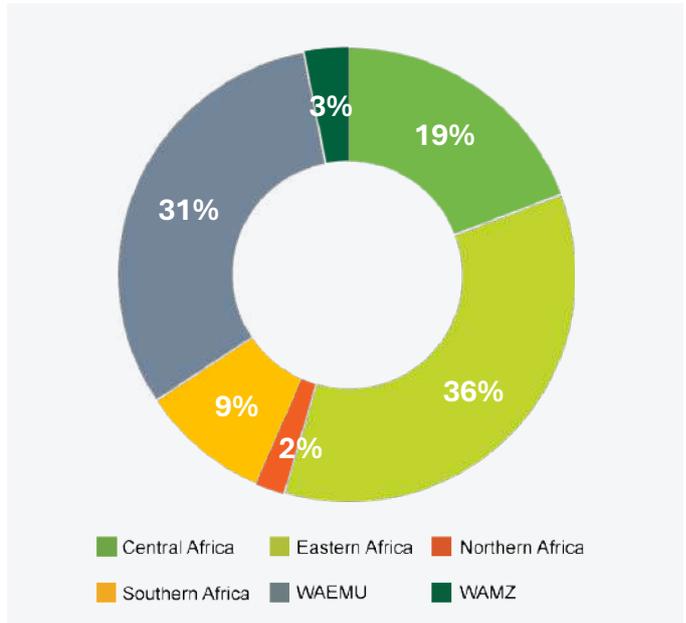
By Regions and Category

The larger part of AGF's guarantee exposure was categorised as C and B. There were minimal year-over-year shifts in its guarantee portfolio as AGF maintained a consistent E&S exposure per the objectives and principles as stated in its E&S Policy and ESMF.

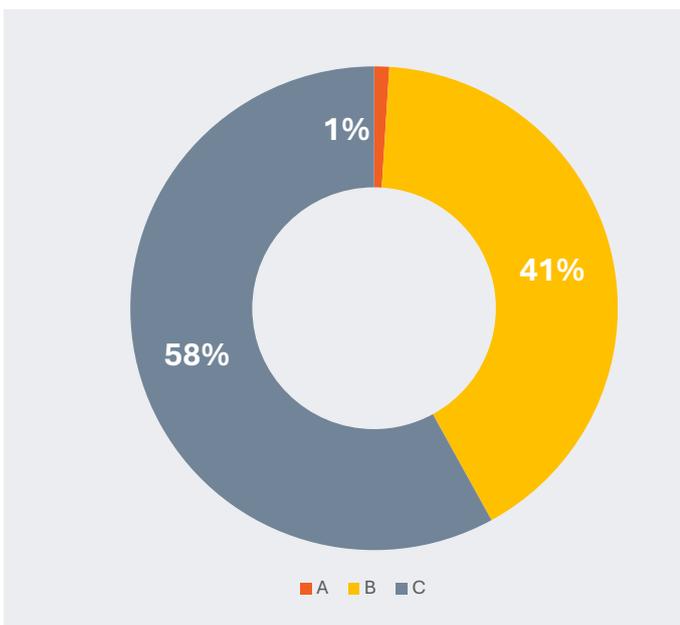
Total E&S Category by Region (2023)



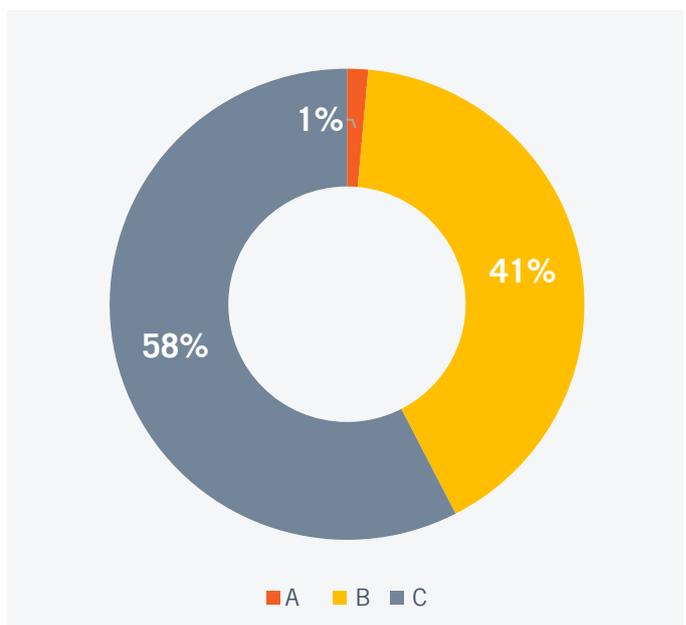
Total E&S Category by Region (2022)



Total E&S Category (2023)

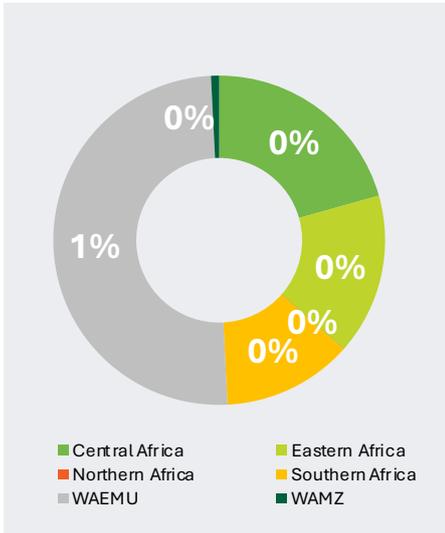


Total E&S Category (2022)

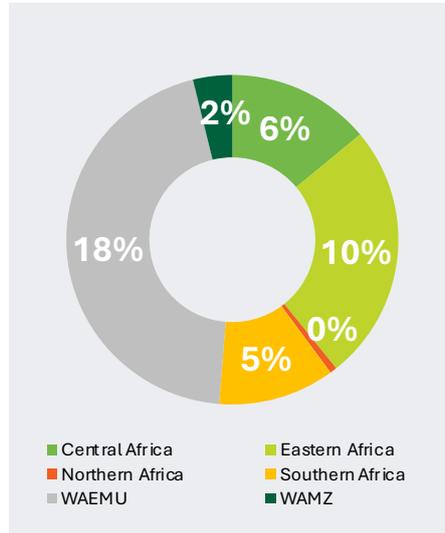


E&S Category by Credit Guarantee Region

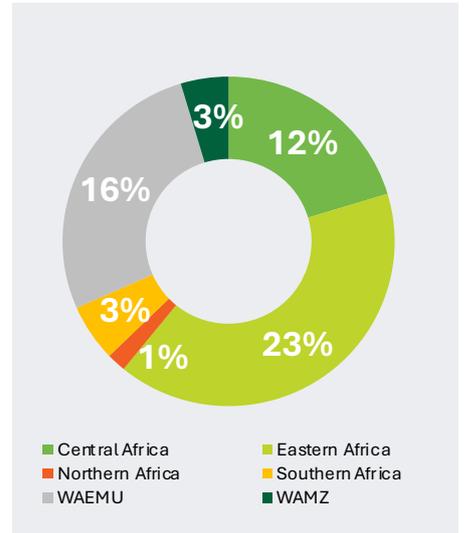
Category A (2023)



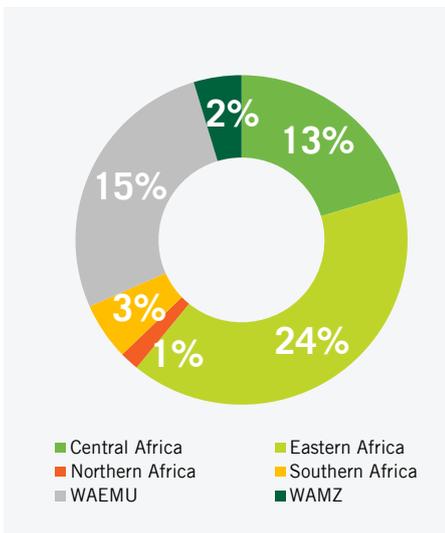
Category B (2023)



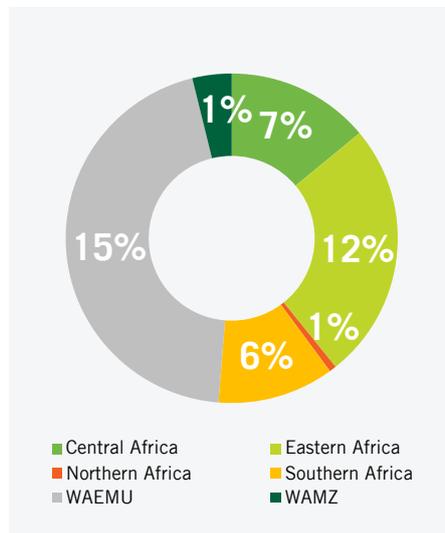
Category C (2023)



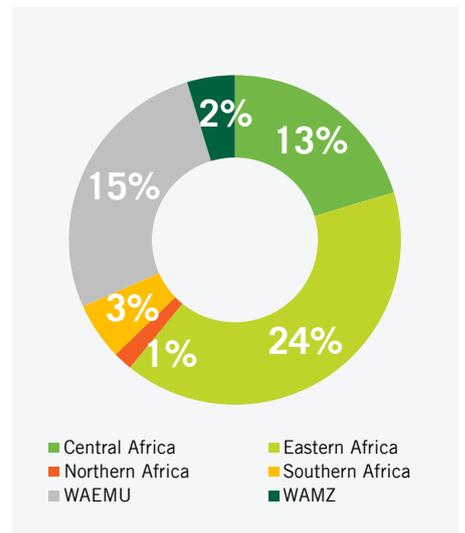
Category A (2022)



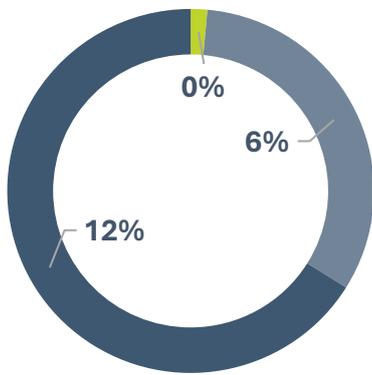
Category B (2022)



Category C (2022)

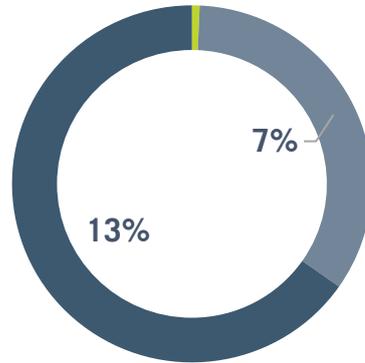


Central Africa (2023)



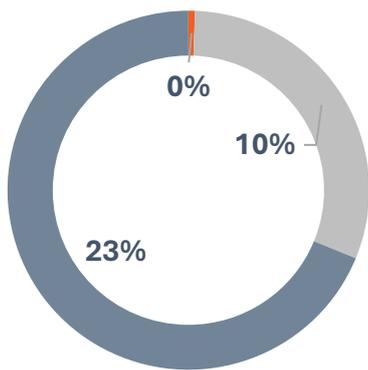
A B C

Central Africa (2022)



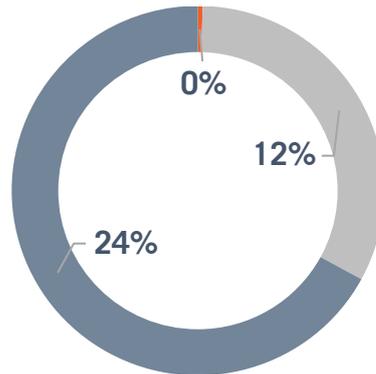
A B C

Eastern Africa (2023)



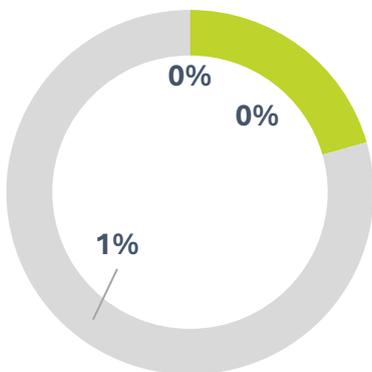
A B C

Eastern Africa (2022)



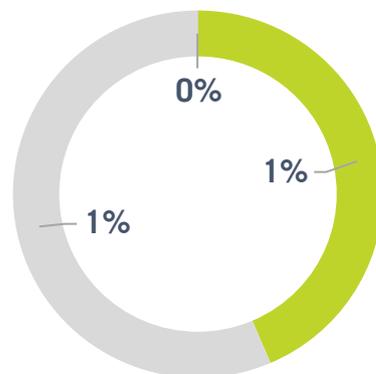
A B C

Northern Africa (2023)



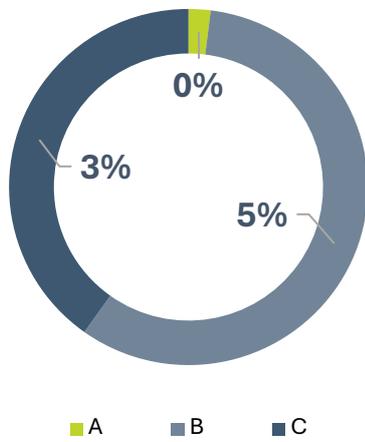
A B C

Northern Africa (2022)

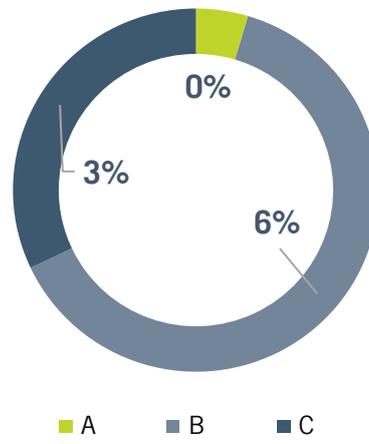


A B C

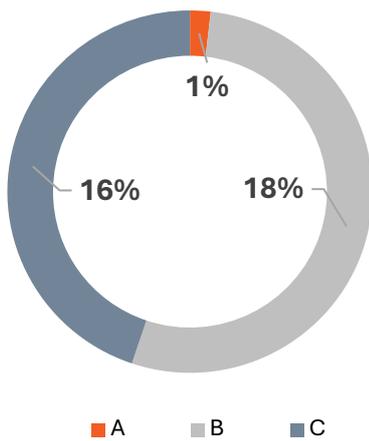
Southern Africa (2023)



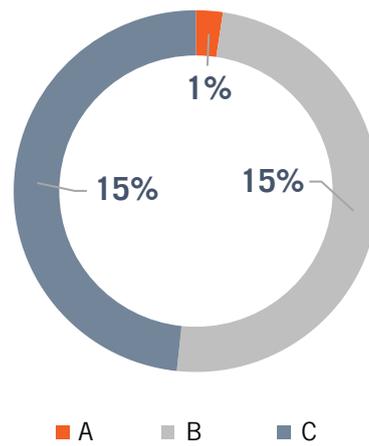
Southern Africa (2022)



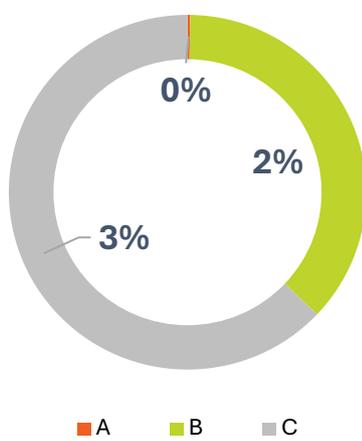
WAEMU (2023)



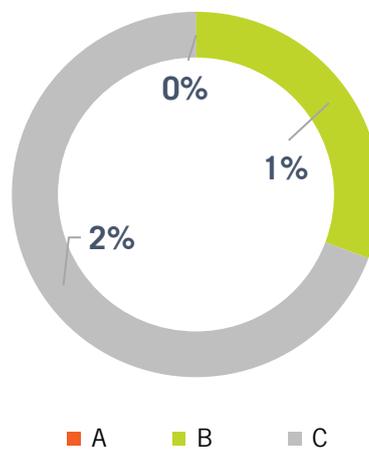
WAEMU (2022)



WAMZ (2023)



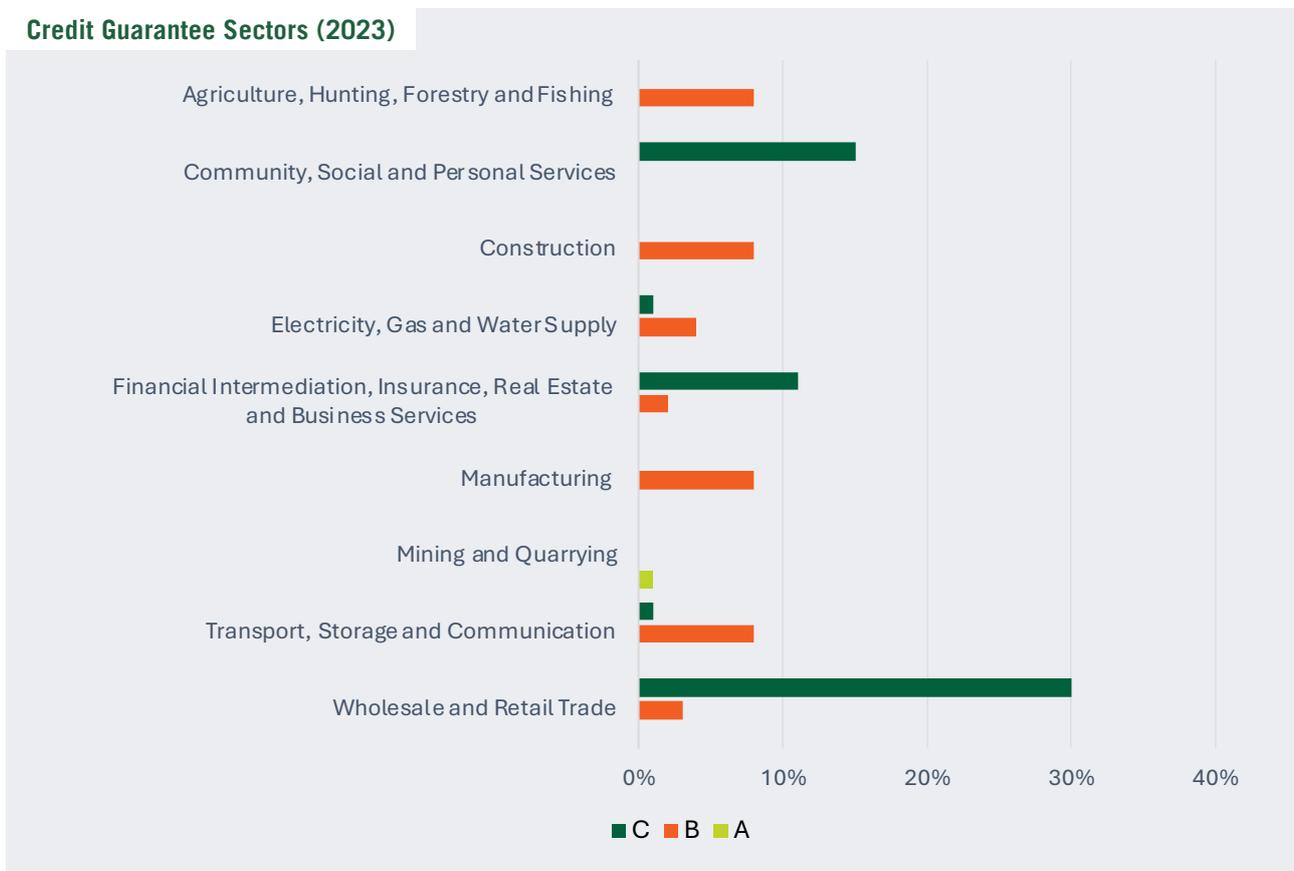
WAMZ (2022)



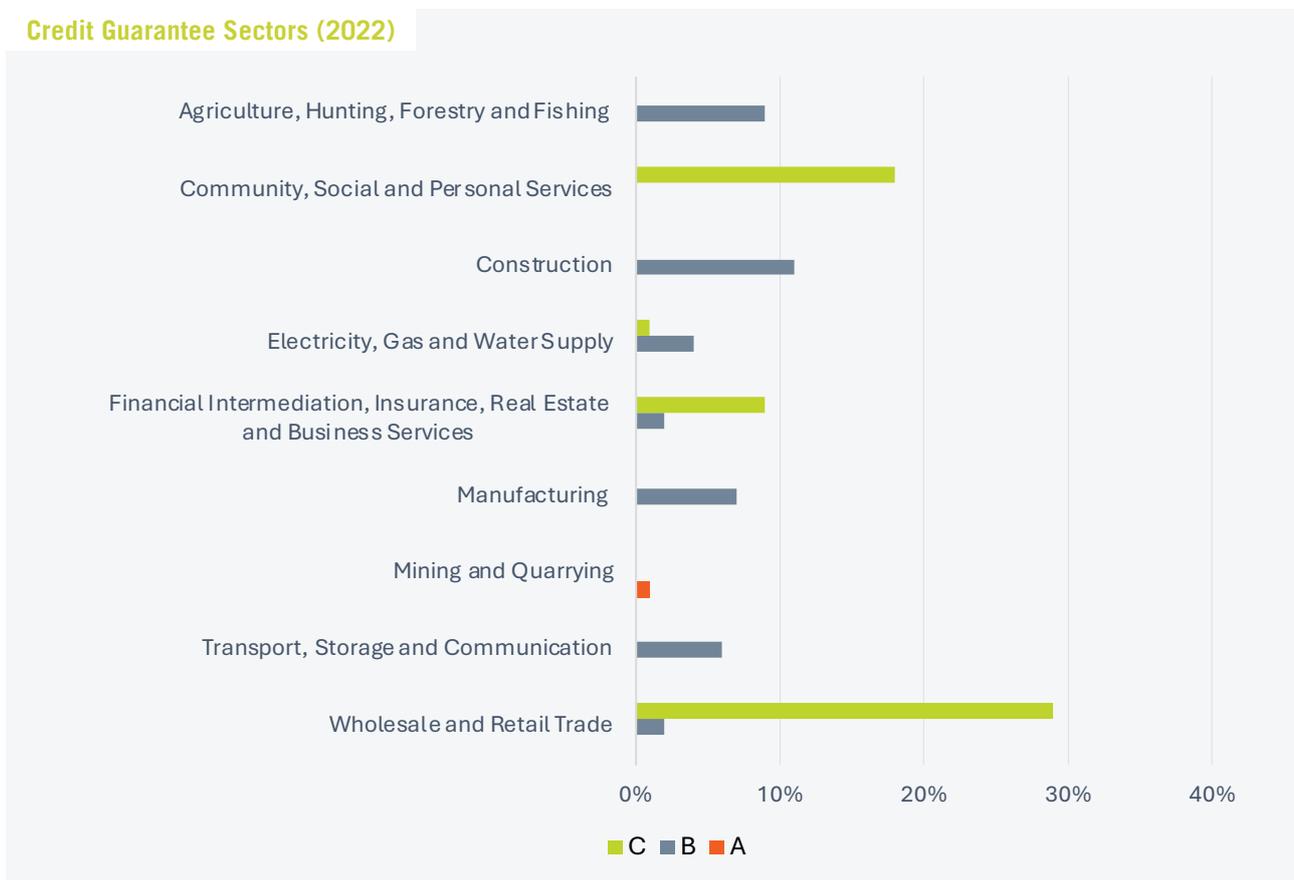
By Priority Sectors

The screened credit guarantees have targeted sectors that are of medium to low risk (B and C). AGF's credit guarantee E&S sector profile has been maintained year-over-year.

Credit Guarantee Sectors (2023)



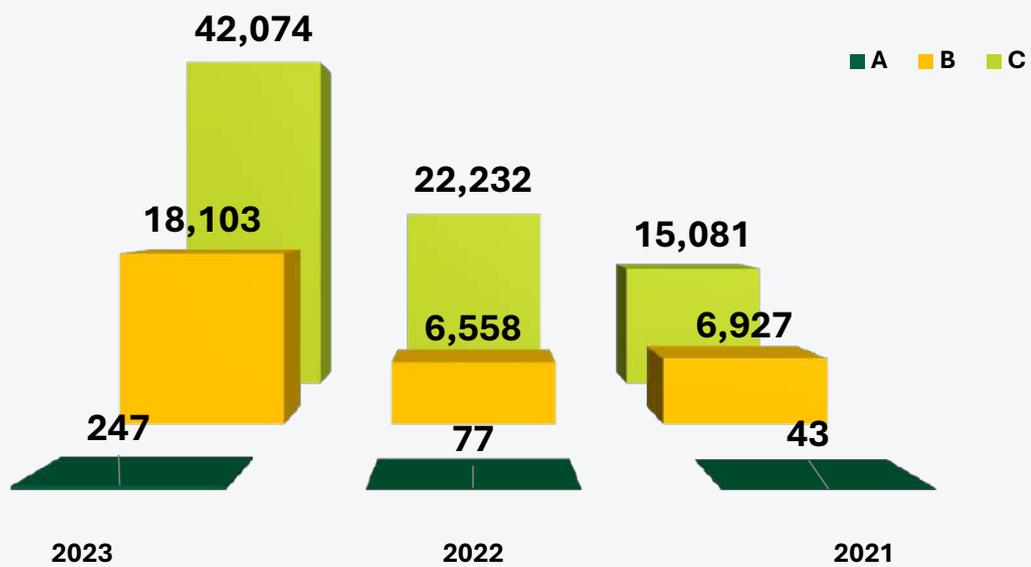
Credit Guarantee Sectors (2022)



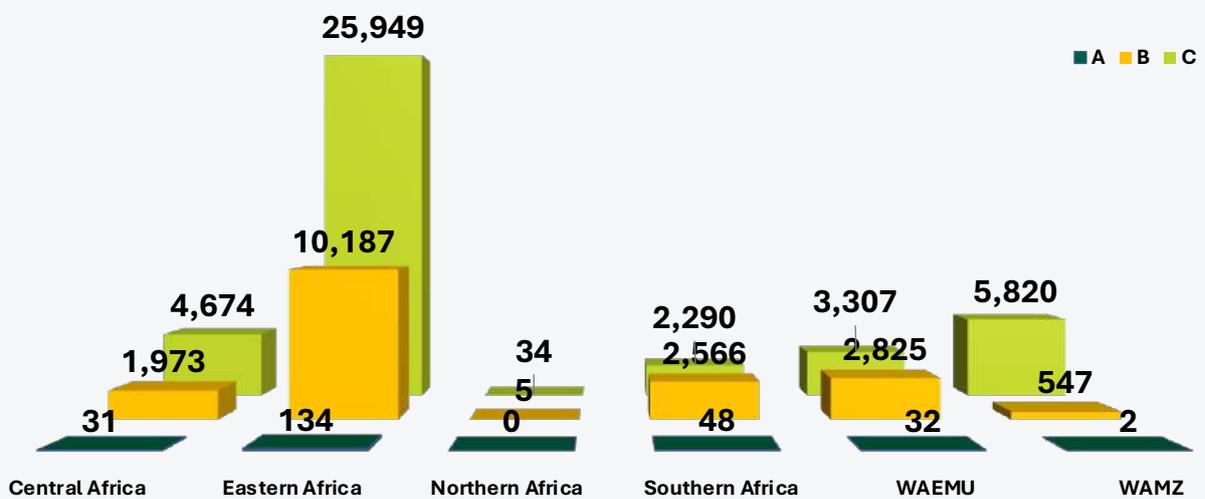
By the Number of SME Facilities per Category

AGF guaranteed more SMEs in 2023 as compared to 2022. This trend aligns with the higher volumes of credit guarantees issued.

Disaggregated Number of SMEs by Year



Disaggregated Number of SMEs by Region



E&S Performance Review

Exposure to Excluded Sectors

As of 31st of December 2023, AGF had no exposure to any excluded sector.

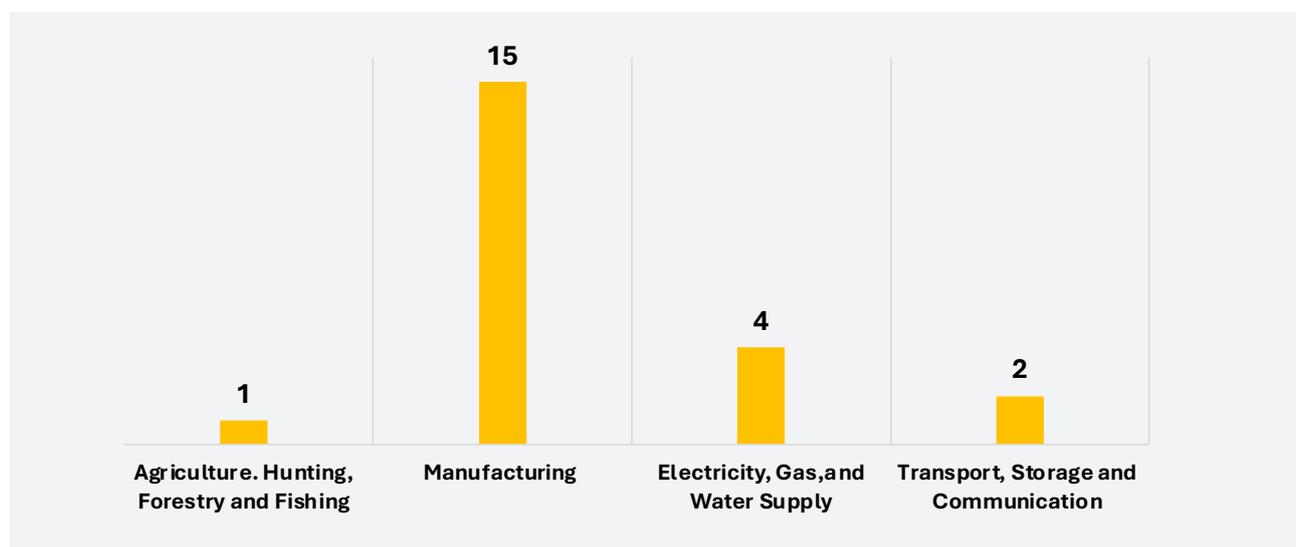
Accidents Reported

As of 31st of December 2023, a few health and safety accidents had been reported by PFIs and recorded by AGF. No fatalities occurred. Most accidents have been resolved.

Such accidents involved PFIs' staff and their clients who are operational in the following sectors: Agriculture, Hunting, Forestry and Fishing, Electricity, Gas and Water Supply, Manufacturing, and Transportation. All accidents occurred in Western and Eastern Africa.

Number of Recorded and Reported Accidents	Sectors of Accidents	Countries of Accidents
25	<ul style="list-style-type: none"> 1 Agriculture, Hunting, Forestry and Fishing 4 Electricity, Gas and Water Supply 15 Manufacturing 2 Transportation 	Burkina Faso, Cameroon, Kenya and Tanzania

Summary of Accidents Reported



Incidents Reported in 2023

As of 31st December 2023, one incident was reported by a PFI and recorded by AGF.

Such an incident was reported by a PFI's staff and its clients which is operational in the transportation of goods. This incident occurred in Western Africa.

Number of Recorded and Reported Incidents	Sector of Incident	Country of Incident
1	1 Transportation	Burkina Faso

AGF's Value-Add: E&S CD Projects

AGF has enhanced the capacity of PFIs, FIs, and SMEs to design and implement E&S procedures and processes that are harmonised with AGF's requirements and, therefore, adhere to international standards.

The following represent a sampling of CD projects which have supported PFIs in growing their E&S capabilities:

Clean Cooking Alliance - Banking on Carbon Markets

AGF in collaboration with the Clean Cooking Alliance (CCA), Kenya Bankers Association, and the U.N. Capital Development Fund hosted a one-day orientation workshop, "Banking on Carbon Markets" in Nairobi.

This workshop equipped 100 senior managers from 34 Kenyan banks with the knowledge needed to navigate carbon markets within a clean cooking setting. It also highlighted how such investments align with banks' ESG priorities by addressing emissions reductions, deforestation, health, and women's empowerment.

This initiative underscores AGF's commitment to helping banks maximise returns while meeting stakeholders' demands for climate action and ESG standards.

Green Finance Conference – Malawi Edition

AGF sponsored the Green Finance Conference and Training in Malawi. This initiative is a cornerstone of AGF's Green Guarantee Facility (GGF) which aims to analyse potential opportunities and offer solutions necessary to meet the financing requirements of green SMEs. The conference brought together climate experts, FI and PFI representatives, and regulatory-policy stakeholders to explore innovative approaches, exchange insights, and cultivate strategies that integrate green growth-oriented principles into the financial sector. The event was attended by a total of 70 participants with strong representation from FIs.

The Green Finance Conference and Training highlighted the increasing demand for green financing and the numerous challenges green businesses encounter, including a lack of awareness among lenders and insufficient capacity among SMEs. Additionally, the conference showcased AGF's strategic initiatives to bridge these gaps through credit guarantees and CD projects. The event underscored AGF's impactful role in addressing these challenges and supporting green SMEs, thus contributing to a sustainable future for Malawi and beyond.

AFAWA Finance Series

The AFAWA Finance Series are country-based awareness-creation forums which encourage PFIs to lend to WSMEs. In doing so, they facilitate connections between PFIs, FIs, government officials, WSMEs and other relevant stakeholders, thereby increasing their knowledge of effective gender-lens investing (GLI) strategies and CD projects. The AFAWA Finance Series also leverages the 2X Global criteria to coach PFIs and FIs on how to design and operationalise a best-in-class GLI strategy.

Our Impact at a Glance

AGF's support for PFIs, FIs, and SMEs has contributed to the achievement of the following UN SDGs:



Partnership Highlights

bettervest
your money. your impact

AGF partnered with crowdfunding and fintech platform, bettervest to increase financing of sustainable SME projects in Africa. This partnership aims to increase the attractiveness of impact investments which makes a valuable contribution to the planet and its people. Additionally, it represents a unique development opportunity for innovative financing that will have a great impact on Africa's green economic transition.




Aqua for All

AGF and Aqua For All partnered to facilitate increased de-risking opportunities to finance the water, sanitation and hygiene (WASH) sector in Africa. Through the partnership, banks will have increased access to credit guarantees and be able to further develop their WASH portfolios, while supporting utilities through credit guarantee products and CD projects.



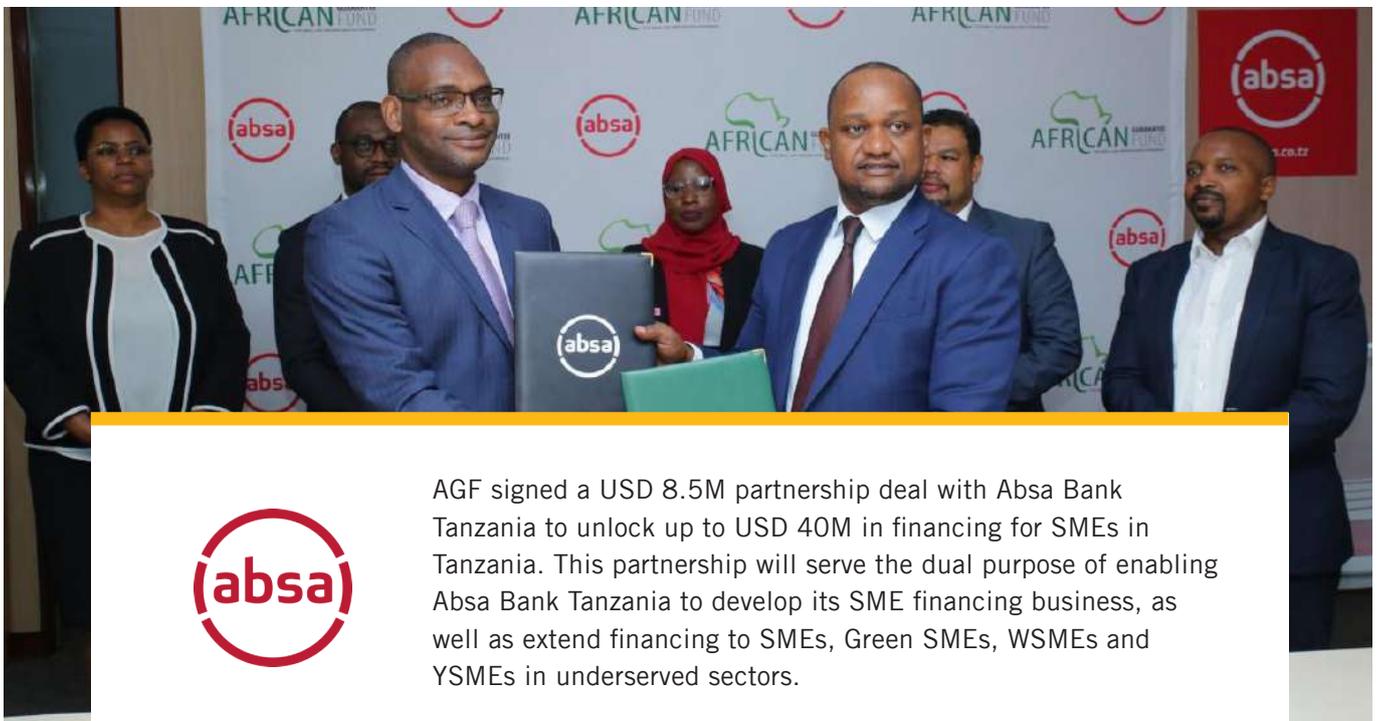
AGF and the subsidiaries of the Société Générale Group (Cameroon, Chad, Democratic Republic of the Congo, and Madagascar) signed four new guarantee agreements strengthening their partnership and enabling it to span across 11 African countries. The new partnership, which is backed by both the AFAWA G4G and the GGF will jointly unlock financing of up to USD 100M for SMEs, thereby enabling them to scale their operations and grow their revenues.



AGF and Banque Internationale pour l'Industrie et le Commerce (BIIC) signed a USD 8M agreement to unlock USD 18M in financing for SMEs in Benin. AGF and BIIC will also partner on the expansion of BIIC's Avec Elle programme which works closely with WSMEs to develop customised and sectorally relevant credit guarantees and CD projects.



AGF partnered with Empower New Energy, a renewable energy investment company investing in SMEs supported by clean energy projects. This EG partnership will pave the way for long-term renewable energy investments in commercial and industrial businesses across Africa.



AGF signed a USD 8.5M partnership deal with Absa Bank Tanzania to unlock up to USD 40M in financing for SMEs in Tanzania. This partnership will serve the dual purpose of enabling Absa Bank Tanzania to develop its SME financing business, as well as extend financing to SMEs, Green SMEs, WSMEs and YSMEs in underserved sectors.



AGF renewed its partnership with Rawbank through a USD 70M credit guarantee to strengthen the SME sector in the DRC. In addition to the risk-sharing mechanism, the enhancement will enable AGF to continue providing CD support to Rawbank, as well as to its SME customers.



AGF issued Sidian Bank a credit guarantee enhancement bringing its total loan portfolio guarantee to USD 10M to scale up its lending to SMEs in Kenya. The credit guarantee will help reduce challenges related to SMEs' absence of collateral and promote development in the private sector. Additionally, it will reduce the SME financing gap which has been linked to the widespread closure of SMEs within their first years of establishment. The partnership will help foster inclusive and sustainable economic growth through its support of green SMEs and WSMEs.



AGF partnered with TechnoServe to facilitate critically needed access to finance for processors and other businesses in the cashew-nut value chain. Cashew nut processing in Côte d'Ivoire, Ghana and Nigeria is hindered by the high cost of processing, limited technical and managerial experience, limited knowledge of the cashew market and a high cost of financing. AGF's credit guarantee aims to address these challenges and improve the competitiveness of the West African cashew processing industry.



AGF signed the first Shari'ah-compliant credit risk guarantee with the Gulf African Bank in sub-Saharan Africa to enable the bank's SMEs to access financing. The USD 4M facility will promote enterprise growth in Kenya by enabling access to credit for SMEs that qualify for such facilities, but lack adequate collateral. AGF will additionally provide CD support to increase the Gulf African Bank's capacity to appraise SMEs and assist them in reaching their desired scale.





AGF and Ecobank Group renewed their partnership for the third time with a groundbreaking USD 200M credit guarantee agreement. This partnership extends AGF's coverage to 27 countries within Ecobank's African network, offering 50% coverage for qualifying SMEs across its target markets. The agreement will catalyse economic growth by offering support to entrepreneurial ventures, including WSMEs across the continent.

Thematic Events

AFAWA Finance Series

The AFAWA Finance Series is a business development, training, and engagement series aimed at addressing the financing gap faced by women entrepreneurs in Africa. The Series is intended to strengthen stakeholders' understanding of AfDB's AFAWA initiative and AGF's G4G risk-sharing mechanism.

Following the high-level conference, a two-day training was conducted for Heads of Department for Risk, Credit, Business Development and WSME Financing, to enable the PFIs and FIs to develop and strengthen their value proposition for WSMEs by leveraging available tools and frameworks.

The Series has been previously held in Tanzania, the Democratic Republic of Congo, and Togo. In 2023, it occurred in Ghana, Angola, Nigeria, and Kenya.



AFAWA Djibouti Exploratory Mission

AGF and AfDB undertook an AFAWA exploratory mission to Djibouti. The joint delegation held a working session with the Ministry of Economy and Finance and the Ministry of Women on pathways to potential WSME financing collaborations.

The event was held in Djibouti.



Green Finance Conference and Training

The Green Finance Conference is a business development and training programme that responds to climate change challenges faced by African countries per the guidance of their Nationally Determined Contributions. The conference series aims to unlock financing for SMEs investing in green growth and climate-resilient development to support Africa's low-carbon development.

Following the high-level conference, a three-day training was conducted for Heads of Department for Risk, Credit, Business Development and Green Financing to enable the PFIs and FIs to develop and strengthen their value proposition for green SMEs and upskill their abilities to identify, assess, and provide credit support to green SMEs.

The conference has previously been held in Kenya, Zambia, Ghana, Senegal, Ivory Coast, Benin, Mozambique, and Nigeria. In 2023, it was held in Mali.



Banking on Carbon Markets

AGF and the CCA, in partnership with the UN Capital Development Fund hosted a “Banking on Carbon Markets” workshop focused on financing clean cooking projects. Industry leaders and investors shared global evidence and practical experiences in underwriting risks related to lending to clean cooking carbon projects.



The event was held in Kenya.

Youth Entrepreneurship and Innovation Multi-Donor Trust Fund Training and Mentorship Programme

AGF was an implementing partner of the AfDB’s Youth Entrepreneurship and Innovation Multi-Donor Trust Fund (YEI MDTF) programme. This youth-led MSME training and mentorship programme aimed to address key issues affecting women and youth-led businesses, such as their formalisation and preparedness to access financing. The culmination of 12-month training, mentorship and linkages to FIs for youth-led startups and growth-oriented MSMEs successfully saw the graduation of 400 youth entrepreneurs, with 50% being founded or led by young women.

Through the YEI MDTF WSMEs and YSMEs had the opportunity to engage with FIs on the types of appropriate financial products available to women and youth, the requirements to open and access MSME business accounts, bankable business plans, collateral requirements, and the importance of keeping financial records.

The training and mentorship programmes have been previously held both physically and virtually in Zimbabwe, Ghana, and Nigeria. In 2023, they were held in Mali and virtually in Togo.



Sponsored Events

Lady's First Programme

AGF through the AFAWA G4G programme supported Rawbank's launch of a training on "Project Management in the Agricultural and Agri-food Sector". Rawbank provided training to its 100 WSMEs based in Kinshasa, DRC. The theme of the event was "Agriculture and Agri-Processing: Is This an Authentic Opportunity for Women Entrepreneurs?".

Rawbank provided a training session tailored to adapt budgetary management practices to meet the specific needs of WSMEs based in Lubumbashi, DRC.

The event was held in DRC



Tuungane 2X Connect

Melanin Kapital collaborated with Absa Kenya and AGF to host a networking event that provided 80 WSMEs with an opportunity to speak with a potential lender and learn and share. This programme was designed to help participants develop the required skills and knowledge to successfully access credit financing through a combination of lectures, workshops, and mentoring from industry experts.

The event was held in Kenya.



Queen Banking Value Proposal

AGF supported Family Bank at the launch of their exclusive woman banking proposition dubbed “Queen Banking” which offers a bouquet of financial and non-financial service offerings to WSMEs in Kenya. Supported by AGF’s CD initiative under the AFAWA G4G programme, the new women’s banking proposition will cater to the diverse needs of WSMEs to promote women’s economic empowerment and deepen financial inclusion.

The event was held in Kenya.



Innovation Hubs for Gender Equality



AGF sponsored the launch of the Innovation Hubs for Gender Equality in partnership with Stanbic Bank Kenya. The new platform showcased innovations that support WSMEs and CD workshops. The “DigitALL” Innovation and Technology for Gender Equality” showcased innovations that support the social and economic empowerment of women.

The event was held in Kenya.

African Banker Awards

AGF sponsored the 2023 African Banker Awards, an event dedicated to celebrating excellence in African banking and financial services. The awards spotlight FIs' commitment to fostering financial inclusion and economic development across the continent.

The African Banker Awards focused on the themes of financial inclusion, innovation, and sustainable economic development. It also celebrated best-in-class banking practices and honoured the top banks for promoting environmental stewardship and social responsibility.

AGF's sponsorship highlighted its role in guaranteeing loans for SMEs, supporting women entrepreneurs, and promoting financial stability and economic resilience across Africa. A significant highlight of the event was the launch of the AFAWA Bank of the Year award, which emphasized the importance of empowering WSMEs and supporting gender-inclusive financial initiatives.

The event was held in Egypt.



Africa Financial Industry Summit

AGF sponsored and participated in speaking sessions at the 2023 Africa Financial Industry Summit (AFIS). With 1,000 financial industry leaders, bankers, insurers, fintechs, capital markets, mobile money operators, policymakers and regulators from Africa and beyond, the AFIS brings together the most influential stakeholders in African finance.

Over two days of conferences, debates and high-level meetings, the AFIS sought to develop concrete solutions to the many challenges facing the financial sector and build a more inclusive and robust pan-African financial services industry. The AFIS contributed to the success of the African Continental Free Trade Area (AfCFTA), which should accelerate the integration and growth of Africa's financial sector.

The event was held in Togo.





Africa CEO Forum: Women Working for Change - Gender Champions Meeting

AGF sponsored the Africa CEO Forum and spoke in the Gender Champions Meeting among other women business leaders on how to pave the way for a gender-inclusive and innovative private sector in Africa.

The event was held online.

Attended Events

Abu Dhabi Sustainability Week

AGF spoke on “The Enabling Environment for Blended Finance” at the Abu Dhabi Sustainability Week. The session was hosted by Convergence Blended Finance and the UAE Independent Climate Change Accelerators.

The event was held in Abu Dhabi.



Africa Prosperity Dialogues

AGF joined Africa’s heads of state, captains of industry and social sector leaders at the inaugural Africa Prosperity Dialogues under the theme: “The Africa Continental Free Trade Area (AfCFTA): From Ambition to Action - Delivering Prosperity through Continental Trade”.

The event focused on mobilising financing at scale to drive intra–African trade by working with governments and the private sector to attract trade finance, in support of private sector engagement with the AfCFTA market.

The event was held in Ghana.



Oxford's Africa Conference

AGF spoke at at Oxford Africa's conference on "The Role of the Private Sector in Promoting Pull Approaches for Development in Africa". The conference brought together heads of state, policymakers, business leaders, academics, artists, students, and professionals to critically expand the discourse on Africa. Discussions at the conference provided a vibrant platform for AGF to shape participants' perspectives on Africa's future.

The event was held in the United Kingdom.

Speaker

University of Oxford Africa Society
Presents

**Oxford Africa
2023 Conference**

Theme: Africa's prosperity:
A New Approach?

12th - 13th
May 2023

The University of Oxford
Andrew Wiles Building

Constant N'zi
Deputy Group Chief Executive Officer & Group
Chief Risk Officer of the African Guarantee Fund.



Business Sustainability Forum

AGF in partnership with the International Chamber of Commerce-Kenya hosted a forum on "Business Sustainability in Kenya". The objective of this forum was to provide a platform for institutions involved in green financing, ESG reporting and carbon markets to share knowledge, learn from experts, and promote sustainable business practices.

The forum highlighted AGF's role in increasing investments towards clean and sustainable businesses in Kenya and across the continent. It explained how the GGF plays a key role in de-risking PFIs to encourage them to increase their lending to green SMEs and support Africa's sustainable economic development transition.

The event was held in Kenya.



Africa Climate Summit

AGF attended and participated in the inaugural Africa Climate Summit and Africa Climate Week, which was co-hosted by the African Union and the Government of Kenya. The Summit discussed sustainable solutions to global climate challenges under the theme, “Driving Green Growth and Climate Finance Solutions for Africa and the World”. The Summit culminated in the Nairobi Declaration, an 11 point call to action proclaiming African States’ unified stance on climate action ahead of the 28th United Nations Climate Change Conference (COP28).

Among the events that AGF participated in were:

- Kenya Green Building Pre-Africa Climate Summit panel session on “ESG and Sustainable Finance: How can ESG be used as a tool to Build Climate Resilience in Africa?” and
- World Bank side event session on “Innovative Financial Instruments to De-risk Climate Investments in Africa”

The event was held in Kenya.



Corporate Social Responsibility

Kisumu Greening Initiative

AGF in partnership with Kenya's State Department of Trade and State Department of Forestry planted trees in Kisumu, Kenya. With the support of the community, more than 20,000 trees were planted. This will go a long way in increasing the country's agro-forest cover.

The Kisumu Greening Initiative is in line with the Kenyan Government's tree restoration programme which aims to plant 15 billion trees by 2032 to reduce greenhouse emissions, stop and reverse deforestation, and restore 5.1 million hectares of deforested and degraded landscapes. Kenya's State Department of Trade was keen on promoting commercial forestry by enhancing the exports of tree products.

The event was held in Kenya.



TotoCare Box Donation

AGF in partnership with Cargill and the Office of the President's Advisor on Women's Rights supported the Toto Care Box initiative by donating 600 newborn care packages to Pumwani Maternity Hospital and Lang'ata Women's Prison in Nairobi, Kenya. The donation helped to promote better health outcomes for benefiting mothers and their babies. It will also enable these mothers to give their babies a dignified start to life.

The Toto Care Box initiative seeks to reduce maternal and newborn deaths that occur due to a lack of affordable life-saving education and access to quality health care. The Toto Care Box is a public health intervention that is a portable and comfortable bed for vulnerable newborns in underserved communities. The box is a life-saving incentive that comes with 18 essential, low-cost, high-impact items given to mothers from underserved communities and is aimed at reducing the number of maternal and newborn deaths.

The event was held in Kenya.



**CONSOLIDATED
FINANCIAL
STATEMENTS**

03



CORPORATE INFORMATION

Directors

Non-executive

Mr. Felix Adahi Bikpo (*Independent director*) Chairman
Mr. Morten Christiansen
Mr. Riad Aubdool
Mrs. Sandhya Jogee
Mr. Olawale Bashirudeen Shonibare
Mr. Richard Marney
Mr. Kenny Nwosu (*Independent director*)
Mr. Henrik Franklin
Mr. Antoine Burgard
Ms. Hanjali Permallo-Le Roux
Ms. Njeri Ngaruiya

Date of appointment

01 July 2020
07 April 2014 (*ceased to be director on 30 April 2023*)
30 June 2015
15 November 2019 (*ceased to be director on 27 June 2023*)
03 December 2019
10 February 2021
18 February 2021 (*ceased to be director on 17 February 2024*)
22 February 2021 (*ceased to be director on 21 August 2023*)
20 December 2022
27 June 2023
16 November 2023

Senior Management

Jules Ngankam	Group Chief Executive Officer
Constant Nzi	Deputy Group CEO and Group Chief Risk Officer
Daisy Wanjie	Group Chief Finance Officer
Franck Adjagba	Group Director of Business Development
Ali Ballo	Group Chief, Internal Controller & Compliance Officer
David Ekabouma	Group Director of Monitoring and Evaluation until March 2023
Juneid Kodabux	Group Director of Legal and Corporate Affairs
Nishdeep Sethi	Group Director of Structured Finance
Allan Akoko	Group Director of Human Resources
Bendjin Kpeglo	Managing Director, AGF West Africa
Sibi Lawson	Deputy Managing Director, AGF West Africa
Patrick Lumumba	Group Director of Capacity Development from 1 January 2023

Company secretary & Administrator

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

Registered offices and principal places of business

Rogers Capital Fund Services Ltd	Rogers House	Africa House, 3rd and 4th Floor
Rogers House	5, President John Kennedy Street	Muthangari Road
5, President John Kennedy Street	Port Louis	Nairobi
Port Louis	Republic of Mauritius	Republic of Kenya

Auditor

PricewaterhouseCoopers Ltd
PwC Centre, Avenue de Telfair
Telfair 80829, Moka
Republic of Mauritius

Legal advisers

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

Subsidiary Company

AGF West Africa
5082, Boulevard Gnassingbe
Eyadéma, Lomé II
Lomé, Togo

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, E145HP
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

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

UBA Kenya Bank Limited
P.O. Box 34154-00100
Imperial court Westland
Road
Nairobi, Kenya

Board Committees

Audit and Risk Committee

Mr. Kenny Nwosu – Chairman
(Independent director)
Mr. Olawale Shonibare
Ms. Njeri Ngaruiya
Mr. Ali Ballo - Secretary

Treasury Management Committee

Mr. Richard Marney- Chairman
Mr. Antoine Burgard
Ms. Anu Hassinen *(Observer)*
Mr. Jean Nsele - External Advisor
Ms. Daisy Wanjie - Secretary

Human Resources Committee

Mr. Olawale Shonibare - Chairman
Ms. Hanjali Permolloo-Le Roux
Mr. Antoine Burgard
Mr. Allan Akoko - Secretary

Investment Committee

Mr. Riad Aubdool – Chairman
Mr. Kenny Nwosu
Mr. Richard Marney
Mr. John Wasielewski – External
Advisor
Mr. Constant Nzi - Secretary

Capacity Development Committee

Mr. Riad Aubdool – Chairman
Ms. Njeri Ngaruiya
Ms. Hanjali Permolloo-Le Roux
Ms. Anu Hassinen (Observer)
Mr. Patrick Lumumba - Secretary

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 2023.

Introduction

AGF was incorporated on 28th March 2011 as a private company Ltd by shares under the Companies Act 2001 and is domiciled in the Republic of Mauritius. AGF was granted a Category 1 Global Business License under the Financial Services Act 2007 and is authorized 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, capacity development and other similar or related financial products specifically intended to support small and medium-sized enterprises (SMEs) in Africa to grow and to increase employment.

Statement of compliance

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

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

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

The Board is fully committed to achieving and sustaining the highest standards of Corporate Governance with the aim of maximizing 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

Corporate Governance Report (contd.)

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 14 December 2022, 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 organization. They assume full responsibility for leading and controlling the organization 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. The Board Charter of AGF is reviewed as required with the latest version reviewed and approved by the Board for adoption with effect from 2018.

Corporate Governance Report (contd.)

PRINCIPLE TWO: THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

The Board has attempted to create the right balance and composition in such a way as to best serve the organization. The Board is a unitary Board and comprised of 11 directors as at 31 December 2023.

Improvement will be brought to the gender diversity as the Board comprised of 8 males and 3 females as at 31 December 2023.

The profile of the Board members who served during the year ended 31 December 2023 is as follows:

Mr. Felix Bikpo

Felix, the chairman of the board, 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 funds 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 Privés en Afrique de l'Ouest (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 Côte 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 (Chartered MCSI). 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 25 years of professional experience in financial services, which includes fund administration, secretarial, accounting, tax compliance, AML, auditing and consulting. He gathered his experience with 9 years at PwC Mauritius, and 13 years with management companies. He has administered funds/special licensed 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 was also the Executive Director of a fund administrator before he set up his own company in 2020. He is currently the Managing Director of Zain Consultancy Ltd, a company providing management consultancy and financial advisory services.

Mr. Morten Christiansen (until 30 April 2023)

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 Århus.

Mrs. Sandhya Jogee (until 27 June 2023)

Corporate Governance Report (contd.)

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 Ltd 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

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. Kenny Nwosu (until 17 February 2024)

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.

Mr. Henrik Franklin (until 21 August 2023)

Henrik is Director for Portfolio Origination and Management at the Nordic Development Fund. He has 23 years of experience in international development in Africa, Asia & Latin America, focusing on strategic & operational management, portfolio management, quality assurance & change management. He has held different positions at IFAD, AfDB and IDB. A Swedish national, Henrik is fluent in Spanish and English, with knowledge of Portuguese and French, and holds a M.Sc. degree in Biology from Stockholm University.

Mr. Antoine Burgard

Antoine is a Senior Investment Officer at Proparco for East Africa. He has 20 years' experience in the banking sector in various positions (strategy, financial analysis, and financial management) and works on development projects with financial institutions in Africa. He holds a Master's Degree in Finance (DESS Finance) from the University of Paris - Panthéon Assas and a Degree in Business Administration (MSG) from University of Paris – Dauphine.

Corporate Governance Report (contd.)

Mrs. Hanjali Permalloo-Le Roux (since 27 June 2023)

Hanjali is the Chief Technology & OpEx Executive of the Rogers Group. She holds an MBA from La Sorbonne Business School, Paris and a M.Sc. Information Management from the University of Lancaster, UK. Hanjali is a management professional with 20 years progressive experience in strategic planning and development, operational and digital transformation, and project management for a variety of industries. She gained international exposure through her consulting assignments in Paris, Spain and the USA while working for Accenture Paris. She has managed large-scale systems integration projects requiring intensive functional and industry knowledge and expertise, as well as, change management programmes to ensure the smooth transition to new seamless systems and processes. Prior to joining Rogers Capital in June 2019, Hanjali was General Manager of AXA Customer Services Ltd, the outsourcing arm of AXA Partners, an organisation of 250 employees offering various insurance and banking services to AXA clients aboard.

Ms. Njeri Ngaruiya (since 16 November 2023)

Njeri is an Investment Director at the Investment Fund for Developing Countries (IFU). She provides advisory services and risk capital to companies wishing to do business in developing countries and emerging markets. She identified, led and executed IFU Sub-Saharan Africa's two 1st banking investments with an aggregate investment size of USD 52m in equity. Njeri also led and executed the successful and profitable exit of IFU's first bank investment and led and executed IFU's investment in the first intermediary energy off-taker in Africa. Prior to joining IFU, she was the Regional Director Africa of Incofin Investment Management. Njeri holds an MSC in Finance from Cass Business School, City University London and a BSc (Hons) Management from the University of Surrey, UK.

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	Annual Meeting 2023
Directors	4	1
Mr. Riad Aubdool	4	
Mr. Morten Christiansen	4	
Mrs. Sandhya Jogee	2	
Mr. Wale Shonibare	4	
Mr. Felix Bikpo	4	
Mr. Kenny Nwosu	4	
Mr. Richard Marney	4	
Mr. Henrik Franklin	-	
Mr. Antoine Burgard	3	
Mrs. Hanjali Permalloo-Le Roux	2	
Ms. Njeri Ngaruiya	1	

Board Committees

Pursuant to Article 31 of the Constitution of the Company, the Directors have the power to establish, by a resolution of Directors, Committees of the Board with such composition and functions as they may determine from time to time. Charters for each of the Committees of the Board were adopted in June 2019.

Corporate Governance Report (contd.)

As of date, the Directors have established the following Committees of the Board:

(i) Investment Committee

The Investment Committee is responsible to assist the Board by (i) Establishing and overseeing the implementation of the Company's overall Guarantee policies, strategies and guidelines; and (ii) Reviewing and/or approving guarantees as delegated by the Board. The Chairperson of the Investment Committee shall be a resident director in Mauritius and the Secretary of the Investment Committee is the Group Chief Risk Officer. The Investment Committee shall comprise of three (3) members among which two (2) shall be Directors of the Company.

(ii) Treasury Management Committee

The Treasury Management Committee (TMC) has the delegated authority of the Board over the Treasury of the Company. It has the responsibility to assist the Board by (i) Establishing and overseeing the implementation of the Company's overall treasury management policies, strategies and guidelines; and (ii) Carrying out such other responsibilities as delegated by the Board or as set forth in the Treasury Management Committee Charter. The Treasury Management Committee shall comprise of three (3) members among which two (2) shall be directors of the Company. The Secretary of the TMC is the Group Chief Finance Officer.

(iii) Audit and Risk Committee

The Audit & Risk Committee provides assistance to the Board in fulfilling its oversight responsibility to the shareholders, the investment community and other stakeholders relating to:

- Risk management and controls activities;
- The integrity of the Company's financial statements;
- The effectiveness of the Company's internal control over financial reporting;
- The Company's compliance with legal and regulatory requirements;
- The External Auditor's qualifications and independence; and
- The performance of the Company's Internal Audit function and External Auditor.

In fulfilling its purpose, the Audit and Risk Committee is responsible for maintaining free and open communication between itself, the External Auditor, the Internal Auditor and the management of the Company, and for determining that all parties are aware of their responsibilities. The Audit and Risk Committee shall comprise of three (3) members among which two (2) shall be Directors, including at least one Independent Director, appointed by the Board. The Board shall appoint a chairperson of the Audit and Risk Committee from amongst the independent Directors. The Secretary of the Audit and Risk Committee is the Group Chief Internal Controller.

(iv) Human Resources Committee

The Human Resources Committee assists the Board by (i) Establishing and overseeing the implementation of the company's key policies, strategies and practices on human resources, and (ii) Carrying out such other responsibilities as delegated by the Board or as set forth in the Charter.

The Human Resources Committee shall comprise of three (3) members among which two (2) shall be directors of the Company. The Secretary of the Human Resources Committee is the Group Director of Human Resources.

Corporate Governance Report (contd.)

(v) Capacity Development Committee.

The Capacity Development Committee assists the Board by (i) Establishing and overseeing the implementation of the company's overall Capacity Development strategies, policies and guidelines; and (ii) Carrying out such other responsibilities as delegated by the Board or as set forth in the Charter. The Capacity Development Committee shall comprise of three (3) members among which two (2) shall be directors of the Company.

PRINCIPLE THREE: DIRECTORS APPOINTMENT PROCEDURES

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:

- (i) two directors resident in Mauritius are appointed by Ordinary Resolution;
- (ii) each of the founding shareholders has the right to appoint one (1) Director, so long as they are registered as holders of Class B Shares or Class C Shares (as applicable) in the Company. Such director shall be appointed upon receipt by the Administrator of clear instructions via letter from the Founding Shareholder setting out the name of the person to be appointed as Director of the Company and such person shall be of high caliber and have the relevant experience to act as Director and such appointment shall be approved by an Ordinary Resolution at the Annual Meeting of the Shareholders or through written resolutions of the Shareholders; and
- (iii) at least two 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 process 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. The Board Retreat was held in Mauritius in April 2023 whereby, amongst others, the directors received a training on AML/CFT requirements in Mauritius in December 2023.

Corporate Governance Report (contd.)

Company Secretary

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

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

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

PRINCIPLE FOUR: DIRECTORS’ DUTIES, REMUNERATION AND PERFORMANCE

Legal Duties

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

Code of Ethics

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

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 interest(s), depending on the following circumstances:

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

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

Corporate Governance Report (contd.)

adopted a conflicts of interest policy.

IT Governance Policy

The Code provides that the Board is responsible for the governance of the organization's 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 Rogers Capital Fund Services Ltd ("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 344,577 in 2023 (2022: USD 327,107).

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 2023 was USD 18,372 (2022: USD 19,461). Please refer to note 26 of the financial statements.

Related Party Transactions

Please refer to note 26 of the financial statements.

PRINCIPLE FIVE: RISK GOVERNANCE AND INTERNAL CONTROL

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

AGF has its own Risk Management Policies and Procedures Manual and Compliance Anti Money Laundering Manual in place.

The main risks to which AGF is exposed are financial risks. Please refer to Note 4 of the financial statements for the measures devised to manage those risks.

PRINCIPLE SIX: REPORTING WITH INTEGRITY

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

Corporate Governance Report (contd.)

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.

The Board approves the strategy of the Company and oversees the determination of the nature and the extent of the principal risks it is willing to take in achieving its strategic objectives. The Board has the overall oversight of the monitoring and evaluation of the Company's operational risk and compliance risk and has a dedicated Audit and Risk Committee to assist in the process.

PRINCIPLE SEVEN: AUDIT

Directors' responsibilities

The Directors are responsible for the preparation and fair preparation of the financial statements in accordance with IFRS Accounting 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. PricewaterhouseCoopers Mauritius was re-appointed as the statutory auditors for the financial year ended 31 December 2023 at the annual meeting of the Company held in June 2023.

Corporate Governance Report (contd.)

AUDIT FEES

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

	2023	2022
	USD	USD
External auditors	251,045	281,861

Internal Audit

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

Relations with shareholders

As at 31 December 2023, the stated capital of AGF comprises of 7,954 Class B Shares of no par value, 13,520 Class C Shares of no par value, 3 Class D Shares of no par value.

The shareholders of AGF are African Development Bank, Ministry of Foreign Affairs/Danida, 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, KFW and Facilité d'Investissement et de Soutien aux Entreprises en Afrique (FISEA). The annual meeting will be held in June 2024.

Other key stakeholders

AGF has contribution capital from Government of Canada, USAID, Technoserve Inc and NORAD. No shares have been issued to these stakeholders.

Analysis of ownership

AGF had 8 Shareholders which include 4 investing in Class B, 4 in Class C and 3 in Class D as at 31 December 2023.

Shareholders' calendar

AGF has planned the following forthcoming events:

Reporting date	31 December 2023
Publication of year end results	Within six months from end of 31 December 2023

Corporate Governance Report (contd.)

Statement of compliance

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

Reporting period: Year ended 31 December 2023

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: June 26, 2024

Date: June 26, 2024

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of African Guarantee Fund for Small and Medium Sized Enterprises Ltd (the "Company") and its subsidiary, (together the "Group").

Principal activities

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

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

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

- African Guarantee Fund has a branch registered in Nairobi, Kenya. It is registered as a branch of a foreign entity under the Kenyan Companies Act. The main operations are located in Kenya.
- African Guarantee Fund Pour Les Petites Et Moyennes Entreprises, registered in Lomé, Togo. It is registered as a financial institution, subject to the provisions of the banking law in the West African Monetary Union (WAEMU/WAMU).

Business review

The results of the Group and Company are set out on pages 21 while the financial position as at 31 December 2023 are set out on page 22.

Dividend

The directors do not recommend the payment of any dividend for the year (2022: Nil).

Directors

The Directors who held office at the date of this report are set out on page 2.

Events after the end of the reporting period

There were no material subsequent events after the reporting date requiring disclosure in these financial statements as at the date of the financial statement approval.

Statement as to disclosure to the group's auditor

With respect to each director at the time this report was approved:

- (i) there is, so far as the director is aware, no relevant audit information of which the Group's auditor is unaware; and
- (ii) the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Terms of appointment of the auditor

PricewaterhouseCoopers continues in office in accordance with the Mauritian Companies Act 2001.

The directors monitor the effectiveness, objectivity, and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

Secretary Certificate

Under section 166 (D) of the Mauritius Companies Act

We certify to the best of our knowledge and belief, that African Guarantee Fund for Small and Medium Sized Enterprises Ltd has filed with the Registrar of Companies all such returns as are required of the Company under the Mauritian Companies Act 2001 for the year ended 31 December 2023.

By order of the Board



.....
For Rodgers Capital Fund Services Ltd
Company Secretary

Date: June 26, 2024

Statement of Directors' Responsibilities

The directors are required in terms of the Mauritian Companies Act 2001 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with IFRS Accounting Standards. The external auditor is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS Accounting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing, and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

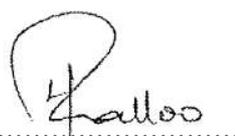
Having assessed the Group's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

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

Approved by the board of directors on 26 June 2024 and signed on its behalf by



Director



Director

Independent Auditor's Report

To the Shareholders of African Guarantee Fund - for Small and Medium-sized Enterprises Ltd

Report on the Audit of the Consolidated and Separate Financial Statements

Our Opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of African Guarantee Fund - for Small and Medium-sized Enterprises Ltd (the "Company") and its subsidiary (together the "Group") and of the Company standing alone as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with IFRS Accounting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

African Guarantee Fund - for Small and Medium-sized Enterprises Ltd's consolidated and separate financial statements set out on pages 25 to 95 comprise:

- the consolidated and separate statements of financial position as at 31 December 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policy information and other explanatory information.

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 Consolidated and Separate Financial Statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, PwC Centre, Avenue de Telfair, Telfair 80829, Maka, Republic of Mauritius
Tel: +230 404 5000, Fax: +230 404 5088, www.pwc.com/mu
Business Registration Number : F07000530

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Independent Auditor's Report (contd.)

To the Shareholders of African Guarantee Fund - for Small and Medium-sized Enterprises Ltd (Continued)

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Basis for Opinion

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

The directors are responsible for the other information. The other information comprises the corporate information, the corporate governance report, the directors' report, the secretary certificate and the statement of directors' responsibilities but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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 Consolidated and Separate Financial Statements

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

Independent Auditor's Report (contd.)

To the Shareholders of African Guarantee Fund - for Small and Medium-sized Enterprises Ltd (Continued)

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Responsibilities of the Directors for the Consolidated and Separate Financial Statements (Continued)

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's 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 intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (contd.)

To the Shareholders of African Guarantee Fund - for Small and Medium-sized Enterprises Ltd (Continued)

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Responsibilities of the Directors for the Consolidated and Separate Financial Statements (Continued)

- 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 and Company'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 consolidated and separate 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 and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (a) we have no relationship with or interests in the Company or its subsidiary other than in our capacity as auditor and business advisor of the Company;
- (b) we have obtained all the information and explanations we have required; and
- (c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Independent Auditor's Report (contd.)

To the Shareholders of African Guarantee Fund - for Small and Medium-sized Enterprises Ltd (Continued)

Other Matter

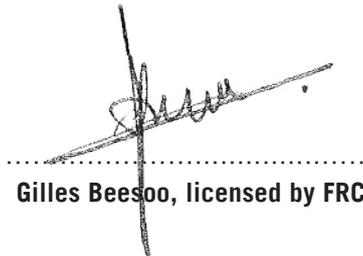
This report, including the opinion, has been prepared for and only for the Company's shareholders, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose.

We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



.....

PricewaterhouseCoopers



.....

Gilles Beesoo, licensed by FRC

Date: June 26, 2024

Consolidated and separate statements of profit or loss and other comprehensive income

	Notes	Group 2023 USD	2022 USD	Company 2023 USD	2022 USD
Income from guarantees	8	10,183,121	8,547,151	6,183,599	5,984,052
Income from investments	9	6,079,121	4,498,150	3,716,519	2,160,854
Grant income	10	4,331,759	2,923,402	4,331,759	2,923,402
Net fair value gain on portfolio guarantee contracts	6	1,607,220	1,156,197	880,212	2,031,579
Fair value gain/(loss) on guarantee contract assets	4 (a)	251,780	(685,150)	(78,930)	(626,848)
Other income	11	900,781	276,441	482,002	65,819
		23,353,782	16,716,191	15,515,161	12,538,858
Expenses					
Staff costs	12	(5,548,603)	(4,872,365)	(4,302,431)	(3,762,136)
General and administrative expenses	13	(6,407,612)	(6,473,952)	(5,499,216)	(5,067,771)
Depreciation and amortisation	14	(1,257,242)	(816,738)	(996,400)	(672,836)
Guarantee expenses	29	(329,302)	(1,107,959)	(329,302)	(1,107,959)
Expected credit losses on financial guarantees	22	(2,800,293)	(3,992,717)	(3,940,115)	(2,166,930)
Capacity development expenses		(2,864,382)	(1,423,402)	(2,864,382)	(1,423,402)
Claims paid on guarantee contracts		(3,348,347)	(1,233,479)	(3,006,823)	(1,058,053)
		(22,555,781)	(19,920,612)	(20,938,669)	(15,259,087)
Profit before tax		798,001	(3,204,421)	(5,423,508)	(2,720,229)
Income tax expense	16	-	(242,418)	-	(242,418)
Profit/ (loss) for the year		798,001	(3,446,839)	(5,423,508)	(2,962,647)
Attributable to;		-	-	-	-
- Owners of the company		(411,461)	(3,352,712)	-	(2,962,647)
- Non-controlling interest		1,209,462	(94,127)	-	-
Profit/(loss) for the year		798,001	(3,446,839)	(5,423,508)	(2,962,647)
Other comprehensive loss for the year, net of tax					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency exchange differences on translation of foreign operations	11 (b)	1,820,698	(3,174,390)	-	-
Total comprehensive gain/(loss) for the year		2,618,699	(6,621,229)	(5,423,508)	(2,962,647)
Attributable to;		-	-	-	-
- Owners of the company		1,055,293	(5,910,001)	-	(2,962,647)
- Non-Controlling Interest		1,563,406	(711,228)	-	-
		2,618,699	(6,621,229)	(5,423,508)	(2,962,647)

The notes on pages 87 to 152 form an integral part of these financial statements.

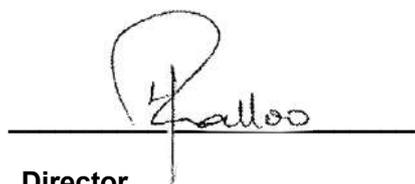
Consolidated and separate statements of financial position

	Notes	Group		Company	
		2023 USD	2022 USD	2023 USD	2022 USD
Assets					
Property and equipment	17	15,401,760	15,505,523	9,212,564	9,525,257
Intangible assets	18	1,363,032	1,696,574	1,293,793	1,610,467
Investment property	19	5,865,752	6,163,136	3,835,609	4,142,532
Investment in subsidiary	27	-	-	31,887,765	31,887,765
Guarantee contracts at fair value through profit or loss	6	7,489,708	5,882,488	6,469,702	5,589,491
Financial guarantee contract assets	22	1,906,708	1,654,928	892,830	971,760
Other financial instruments	7	43,429,467	39,957,307	1,357,548	1,246,469
Debt instrument at amortised cost	5	125,057,064	126,755,173	122,865,465	124,509,534
Trade and other receivables	20	23,713,945	21,334,863	10,395,990	10,843,980
Cash and bank balances	4	10,428,529	11,430,410	9,682,210	11,001,069
Total assets		234,655,965	230,380,402	197,893,476	201,328,324
Liabilities					
Post-employment benefits obligation	23	292,789	284,127	-	-
Financial guarantee contract liabilities	22	16,666,173	17,865,882	4,992,367	5,052,252
Trade and other payables	21	5,473,383	6,968,403	3,287,272	5,616,112
Current income tax	16	-	242,418	-	242,418
Deferred grant income	25	3,887,817	8,056,835	2,284,793	6,419,357
Total liabilities		26,320,162	33,417,665	10,564,432	17,330,139
Net assets		208,335,803	196,962,737	187,329,044	183,998,185
Equity					
Stated capital	24 (a)	214,891,155	214,891,155	214,891,155	214,891,155
Share premium		7,465	7,465	7,465	7,465
Capital contribution	24 (b)	20,734,391	11,980,024	20,734,391	11,980,024
Accumulated losses		(38,335,219)	(37,923,758)	(48,303,967)	(42,880,459)
Other reserves	32	794,087	(672,667)	-	-
Equity attributable to owners of the company		198,091,879	188,282,219	187,329,044	183,998,185
Non-controlling interests	27	10,243,924	8,680,518	-	-
Total Equity		208,335,803	196,962,737	187,329,044	183,998,185

The financial statements on pages 87 to 152 were approved for issue by the board of directors on 26th June 2024 and were signed on its behalf by:



Director



Director

The notes on pages 87 to 152 form an integral part of these financial statements.

Consolidated statement of changes in equity

Notes	Issued capital	Share premium	Capital contribution	Retained Earnings	Foreign currency Translation reserve	Total Owners equity	Non-Controlling interest	Total Equity
Year ended 31 December 2022								
At start of year	199,891,155	7,465	11,980,024	(34,571,046)	1,884,622	179,192,220	9,391,746	188,583,966
Issue of shares	15,000,000	-	-	-	-	15,000,000	-	15,000,000
Loss for the year	-	-	-	(3,352,712)	-	(3,352,712)	(94,127)	(3,446,839)
Other comprehensive income	-	-	-	-	(2,557,289)	(2,557,289)	(617,101)	(3,174,390)
Total comprehensive income for the year	-	-	-	(3,352,712)	(2,557,289)	(5,910,001)	(711,228)	(6,621,229)
At end of year	214,891,155	7,465	11,980,024	(37,923,758)	(672,667)	188,282,219	8,680,518	196,962,737
Year ended 31 December 2023								
At start of year	214,891,155	7,465	11,980,024	(37,923,758)	(672,667)	188,282,219	8,680,518	196,962,737
Capital contribution	-	-	8,754,367	-	-	8,754,367	-	8,754,367
Loss for the year	-	-	-	(411,461)	-	(411,461)	1,209,462	798,001
Other comprehensive income	-	-	-	-	1,466,754	1,466,754	353,944	1,820,698
Total comprehensive income for the year	-	-	-	(411,461)	1,466,754	1,055,293	1,563,406	2,618,699
At end of year	214,891,155	7,465	20,734,391	(38,335,219)	794,087	198,091,879	10,243,924	208,335,803

The notes on pages 87 to 152 form an integral part of these financial statements

Separate Statement of Changes in Equity

	Notes	Issued capital USD	Capital contribution	Share premium USD	Accumulated USD	Total Equity USD
Year ended 31 December 2022						
At start of year		199,891,155	11,980,024	7,465	(39,917,812)	171,960,832
Issue of shares	24 (a)	15,000,000	-	-	-	15,000,000
Loss for the year		-	-	-	(2,962,647)	(2,962,647)
At end of year		214,891,155	11,980,024	7,465	(42,880,459)	183,998,185
Year ended 31 December 2023						
At start of year		214,891,155	11,980,024	7,465	(42,880,459)	183,998,185
New contribution	24 (b)	-	8,754,367	-	-	8,754,367
Loss for the year		-	-	-	(5,423,508)	(5,423,508)
At end of year		214,891,155	20,734,391	7,465	(48,303,967)	187,329,044

The notes on pages 87 to 152 form an integral part of these financial statements

Consolidated and separate statements of cash flows

	Notes	Group		Company	
		2023	2022	2023	2022
		USD	USD	USD	USD
Net cash flows from operating activities	30	(12,536,069)	(14,906,275)	(14,814,078)	(7,951,260)
Cash flows from investing activities					
Purchase of property and equipment	17	(389,408)	(946,947)	(162,731)	(803,202)
Purchase of investment property	19	-	(2,134,034)	-	(2,134,034)
Purchase of intangible assets	18	(270,342)	(15,151)	(270,342)	(171,936)
Net investment in debt instrument at amortised cost	4	1,040,279	(16,976,224)	990,643	(16,214,173)
Net investments in other financial instruments		(3,524,593)	9,912,323	(145,236)	831,441
Interest income received		4,138,314	4,498,150	4,131,323	3,084,407
Net cash flows from investing activities		<u>994,250</u>	<u>(5,661,883)</u>	<u>4,543,657</u>	<u>(15,407,497)</u>
Cash flows from financing activities					
Proceeds from issue of shares	24	-	15,000,000	-	15,000,000
Proceeds from capital contribution	24	8,754,367	-	8,754,367	-
Proceeds from grants	25	197,195	3,225,159	197,195	3,225,159
Net cash flows from financing activities		<u>8,951,562</u>	<u>18,225,159</u>	<u>8,951,562</u>	<u>18,225,159</u>
Net decrease in cash and cash equivalents		<u>(2,590,257)</u>	<u>(2,342,999)</u>	<u>(1,318,859)</u>	<u>(5,133,598)</u>
At start of year		11,430,410	16,631,795	11,001,069	16,134,667
Effects of exchange rates on cash and cash equivalents		1,588,376	(2,858,386)	-	-
At end of year		<u>10,428,529</u>	<u>11,430,410</u>	<u>9,682,210</u>	<u>11,001,069</u>

The notes on pages 87 to 152 form an integral part of these financial statements

Notes

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 Ltd by shares in accordance with the Companies Act 2001. It has been granted a Global Business License by the Financial Services Commission. The Company is regulated 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.

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

The African Guarantee Fund group has a subsidiary in AGF West Africa located in Togo, Lomé. The subsidiary was acquired in December 2015. The subsidiary is regulated by the central bank in Togo.

2. Summary of material accounting policies

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and the requirements of the Mauritian Companies Act 20001.

Where necessary, comparative figures have been amended to conform with changes in presentation or in accounting policies in the current year.

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Guarantee contracts measured at the higher of the initial fair value less amortization and the expected credit loss allowance; and
- Loan portfolio guarantee contracts measured at fair value through profit and loss;

Fair values are categorised into three levels of fair value hierarchy based on the degree to which the inputs to the measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group at the end of the reporting period during which the change occurred.

2. Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires the directors to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Changes in accounting policy and disclosures

(i) IFRS Accounting Standards and amendments effective for the first time for December 2023 year-ends

Number	Effective date	Executive summary
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 (Published May 2017)	<p>The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.</p> <p>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.</p> <p>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.</p> <p>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.</p>

Notes (continued)

2. Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) IFRS Accounting Standards and amendments effective for the first time for December 2023 year-ends (continued)

Number	Effective date	Executive summary
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. This amendment will not have an impact on the Group and Company's financial statements.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This amendment will not have an impact on the Group and Company's financial statements.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. This amendment will not have an impact on the Group and Company's financial statements.
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exemption has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. This amendment will not have an impact on the Group and Company's financial statements.

2. Summary of material accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) IFRS Accounting Standards, interpretations and amendments issued but not effective.

Number	Effective date	Executive summary
Amendments to IAS 1 - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. This amendment will not have an impact on the Group and Company's financial statements.
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. This amendment will not have an impact on the Group and Company's financial statements.
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. This amendment will not have an impact on the Group and Company's financial statements.
Amendments to IAS 21	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. This amendment will not have an impact on the Group and Company's financial statements.

2. Summary of material accounting policies (continued)

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the company and an entity controlled by the company. Control is achieved when the company:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The company reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power over the investee, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder's meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary.

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements for subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to the transactions between the members of the Group are eliminated in full on consolidation.

2. Summary of material accounting policies (continued)

(b) Consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9: Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(c) Investment in subsidiary

Investment in subsidiary companies are stated at cost less impairment loss where applicable in the separate accounts of the Company.

(d) Interest income and expense recognition

Interest income and interest expense on interest bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount, except for:

- i. Purchased or originated credit impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; and
- ii. Financial assets that are not "POCI" but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e.net of the expected credit loss provision) in subsequent reporting periods.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e., its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

Notes (continued)

2 Summary of material accounting policies (continued)

(e) Fee and commission income

AGF guarantee products attracts 3 types of commissions.

- Origination fees: this is paid up front, when the agreement is signed. This is recognized at a point in time when the right to receive the fees is established.
- Utilization fees: This is 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. The revenue for the utilization fees is recognised over time as the utilization is provided.
- Commitment fees: This is 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 unutilized portion.

(f) Foreign currency translation

(i) Functional and presentation currency

The Group's consolidated financial statements are presented in United States Dollars. The Functional and Presentation currency of the subsidiary is FCFA. For each entity in the Group, the Group determines the functional currency and items included in the financial statements of each entity are measured using that Functional currency.

Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the reporting date, unsettled monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

(g) Financial assets

The financial assets of the Group comprise other financial instruments, financial guarantee contract assets, financial guarantee contracts at fair value through profit or loss, debt instruments at amortized cost, trade and other receivables and cash and bank balances.

Recognition and initial 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.

Classification and subsequent measurement

In order for a financial asset to be classified and measured at amortized cost, 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, and fair value through other comprehensive income, depending on the business model.

2 Summary of material accounting policies (continued)

(g) Financial assets (continued)

Classification and subsequent measurement (continued)

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).

Notes (continued)

2 Summary of material accounting policies (continued)

(g) Financial assets (continued)

Classification and subsequent measurement (continued)

Business model assessment (continued)

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

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.

Notes (continued)

2 Summary of material accounting policies (continued)

Impairment (continued)

Financial instruments (continued)

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

2 Summary of material accounting policies (continued)

(g) Financial assets (continued)

Impairment (continued)

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 Partner Financial Institutions would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

(h) 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.

Notes (continued)

2 Summary of material accounting policies (continued)

(h) Financial liabilities (continued)

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.

(i) Guarantee accounting

The Group provides the following guarantee products:

- Loan Individual Guarantee (LIG)
- Loan Portfolio Guarantee (LPG)
- Bank's Fund-Raising Guarantee (BFRG)
- Equity Guarantee (EG)

(i) Loan Individual Guarantee (LIG)

The loan individual guarantees are grouped under financial guarantee contract assets and liabilities in the statement of financial position.

Definition

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

Fee structure

The Group charges the following fees on loan individual guarantees:

- 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.

Notes (continued)

2 Summary of material accounting policies (continued)

(i) Guarantee accounting (continued)

(i) Loan Individual Guarantee (LIG) (continued)

Measurement and Classification

Loan Individual Guarantees are treated as financial guarantee contracts and are initially measured at fair value. Subsequently, they are measured at the higher of the amount initially recognized less amortisation and expected credit loss. The fair value is recorded as financial guarantee asset in the balance sheet while the expected credit loss is recorded as financial guarantees liability. 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 up front on the guarantee contracts issued by the Group. The fair value is nil at initial recognition.

(ii) Loan Portfolio Guarantee (LPG)

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.

Definition

The loan guarantee contracts are carried at fair value through profit or loss. On initial recognition, the fair value gains are deferred to the statement of financial position and amortised to the profit or loss account on a straight-line basis over the tenor of the respective contracts.

Fee structure

The Group charges the following fees in relation to loan portfolio guarantees:

- Origination fees: paid up front, when the agreement is signed.
- Utilisation 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 utilised 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-utilised portion

Measurement and Classification

Loan Portfolio Guarantees are measured at fair value through profit and loss. On initial recognition, the fair value gains are deferred to the statement of financial position and amortised to the profit or loss account on a straight-line basis over the life of the respective contracts.

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 in the statement of financial position and subsequently amortised on a straight-line basis to profit or loss over the period of the contract.

Notes (continued)

2 Summary of material accounting policies (continued)

(i) Guarantee accounting (continued)

(iii) Bank Fund-Raising Guarantee (BFRG)

The Bank Fund-Raising (BFRG) Guarantee are grouped under financial guarantee contract assets and liabilities in the statement of financial position.

Definition

The Bank Fund-Raising Guarantee (BFRG) guarantees are issued by a Partner Financial 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.

Fee structure

The Group charges the following fees on bank fundraising guarantees:

- 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.

Measurement and classification

Bank fundraising guarantees 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 fair value is recorded as financial guarantees assets in the balance sheet while the expected credit loss is recorded as financial guarantees liability. 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. Therefore fair value is nil at initial recognition.

(iv) Equity Guarantees (EG)

The Equity Guarantees have been grouped under financial guarantee contract assets and liabilities in the statement of financial position..

Definition

This is a guarantee that covers initial capital investment loss for investors providing equity or quasi equity to Small and Medium-sized Enterprises. It provides an alternative source of financing to SMEs facing difficulties in accessing Bank financing due to their weak financial structure.

Fee structure

The Group charges the following fees on equity guarantees:

- Origination fees: This is paid up front, when the agreement is signed.
- Utilisation fees: This is 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.

Notes (continued)

2 Summary of material accounting policies (continued)

(i) Guarantee accounting (continued)

(ii) Equity Guarantees (EG) (continued)

Measurement and classification

EGs 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 fair value is recorded as financial guarantees assets in the balance sheet while the expected credit loss is recorded as financial guarantees liability. 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.

(j) Fair value measurement

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 note.

- Fair value measurement: Note 6.

2 Summary of material accounting policies (continued)

(k) 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:

Description	Years
Office equipment	3 to 10
Fittings	3 to 10
Furniture	3 to 10
Computer equipment	3 to 5
Motor vehicles	3 to 5
Owner-occupied buildings*	40
Land	Nil

*During the year, the company changed the accounting policy for investment property and owner-occupied building from fair value to cost. This change did not have a material impact in the current period.

(l) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses as set out in IAS 16, property, plant and equipment.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2 Summary of material accounting policies (continued)**(m) 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. The Group signed a grant agreement with AFDB for facilitation of the AFAWA programme to cover the operating expenses incurred during the implementation of the programme. The grant of USD 25 million is to be received within a period of five years. The first tranche of the grant of USD 6.1 million was received in 2022. In the year 2023, the actual operating expenses incurred in the implementation of the programme is USD 3.4 million and hence a grant income of USD 3.4 million has been recognised.

Further, the group integrated with the capacity development trust that offers technical assistance to financial institutions. The disbursed funds from the capacity development grant in the year 2023 is USD 0.93 million and hence a grant income of USD 0.93 million. Refer to Note 25.

(n) 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:

Description	Years
Software and website	1 to 5

(o) 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.

Notes (continued)

2 Summary of material accounting policies (continued)

(p) Income Tax

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

(i) Current Tax

Current tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act and Mauritan Income Tax Act.

(ii) Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

(q) Employee benefits

Post-employment benefits – Pension Scheme

The Group has outsourced a pension scheme of which the employee contributions are 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.

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.

Notes (continued)

2 Summary of material accounting policies (continued)

(q) Employee benefits (continued)

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.

(r) 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.

(s) 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.

Utilisation fee

The Group and Company calculates utilisation fee during the lifetime of the guarantee, with an annual fee rate depending on calculated risk of the product. The fees are paid on a semi-annual or quarterly basis, and on the average outstanding disbursed loans subject to the ceiling of the 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.

Commitment fee

This is the premium to cover the selection risk (the risk of adverse selection) and the cost of capital. Commitment fee is usually paid on the unutilised portion of the guarantee. This fee is included at the discretion of the Group.

Notes (continued)

2 Summary of material accounting policies (continued)

(s) Revenue recognition (continued)

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.

(t) Stated capital

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

Class D Shares are not entitled to any dividend, are not redeemable, 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. Class D Shares are classified as equity.

Some financial instruments include a contractual obligation for the issuing entity to deliver to another entity a pro rata share of its net assets only upon liquidation. The obligation arises because liquidation is either certain to occur and outside the control of the entity (for example, a Ltd-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.

Notes (continued)

2 Summary of material accounting policies (continued)

(u) 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 2023 without further renewal, as the Group is constructing its own office building that it will begin to occupy in financial 2023. Lease payments on short-term lease value assets are recognized as an expense on a straight-line basis over the lease term.

3. 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.

(a) 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.

(b) 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 22 for more information.

(c) 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 change 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 applies significant judgement in selecting the appropriate methodology and assumptions for fair valuation of guarantee contracts as follows:

- Annual utilisation growth rate – This is the average growth on the guarantee utilisation volume. Management determines the average growth rate based on the five-year average and assesses whether the fluctuation in the utilisation rate requires an update.
- Default rate – This is the historical claim ratio approved by the company. The default rate is estimated based on historical claims approved by AGF over the preceding 5 years.
- Recovery rate – This is calculated by analysing AGF's historical recovery of funds after settling claims on LPG contracts in event of default.
- Discount rate – AGF being rated AA-, the discount rate used by management is the derived 5 years' yield (average tenor of AGF's LPG portfolio) from the market-observable dollar corporate bond curve for corporates with a similar rating.

Notes (continued)

3. Critical accounting estimates and judgements (continued)

(c) Determination of fair value of guarantee contracts (continued)

The following assumptions rates were applied in the estimation of the fair value of the loans portfolio guarantee contracts:

	2023	2022
Discount rate	5.00%	5.00%
Annual default rate	0.30%	0.30%
Recovery rate	10.00%	5.00%
Average annual growth in utilization	35.00%	25.00%

(d) 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 25.

4. Financial risk management objectives and policies

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.

a) 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 bank is maintained with financial institutions having strong credit ratings.

Notes (continued)

4. Financial risk management objectives and policies (continued)

a) Credit risk (continued)

Expected credit losses

The table below shows the ECL charges/(write-back) on financial instruments for the year recorded in the income statement, note 13.

	Group 2023 USD	2022 USD	Company 2023 USD	2022 USD
Debt instruments at amortised costs	(22,098)	71,137	(21,048)	50,647
Other financial instruments, cash and cash equivalents	(74,829)	(15,023)	(60,806)	(30,505)
Trade and other Receivables	780,967	620,825	935,895	261,583
	684,040	676,939	854,041	281,725

Debt instruments at amortised cost

Group 2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	126,858,544	-	-	126,858,544
Additions	15,905,983	-	-	15,905,983
Disposals	(16,946,262)	-	-	(16,946,262)
Coupon received	(4,138,314)	-	-	(4,138,314)
Accrued interest	3,458,386	-	-	3,458,386
Gross carrying amount at end of year	125,138,337	-	-	125,138,337
2023	Stage 1	Stage 2	Stage 3	Total
Expected credit loss allowance at start of year	103,371	-	-	103,371
Writeback for the year	(22,098)	-	-	(22,098)
Expected credit loss allowance at end of year	81,273	-	-	81,273
Company 2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	124,584,316	-	-	124,584,316
Additions	15,849,357	-	-	15,849,357
Disposals	(16,840,000)	-	-	(16,840,000)
Coupon received	(4,131,323)	-	-	(4,131,323)
Accrued interest	3,456,849	-	-	3,456,849
Gross carrying amount at end of year	122,919,199	-	-	122,919,199

Notes (continued)

4. Financial risk management objectives and policies (continued)

a) Credit risk (continued)

Debt instruments at amortised cost (continued)

2023	Stage 1	Stage 2	Stage 3	Total
Expected credit loss allowance at start of year	74,782			74,782
Writeback for the year	(21,048)	-	-	(21,048)
Expected credit loss allowance at end of year	53,734	-	-	53,734

Group

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	111,211,830	-	-	111,211,830
Additions	62,381,879	-	-	62,381,879
Disposals	(45,405,655)	-	-	(45,405,655)
Accrued interest and coupon received	(1,329,490)	-	-	(1,329,490)
Gross carrying amount at end of year	126,858,544	-	-	126,858,544

2022

Expected credit loss allowance at start of year	32,234	-	-	32,234
Charge for the year	71,137	-	-	71,137
Expected credit loss allowance at end of year	103,371	-	-	103,371

Company

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	109,651,036	-	-	109,651,036
Additions	61,563,814	-	-	61,563,814
Disposals	(45,349,641)	-	-	(45,349,641)
Accrued interest and coupon received	(1,280,893)	-	-	(1,280,893)
Gross carrying amount at end of year	124,584,316	-	-	124,584,316

2022

Expected credit loss allowance at start of year	24,135	-	-	24,135
Charge for the year	50,647	-	-	50,647
Expected credit loss allowance at end of year	74,782	-	-	74,782

Notes (continued)

4. Financial risk management objectives and policies (Continued)

a) Credit risk (continued)

Other financial instruments and cash and bank balances

Group

2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	52,111,991	-	-	52,111,991
Additions	24,161,409	-	-	24,161,409
Disposals	(21,765,959)	-	-	(21,765,959)
Gross carrying amount at end of year	54,507,441	-	-	54,507,441

2023

Expected credit loss allowance at start of year	724,274	-	-	724,274
Writeback for the year	(74,829)	-	-	(74,829)
Expected credit loss allowance at end of year	649,445	-	-	649,445

Company

2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	12,371,914	-	-	12,371,914
Additions	7,668,525	-	-	7,668,525
Disposals	(8,937,111)	-	-	(8,937,111)
Gross carrying amount at end of year	11,103,328	-	-	11,103,328

2023

Expected credit loss allowance at start of year	124,376	-	-	124,376
Charge for the year	(60,806)	-	-	(60,806)
Expected credit loss allowance at end of year	63,570	-	-	63,570

Group

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	65,438,766	-	-	65,438,766
Additions	9,089,019	-	-	9,089,019
Disposals	(22,415,794)	-	-	(22,415,794)
Gross carrying amount at end of year	52,111,991	-	-	52,111,991

2022

Expected credit loss allowance at start of year	739,297	-	-	739,297
Charge for the year	(15,023)	-	-	(15,023)
Expected credit loss allowance at end of year	724,274	-	-	724,274

Notes (continued)

4. Financial risk management objectives and policies (Continued)

a) Credit risk (continued)

Other financial instruments and cash and bank balances (continued)

Company

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	17,510,552	-	-	17,510,552
Additions	4,340,858	-	-	4,340,858
Disposals	(9,479,496)	-	-	(9,479,496)
Gross carrying amount at end of year	12,371,914	-	-	12,371,914

2022

Expected credit loss allowance at start of year	154,881	-	-	154,881
Charge for the year	(30,505)	-	-	(30,505)
Expected credit loss allowance at end of year	124,376	-	-	124,376

Trade and other receivables

Group

2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	-	21,827,778	5,004,333	26,832,111
Net additions/(payments)	1,027,361	2,863,250	(1,044,083)	2,846,528
Write offs	-	-	(3,107,464)	(3,107,464)
Gross carrying amount at end of year	1,027,361	24,691,028	852,786	26,571,175

2023	Stage 1	Stage 2	Stage 3	Total
At start of year	-	493,454	5,003,794	5,497,248
Write-offs	-	-	(3,107,464)	(3,107,464)
ECL charge for the year	118,902	1,705,609	(1,043,544)	780,967
Expected credit loss allowance at end of year	118,902	2,199,063	852,786	3,170,751

Notes (continued)

4. Financial risk management objectives and policies (Continued)

a) Credit risk (continued)

Trade and other receivables (continued)

Company

2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	-	11,165,479	4,155,271	15,320,750
Net additions/payments	912,235	(542,844)	(195,006)	174,385
Write offs	-	-	(3,107,479)	(3,107,479)
Gross carrying amount at end of year	912,235	10,622,635	852,786	12,387,656

2023	Stage 1	Stage 2	Stage 3	Total
At start of year	-	321,499	4,155,271	4,476,770
Write offs	-	-	(3,107,479)	(3,107,479)
ECL charge for the year	97,674	1,033,227	(195,006)	935,895
Expected credit loss allowance at end of year	97,674	1,354,726	852,786	2,305,186

Group

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	-	11,985,448	4,097,395	16,082,843
Net additions/payments	-	9,842,330	906,938	10,749,268
Net carrying amount at end of year	-	21,827,778	5,004,333	26,832,111

2022

Expected credit loss allowance at start of year	-	1,440,119	4,097,395	5,537,514
Transfers between stages	-	(344,882)	344,882	-
Write-offs	-	-	(661,091)	(661,091)
ECL (writeback)/charge for the year	--	(601,783)	1,222,608	620,825
Expected credit loss allowance at end of year	-	493,454	5,003,794	5,497,248

Notes (continued)

4. Financial risk management objectives and policies (Continued)

a) Credit risk (continued)

Trade and other receivables (continued)

Company

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	-	8,238,377	3,697,211	11,935,588
Transfers between stages	-	(191,134)	191,134	-
Net additions	-	3,118,236	266,926	3,385,162
Gross carrying amount at end of year	-	11,165,479	4,155,271	15,320,750
2022				
Expected credit loss allowance at start of year	-	970,167	3,697,211	4,667,378
Transfers between stages	-	(191,134)	191,134	-
Write-offs	-	-	(452,191)	(452,191)
ECL (writeback)/charge for the year	-	(457,534)	719,117	261,583
Expected credit loss allowance at end of year	-	321,499	4,155,271	4,476,770

Notes (continued)

4. Financial risk management objectives and policies (Continued)

a) Credit risk (continued)

Financial guarantee

The table below presents the classification and measurement of the loan individual guarantees (LIGs), bank fund raising guarantees (BFRGs) and equity guarantees. 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.

Group

Classification

2023	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	30,334,434	12,633,265	33,168,346	76,136,045
New volume/ (Variation)	2,268,364	3,230,953	(7,762,568)	(2,263,251)
Gross carrying amount at end of year	32,602,798	15,864,218	25,405,778	73,872,794

Measurement

Financial guarantee contract assets

2023	Stage 1	Stage 2	Stage 3	Total
At start of year	1,428,793	226,135	-	1,654,928
Fair value gain for the year	202,653	49,127	-	251,780
Fair value at 31 December 2023 (Asset)	1,631,446	275,262	-	1,906,708

Financial guarantee contract liabilities

2023	Stage 1	Stage 2	Stage 3	Total
At start of year	46,174	1,028,979	16,790,729	17,865,882
ECL charge for the year	14,787	2,024,875	760,631	2,800,293
Claim payment	-	-	(4,000,002)	(4,000,002)
ECL Charge at 31 December 2023 (Liability)	60,961	3,053,854	13,551,358	16,666,173

Company

Classification

2023	Stage 1	Stage 2	Stage 3	Total
At start of year	16,039,934	4,857	14,619,727	30,664,518
New volume/ (Variation)	(49,745)	(2,286)	287,253	235,222
Gross carrying amount at 31 December 2023	15,990,189	2,571	14,906,980	30,899,740

Notes (continued)

4. Financial risk management objectives and policies (Continued)

a) Credit risk (continued)

Financial guarantee (continued)

Company (continued)

Measurement

Financial guarantee contract assets

2023	Stage 1	Stage 2	Stage 3	Total
At start of year	971,668	92	-	971,760
Fair value loss for the year	(78,936)	6	-	(78,930)
Fair value at 31 December 2023 (Asset)	892,732	98	-	892,830

Financial guarantee contract liabilities

2023	Stage 1	Stage 2	Stage 3	Total
At start of year	-	-	5,052,252	5,052,252
ECL charge for the year	31,476	596	3,908,043	3,940,115
Claim payment	-	-	(4,000,000)	(4,000,000)
ECL Charged at 31 December 2023 (Liability)	31,476	596	4,960,295	4,992,367

Group

Classification

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at start of year	102,013,381	26,991,761	28,653,266	157,658,408
New volume/ (Variation)	(71,678,947)	(14,358,496)	4,515,080	(81,522,363)
Gross carrying amount at 31 December 2022	30,334,434	12,633,265	33,168,346	76,136,045

Measurement

Financial guarantee contract assets

2022	Stage 1	Stage 2	Stage 3	Total
At start of year	-	2,340,078	-	2,340,078
Fair value loss for the year	(685,150)	-	-	(685,150)
Transfer between stages	2,113,943	(2,113,943)	-	-
Fair value at 31 December 2022 (Asset)	1,428,793	226,135	-	1,654,928

Notes (continued)

4. Financial risk management objectives and policies (Continued)

a) Credit risk (continued)

Financial guarantee (continued)

Group (continued)

Financial guarantee contract liabilities

2022	Stage 1	Stage 2	Stage 3	Total
At start of year	(273,849)	1,644,871	12,502,143	13,873,165
ECL charge for the year	<u>320,023</u>	<u>(615,892)</u>	<u>4,288,586</u>	<u>3,992,717</u>
ECL Charged at 31 December 2022 (Liability)	<u>46,174</u>	<u>1,028,979</u>	<u>16,790,729</u>	<u>17,865,882</u>

Company

Classification

2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2022	61,616,312	441,898	9,988,923	72,047,133
New volume/ (Variation)	<u>(45,576,378)</u>	<u>(437,041)</u>	<u>4,630,804</u>	<u>(41,382,615)</u>
Gross carrying amount at 31 December 2022	<u>16,039,934</u>	<u>4,857</u>	<u>14,619,727</u>	<u>30,664,518</u>

Measurement

Financial guarantee contract assets

2022	Stage 1	Stage 2	Stage 3	Total
At start of year	-	1,598,608	-	1,598,608
Fair value loss for the year	(626,848)	-	-	(626,848)
Transfer between stages	<u>1,598,515</u>	<u>(1,598,515)</u>		-
Fair value at 31 December 2022 (Asset)	<u>971,667</u>	<u>93</u>	<u>-</u>	<u>971,760</u>

Financial guarantee contract liabilities

2022	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022	(273,849)	1,644,871	1,514,300	2,885,322
ECL charge for the year	<u>320,023</u>	<u>(615,892)</u>	<u>2,462,799</u>	<u>2,166,930</u>
ECL Charge at 31 December 2022 (Liability)	<u>46,174</u>	<u>1,028,979</u>	<u>3,977,099</u>	<u>5,052,252</u>

Notes (continued)

4. Financial risk management objectives and policies (Continued)

a) Credit risk (continued)

Financial assets (excluding cash in hand)

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date is outlined below.

Cash and cash equivalents (excluding cash in hand)

Group	2023		2022	
	USD	Rating	USD	Rating
Absa Bank Mauritius	6,177,911	BBB-	1,291,891	BBB-
Barclays Bank London	903,360	BBB	399,349	BBB
Stanbic Bank Kenya	1,648,913	B	5,328,501	B
NCBA Bank Kenya	339,729	B	2,663,411	B
Ecobank Kenya	49,262	B	446,891	B
Absa Bank Kenya	59,590	B	489,823	B
Equity Bank Kenya	506,819	B	433,210	B
UBA Kenya	20,348	B	69,612	B
BTCI	66,445	B	364,767	B
Ecobank Togo	582,809	B	-	B
Coris Bank Togo	106,686		-	
Orabank Togo	284		-	
Total	10,462,156		11,487,455	
ECL allowance	(40,677)		(63,073)	
	10,421,479		11,424,382	

Company	2023		2022	
	USD	Rating	USD	Rating
Absa Bank Mauritius	6,177,911	BBB-	1,291,891	BBB-
Barclays Bank London	903,360	BBB	399,349	BBB
Stanbic Bank Kenya	1,648,912	B	5,328,501	B
NCBA Bank Kenya	339,729	B+	2,663,411	B+
Ecobank	49,262	B	446,891	B
Absa Bank Kenya	59,590	B	489,823	B
Equity Bank Kenya	506,819	B	433,210	B
UBA Kenya	20,348		-	
Total	9,705,931		11,053,076	
ECL allowance	(30,771)		(57,420)	
	9,675,160		10,995,656	

	GROUP		COMPANY	
	2023	2022	2023	2022
	USD	USD	USD	USD
Cash at bank and on hand	8,598,242	6,189,056	7,870,311	2,710,113
Short term deposits	1,830,287	5,241,354	1,811,899	8,290,956
Total	10,428,529	11,430,410	9,682,210	11,001,069

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.

Notes (continued)

4. Financial risk management objectives and policies (Continued)

a) Credit risk (continued)

Financial assets (excluding cash in hand) (continued)

Rating*	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
AAA	13,057,131	8,294,231	13,057,131	8,299,643
AA+	597,716	590,620	597,716	590,620
AA	16,525,301	13,449,618	16,525,301	13,449,618
AA-	11,412,928	18,902,718	11,412,928	18,902,718
A+	24,792,518	24,854,351	24,792,518	24,854,351
A	9,680,328	11,095,011	9,680,328	11,095,011
A-	6,585,490	5,630,166	6,585,490	5,630,166
BBB+	9,833,137	9,698,934	9,833,137	9,698,934
BBB	24,431,505	24,325,729	21,869,850	22,978,864
BBB-	15,646,072	10,781,043	15,646,072	10,781,043
B+	-	9,604	-	-
B	47,058,731	51,278,680	4,015,006	10,675,262
B-	17,871	34,687	-	-
Not rated	32,796,840	28,897,422	17,445,002	17,405,231
	212,435,568	207,842,814	151,460,479	154,361,461
ECL allowance	(730,718)	(827,645)	(117,304)	(199,158)
	211,704,850	207,015,169	151,343,175	154,162,303

*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 within the set time frame.

Notes (continued)

4. Financial risk management objectives and policies (Continued)

b) 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.

Debt instruments at amortized costs, Cash and bank balances and Other financial instruments

Group	Carrying amount	Percentage	Carrying amount	Percentage
	2023 USD		2022 USD	
Africa	69,795,489	38.64%	74,507,488	40.13%
Europe	24,216,222	13.53%	16,900,702	9.10%
America	23,267,163	13.00%	24,027,377	12.94%
Middle East	15,002,388	8.38%	18,852,142	10.15%
Asia	47,364,516	26.46%	44,941,032	24.20%
Oceania	-	0.00%	6,451,565	3.47%
Total	179,645,778	100%	185,680,306	100%

Company	Carrying amount	Percentage	Carrying amount	Percentage
	2023 USD		2022 USD	
Africa	24,172,238	18.04%	32,145,505	22.43%
Europe	24,216,222	18.07%	16,900,702	11.79%
America	23,267,163	17.36%	24,027,377	16.77%
Middle East	15,002,388	11.19%	18,852,142	13.15%
Asia	47,364,516	35.34%	44,941,032	31.36%
Oceania	-	0.00%	6,451,565	4.50%
Total	134,022,527	100%	143,318,323	100%

c) 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).

d) 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.

Notes (continued)

4. Financial risk management objectives and policies (Continued)

e) 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 West African CFA Franc (XOF)). As of 31 December 2023, and 2022, the Group and the Company's net exposure to foreign exchange risk was as follows:

Group	USD 2023	EURO 2023	KES 2023	XOF 2023	Total USD 2023
Assets	153,717,996	210,185	90,474,829	34,103,632,212	212,025,421
Liabilities	<u>9,309,846</u>	<u>-</u>	<u>8,801,036</u>	<u>7,749,966,156</u>	<u>22,432,345</u>
Closing rate	<u>1</u>	<u>1.1059</u>	<u>0.00636925</u>	<u>0.001686</u>	<u>-</u>
Net exposure in USD	<u><u>144,408,150</u></u>	<u><u>232,444</u></u>	<u><u>520,201</u></u>	<u><u>44,432,281</u></u>	<u><u>189,593,076</u></u>
Company	USD 2023	EURO 2023	KES 2023	XOF 2023	Total USD 2023
Assets	150,870,468	196,238	90,474,829	-	151,663,745
Liabilities	<u>8,223,583</u>	<u>0</u>	<u>8,801,036</u>	<u>-</u>	<u>8,279,639</u>
Closing rate	<u>1</u>	<u>1.1059</u>	<u>0.00636925</u>	<u>0.001686</u>	<u>-</u>
Net exposure in USD	<u><u>142,646,885</u></u>	<u><u>217,020</u></u>	<u><u>520,201</u></u>	<u><u>-</u></u>	<u><u>143,384,106</u></u>

Notes (continued)

4. Financial risk management objectives and policies (Continued)

e) Foreign exchange risk (continued)

Group	USD 2022	EURO 2022	KES 2022	XOF 2022	Total USD 2022
Assets	143,995,350	372,023	327,964,689	36,652,614,914	207,015,169
Liabilities	<u>22,037,817</u>	<u>-</u>	<u>11,211,561</u>	<u>1,827,487,164</u>	<u>25,118,412</u>
Closing rate	<u>1</u>	<u>1.0732</u>	<u>0.008101135</u>	<u>0.001636</u>	<u>1</u>
Net exposure in USD	<u>121,957,533</u>	<u>399,255</u>	<u>2,566,060</u>	<u>56,973,909</u>	<u>182,180,884</u>
Company	USD 2022	EURO 2022	KES 2022	XOF 2022	Total USD 2022
Assets	151,106,162	372,023	327,964,689	-	154,162,303
Liabilities	<u>10,577,538</u>	<u>-</u>	<u>11,211,561</u>	<u>-</u>	<u>10,668,364</u>
Closing rate	<u>1</u>	<u>1.0732</u>	<u>0.008101135</u>	<u>0.001636</u>	<u>1</u>
Net exposure in USD	<u>140,528,624</u>	<u>399,255</u>	<u>2,566,060</u>	<u>-</u>	<u>143,493,939</u>

Notes (continued)

4. Financial risk management objectives and policies (Continued)

f) 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 always ensure necessary access to sufficient liquidity.

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.

Group

At 31 December 2023	On demand	1 to 3 months		3 to 6 months		6 to 12 months		1 to 8 years		Total
		USD	USD	USD	USD	USD	USD	USD	USD	
Cash and cash equivalents	9,604,469	493,273	330,787	-	-	-	-	-	-	10,428,529
Debt instruments at amortised cost	11,859,412	10,389,763	14,663,997	16,667,712	75,136,198	-	-	-	-	128,717,082
Other financial assets	2,509,728	-	10,082,659	3,512,239	34,310,183	-	-	-	-	50,414,809
Guarantee contracts at fair value through profit or loss	-	-	-	-	7,489,708	-	-	-	-	7,489,708
Financial guarantee contract assets	-	-	-	-	1,906,708	-	-	-	-	1,906,708
Trade and other receivables	444,938	1,783,794	931,006	17,706,230	2,534,456	-	-	-	-	23,400,424
Total financial assets	24,418,547	12,666,830	26,008,449	37,886,181	121,377,253	16,958,962	104,418,291	199,924,915	5,473,383	222,357,260
Trade and other payables	5,473,383	-	-	-	-	-	-	-	-	5,473,383
Post-employment benefits obligation	-	-	-	-	292,789	-	-	-	-	292,789
Financial guarantee contract liabilities	-	-	-	-	16,666,173	-	-	-	-	16,666,173
Total financial liabilities	5,473,383	-	-	-	16,958,962	-	-	-	-	22,432,345
Net Asset/(Liabilities)	18,945,164	12,666,830	26,008,449	37,886,181	104,418,291	199,924,915	5,473,383	22,432,345	-	199,924,915

4. Financial risk management objectives and policies (Continued)

f) Liquidity risk (continued)

Company	On demand USD	1 to 3 months USD	3 to 6 months USD	6 to 12 months USD	1 to 8 years USD	Total USD
At 31 December 2023						
Cash and cash equivalents	8,858,150	493,273	330,787			9,682,210
Debt Instruments at amortised cost	11,858,440	10,389,763	14,638,126	16,596,484	74,093,640	127,576,453
Other financial assets	-	-	20,329	831,457	579,852	1,431,638
Guarantee contracts at fair value through profit or loss	-	-	-	-	6,469,702	6,469,702
Financial guarantee contract assets	-	-	-	-	892,830	892,830
Trade and other receivables	444,938	1,003,473	544,329	7,236,944	852,786	10,082,470
Total financial assets	21,161,528	11,886,509	15,533,571	24,664,885	82,888,810	156,135,303
Trade and other payables	3,287,272	-	-	-	-	3,287,272
Financial guarantee contract liabilities	-	-	-	-	4,992,367	4,992,367
Total financial liabilities	3,287,272	-	-	-	4,992,367	8,279,639
Net Asset/(Liabilities)	17,874,256	11,886,509	15,533,571	24,664,885	77,896,443	147,855,664

Notes (continued)

4. Financial risk management objectives and policies (Continued)

f) Liquidity risk (continued)

Group	At 31 December 2022	On demand USD	1 to 3 months USD	3 to 6 months USD	6 to 12 months USD	1 to 8 years USD	Total USD
Cash and cash equivalents		6,189,056	5,241,354	-	-	-	11,430,410
Debt instruments at amortised cost		-	6,029,375	10,084,923	980,925	116,943,275	134,038,498
Other financial assets		176,053	3,073,904	936,518	4,896,801	36,346,961	45,430,237
Guarantee contracts at fair value through profit or loss		-	-	-	-	5,882,488	5,882,488
Trade and other receivables		-	615,585	948,391	9,576,083	10,194,304	21,334,363
Financial guarantee contract assets							
Total financial assets		6,365,109	14,960,218	11,969,832	15,453,809	171,021,956	219,770,924
Trade and other payables		6,968,403	-	-	-	-	6,968,403
Post-employment benefits obligation						284,127	284,127
Financial guarantee contract liabilities		-	-	-	-	17,865,882	17,865,882
Total financial liabilities		6,968,403	-	-	-	18,150,009	25,118,412
Net Asset/(Liabilities)		(603,294)	14,960,218	11,969,832	15,453,809	152,871,947	194,652,512

Notes (continued)

4. Financial risk management objectives and policies (Continued)

f) Liquidity risk (continued)

Company

At 31 December 2022	On demand USD	1 to 3 months USD	3 to 6 months USD	6 to 12 months USD	1 to 8 years USD	Total USD
Cash and cash equivalents	2,710,113	8,290,956	-	-	-	11,001,069
Debt instruments at amortised cost	-	6,019,771	10,084,923	980,925	114,678,651	131,764,270
Other financial assets	26,053	6,453	4,898	8,574	1,319,553	1,365,531
Guarantee contracts at fair value through profit or loss	-	-	-	-	5,589,491	5,589,491
Financial guarantee contract assets	-	-	-	-	971,760	971,760
Trade and other receivables	-	2,494,938	501,724	6,836,059	1,011,259	10,843,980
financial assets	2,736,166	16,812,118	10,591,545	7,825,558	123,570,714	161,536,101
Trade and other payables	5,616,112	-	-	-	-	5,616,112
Financial guarantee contract liabilities	5,052,252	-	-	-	-	5,052,252
Total financial liabilities	10,668,364	-	-	-	-	10,668,364
Net Asset/(Liabilities)	(7,932,198)	16,812,118	10,591,545	7,825,558	123,570,714	150,867,737

4. Financial risk management objectives and policies (Continued)

g) 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 behaviour. 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. The group does not have any loans.

Fair value measurements

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

Guarantee contracts at fair value through profit or loss are fair valued using the Discounted Cash Flow ("DCF") methodology and are classified under Level 3 of the fair value hierarchy. The DCF methodology derives the value of an instrument by calculating the present value of expected cash flow or future earnings.

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 2023, the nominal amount of guarantee contracts at fair value through profit or loss amounted to, Group USD 274,435,000 (2022: USD 240,783,079) and Company USD 193,440,000 (2022: USD 165,689,778 for the loan portfolio guarantee product.

Notes (continued)

4. Financial risk management objectives and policies (Continued)

g) Operational risk (continued)

Valuation process

Management 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 Audit and Risk committee of the Fund.

5. Debt instruments at amortized cost

Group

2023		2022	
Purchase value (including commission)	Carrying value	Purchase value (including commission)	Carrying Value
USD	USD	USD	USD
<u>124,703,907</u>	<u>125,057,064</u>	<u>130,000,386</u>	<u>126,755,173</u>
	2023 USD		2022 USD
Current	51,480,094		17,095,223
Non-current	73,576,970		109,659,950
	<u>125,057,064</u>		<u>126,755,173</u>

Company

2023		2022	
Purchase value (including commission)	Carrying value	Purchase value (including commission)	Carrying Value
USD	USD	USD	USD
<u>124,703,907</u>	<u>122,865,465</u>	<u>126,468,589</u>	<u>124,509,534</u>
	2023 USD		2022 USD
Current	51,430,968		17,085,619
Non-current	71,434,497		107,423,915
	<u>122,865,465</u>		<u>124,509,534</u>

The allowance for the expected credit loss (ECL) of the Group and Company has been derived from the Standard & Poor credit rating. An average loss given default of 45% (2022: 45%) has been used to calculate the ECL.

Notes (continued)

6. Loan portfolio guarantee (LPG) contracts at fair value through profit or loss

Loan portfolio guarantee contracts are initially measured at fair value through profit or loss. The initial fair value gain is deferred in the statement of financial position and amortised to profit or loss, on a straight-line basis, over the tenor of the contract. A summary of the gross amounts and the carrying amount of loan portfolio guarantees at fair value at the year-end was as follows:

Gross volumes	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Loan portfolio guarantee contracts	1,195,420,307	896,340,728	854,532,668	564,375,647
Carrying amount	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Guarantee contracts at fair value	67,211,183	46,015,520	54,456,811	35,894,999
Deferred income on guarantee contracts	(59,721,475)	(40,133,032)	(47,987,109)	(30,305,508)
	7,489,708	5,882,488	6,469,702	5,589,491

The movement in the fair value of loans portfolio guarantee contracts in the year was as follows

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
At start of year	46,015,520	35,427,236	35,894,999	30,142,522
New contracts in the year	30,851,867	17,663,277	26,107,072	10,865,726
Fair value loss through profit or loss	(9,964,709)	(7,183,513)	(7,545,260)	(5,113,249)
Currency translation differences	308,505	108,520	-	-
At end of year	67,211,183	46,015,520	54,456,811	35,894,999

The movement in the deferred income on loans portfolio guarantee contracts during the year was as follows:

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
At start of year	40,133,032	30,740,495	30,305,508	26,584,612
New contracts in the year at fair value	30,851,867	17,663,277	26,107,073	10,865,724
Amortisation to profit of loss	(11,571,929)	(8,339,710)	(8,425,472)	(7,144,828)
Currency translation differences	308,505	68,970	-	-
At end of year	59,721,475	40,133,032	47,987,109	30,305,508

The net charge in the income statement is arrived at as below:

	Group 2023 USD	Group 2022 USD	Company 2023 USD	Company 2022 USD
Fair value loss to profit or loss	(9,964,709)	(7,183,513)	(7,545,260)	(5,113,249)
Amortisation of deferred income	11,571,929	8,339,710	8,425,472	7,144,828
Net fair value gain through profit of loss	1,607,220	1,156,197	880,212	2,031,579

Notes (continued)

6. Loan portfolio guarantee (LPG) contracts at fair value through profit or loss (continued)

The methodology used for fair value is the Discounted Cash Flow (“DCF”) methodology and is classified under Level 3 of the fair value hierarchy. The DCF methodology derives the value of an instrument by calculating the present value of expected cash flow or future earnings.

Sensitivity analysis for the assumptions used in the fair valuation of the guarantee contracts at fair value through profit or loss are as follows;

If the company’s average annual growth in utilisation increases/decreases by 500 basis points to the management assumption, the fair value will increase/decrease by;

If the company’s default rate over the period of the contract increases/decreases by 100 basis points to the management assumption, the fair value will decrease/increase by;

If the company’s average recovery rate increases/decreases by 500 basis points to the management assumption, the fair value will increase/decrease by;

If the company’s discount rate increases/decreases by 200 basis points to the management assumption, the fair value will decrease/increase by;

	Group		Company	
	2023	2022	2023	2022
	USD	USD	USD	USD
	3,469,386	117,850	2,903,019	114,101
	(464,605)	(1,190,303)	(375,009)	(1,054,651)
	445,096	27,727	350,284	24,872
	(1,928,955)	(684,888)	(1,767,704)	(607,836)

Notes (continued)

7. Other financial instruments

Other financial instruments consist of long-term, USD fixed rate deposits held in different African banks as follows:

Group		2023	
Bank	Annual rates	Terms	Amount (USD)
BOA Senegal	6.00%	21/06/2021 - 20/06/2026	4,215,012
NSIA Banque Cote D'Ivoire	6.00%	30/03/2023 - 30/03/2028	4,215,012
Orabank Senegal	6.00%	06/07/2023 - 05/07/2028	4,215,012
Orabank Cote D'Ivoire	6.00%	08/06/2020 - 07/06/2024	3,372,009
Coris Bank Burkina Faso	6.00%	03/12/2019 - 02/12/2023	2,529,007
Banque Islamique Senegal	4.52%	14/10/2021 - 13/10/2027	2,529,007
BOA Togo	6.20%	07/07/2023 - 06/07/2028	2,529,007
Banque Atlantique Togo	6.06%	16/06/2021 - 15/06/2024	1,686,005
BGFI Bank Benin	6.00%	20/05/2020 - 19/05/2025	1,686,005
BOA Burkina Faso	5.04%	31/05/2021 - 31/05/2026	1,686,005
Coris Bank Burkina Faso	6.50%	02/07/2021 - 01/07/2026	1,686,005
Coris Bank Cote D'Ivoire	5.58%	08/06/2020 - 07/06/2024	1,686,005
NSIA Banque Togo	6.00%	19/09/2022 - 18/09/2027	1,686,005
NSIA Banque Togo	6.00%	26/10/2022 - 25/10/2027	1,686,005
Societe Generale Togo	6.00%	24/07/2021 - 23/07/2024	1,686,005
Banque Atlantique Togo	6.00%	19/07/2021 - 18/07/2024	1,348,804
NSIA Banque Togo	6.50%	07/09/2023 - 06/09/2028	843,002
Orabank Cote D'Ivoire	6.00%	27/12/2022 - 26/12/2027	843,002
BCEAO	0.00%	On call	2,509,726
Stanbic Bank	3.00%	21/12/17 - 26/09/24	1,390,347
ECL allowance			(597,520)
Total			43,429,467

Company		2023	
Bank	Annual rates	Terms	Amount (USD)
Stanbic Bank	3.00%	21/12/17 - 26/09/24	1,390,347
ECL allowance			(32,799)
			1,357,548

Notes (continued)

7. Other financial instruments (Continued)

Group		2022		
Bank	Annual rates	Terms	Amount (USD)	
Coris Bank Cote D'Ivoire	5.58%	8/6/2020 - 7/6/2024	4,090,326	
BOA Senegal	6.00%	21/6/2022 - 20/6/2026	4,090,326	
Orabank Cote D'Ivoire	6.00%	8/6/2020 - 7/6/2024	3,272,260	
Banque Atlantique Senegal	6.00%	27/9/2022 - 27/9/2026	3,272,260	
Coris Bank Burkina Faso	6.50%	3/12/2019 - 2/12/2023	2,454,195	
Banque Islamique Senegal	5.52%	14/10/2022 - 13/10/2027	2,454,195	
Bgfi Bank Benin	6.00%	20/5/2020 - 19/5/2023	1,636,130	
Societe Ivoirienne De Banque	5.50%	29/5/2020 - 28/5/2023	1,636,130	
Banque Atlantique Togo	6.06%	16/6/2022 - 15/6/2024	1,636,130	
Societe Generale Togo	6.00%	24/7/2022 - 23/7/2024	1,636,130	
BOA Burkina Faso	5.04%	31/5/2022 - 31/5/2026	1,636,130	
Coris Bank Burkina Faso	6.50%	2/7/2022 - 1/7/2026	1,636,130	
NSIA Banque Togo	6.00%	19/9/2023 - 18/9/2027	1,636,130	
NSIA Banque Togo	6.00%	26/10/2023 - 25/10/2027	1,636,130	
Banque Atlantique Togo	6.00%	19/7/2022 - 18/7/2024	1,308,904	
Banque Atlantique Togo	5.50%	25/6/2022 - 24/6/2024	1,145,291	
Societe Generale Togo	5.50%	23/4/2020 - 22/4/2023	818,065	
Orabank Togo	5.95%	28/4/2022 - 27/4/2024	818,065	
Orabank Cote D'Ivoire	6.00%	27/12/2023 - 26/12/2027	818,065	
Banque Atlantique Senegal	6.00%	15/11/2022 - 16/11/2026	327,226	
BCEAO	0.00%	on call	1,346,865	
Stanbic Bank	3.00%	21/12/17 - 26/09/24	1,313,425	
ECL allowance			(661,201)	
Total			39,957,307	

Company		2022		
Bank	Annual rates	Terms	Amount (USD)	
Stanbic Bank	3.00%	21/12/17 - 26/09/24	1,313,425	
ECL allowance			(66,956)	
			1,246,469	

The allowance for the expected credit loss (ECL) on other financial instruments has been calculated based on the Standard & Poor credit rating of the individual financial institutions.

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Current	15,464,879	9,083,276	814,136	45,978
Non-current	27,964,588	30,874,031	543,412	1,200,491
	43,429,467	39,957,307	1,357,548	1,246,469

Notes (continued)

8. Income from guarantees

a) Utilisation fees

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Cumulative disbursed volume under live guarantees as at 31 December	760,392,720	635,892,178	475,861,821	431,958,896
Live guarantees	1,326,865,213	972,952,460	905,482,866	595,040,165
Utilisation percentage	57%	65%	53%	73%
Average utilisation volume	292,288,307	275,052,403	201,553,140	196,108,928
Average fees	2.44%	2.23%	2.32%	2.43%
Utilisation fees	7,140,446	6,129,931	4,667,429	4,770,316

Utilisation 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 utilisation volume fluctuates on an annual basis depending on the disbursement and the repayment of the loans to the SMEs. The cumulative utilisation percentage is a function of cumulative disbursed guarantees under live guarantees and the outstanding live financial guarantees volume.

b) Origination and commission fees

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Origination fees	3,027,622	2,045,220	1,501,117	1,013,891
Commitment fees	15,053	372,000	15,053	199,845
	3,042,675	2,417,220	1,516,170	1,213,736

c) Total guarantee income

Utilisation fees	7,140,446	6,129,931	4,667,429	4,770,316
Assessment and commission fees	3,042,675	2,417,220	1,516,170	1,213,736
Total	10,183,121	8,547,151	6,183,599	5,984,052

9. Income from investments

Income from debt instruments held at amortised cost	3,473,564	1,890,915	3,473,564	1,890,915
Interest income on fixed-term deposits	242,955	269,939	242,955	269,939
Interest income on bonds (AGF West Africa)	146,014	104,921	-	-
Interest income on term deposits (AGF West Africa)	2,216,588	2,232,375	-	-
	6,079,121	4,498,150	3,716,519	2,160,854

Notes (continued)

10. Grant income

The Group signed a grant agreement with AFDB for facilitation of the AFAWA programme to cover the operating expenses incurred during the implementation of the programme. The grant is a total of USD 25 million to be received within a period of five years. The first tranche of the grant of USD 6.1 million was received in 2022. In the year 2023, the actual operating expenses incurred in the implementation of the programme is USD 1.47 million and hence a grant income of USD 1.47 million has been recognised. The expenses incurred in the capacity development was USD 2.9 million for the year ended 31 December 2023. The liability has been included under note 25.

	2023 Group USD	2022 Group USD	2023 Company USD	2022 Company USD
Grant from AFAWA	3,398,079	1,500,000	3,398,079	1,500,000
Capacity development grant ('CD grant')	933,680	1,423,402	933,680	1,423,402
	4,331,759	2,923,402	4,331,759	2,923,402

11a) Other income

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Fair value gain on investment properties	-	208,574	-	208,574
Fair value loss on land	-	(254,042)	-	(254,042)
Rental income	748,749	129,840	482,002	69,558
Other income	152,032	192,069	-	41,729
	900,781	276,441	482,002	65,819

Other income includes foreign currency exchange gains from AGF West Africa.

11b) Net foreign exchange differences

Net foreign exchange differences represent the net impact resulting from the translation of foreign currencies to USD. This occurs on consolidation of the operations of the subsidiary denominated in XOF but consolidated in USD.

The foreign currency translation has been calculated as follows:

	Group
2023	
AGF WA closing balance sheet as at 31 December 2022 in XOF (IFRS adjusted)	27,413,657,026
AGF WA closing balance sheet in USD using 2022 USD/XOF rate at 611.20 (a)	44,852,312
AGF WA closing balance sheet in USD using 2023 USD/XOF rate at 593.12 (b)	46,219,551
Exchange differences on translation of the closing balance sheet (a) - (b)	1,367,239
Exchange differences on translation of other adjustments	453,459
Exchange differences on translation of foreign subsidiary	1,820,698
2022	
AGF WA closing balance sheet as at 31 December 2022 in XOF (IFRS adjusted)	27,970,853,641
AGF WA closing balance sheet in USD using 2022 USD/XOF rate at 576.59 (a)	48,510,904
AGF WA closing balance sheet in USD using 2023 USD/XOF rate at 611.20 (b)	45,763,959
Exchange differences on translation of the closing balance sheet (a) - (b)	(2,746,945)
Exchange differences on translation of other adjustments	(427,445)
Exchange differences on translation of foreign subsidiary	(3,174,390)

Notes (continued)

12. Staff expenses

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Salaries and wages	5,151,549	4,530,993	4,125,423	3,585,128
Defined contribution retirement benefit	396,258	340,576	176,212	176,212
Statutory contributions	796	796	796	796
	<u>5,548,603</u>	<u>4,872,365</u>	<u>4,302,431</u>	<u>3,762,136</u>

13. General and administrative expenses

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Administrative and legal fees	(1,372,147)	(1,736,980)	(1,091,900)	(1,566,359)
Communication expenses	(109,442)	(125,205)	(73,917)	(76,693)
Marketing expenses	(428,787)	(333,344)	(367,435)	(300,059)
Other expenses	(1,993,958)	(1,450,846)	(1,565,584)	(1,007,071)
Premises expenses	(285,140)	(373,419)	(239,023)	(247,994)
Travelling expenses	(891,858)	(698,231)	(682,801)	(532,333)
Treasury management fees (Note 15)	(251,617)	(244,264)	(233,892)	(220,813)
ECL on financial instruments other than financial guarantees (Note 4(a))	(684,040)	(676,939)	(854,041)	(281,725)
Net foreign exchange	(390,623)	(423,454)	(390,623)	(423,454)
Tax assessments	-	(411,270)	-	(411,270)
	<u>(6,407,612)</u>	<u>(6,473,952)</u>	<u>(5,499,216)</u>	<u>(5,067,771)</u>

14. Depreciation and amortisation

Depreciation of property and equipment (note 17)	500,732	217,929	311,035	76,572
Depreciation of investment property (note 19)	150,406		98,349	
Amortisation of intangible assets (note 18)	606,104	598,809	587,016	596,264
	<u>1,257,242</u>	<u>816,738</u>	<u>996,400</u>	<u>672,836</u>

15. Treasury management fees

The Group and the Company pays custodian fees to Barclays Bank London for holding its financial securities at the following rate:

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

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Custody fees	251,617	244,264	233,892	220,813

Notes (continued)

16. Income tax

Mauritius:

The Company is taxed on its chargeable income at a flat rate of 15%. However, the Company is entitled to either (a) a foreign tax credit equivalent to the actual foreign tax suffered on its foreign income against the Company's tax liability computed at 15% on such income, or (b) an exemption of 80% on some of the income derived, including but not limited to interest income and foreign source dividends, subject to meeting the necessary substance requirements as required under the Income Tax Act 1995 (as amended by the Finance Act 2018) and such guidelines as may be issued.

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 30%. 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 2023 and 2022.

Following a tax compliance audit conducted in 2022, the Kenya Revenue Authority (KRA) assessed additional taxes (comprising the principal tax, and penalties and interest) on the company:

	Group		Company	
	2023	2022	2023	2022
	USD	USD	USD	USD
Pay As You Earn (PAYE)	-	320,715	-	320,715
Withholding tax on imported services	-	73,566	-	73,566
Withholding VAT on imported services	-	16,989	-	16,989
	-	<u>411,270</u>	-	<u>411,270</u>

The company conceded to the assessment and settled the liability.

Income tax expense	Group and Company	
	2023	2022
Current income tax expense	-	242,418

In 2023, the Company's loss before tax differed from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2023	2022	2023	2022
	USD	USD	USD	USD
Loss before income tax	798,001	(3,204,421)	(5,423,508)	(2,720,229)
Income tax charge	(813,526)	(408,034)	(813,526)	(408,034)
Expenses not allowable for tax purposes	1,001,388	736,810	1,001,388	736,810
Expense allowable for tax purposes	(866,758)	(310,019)	(866,758)	(310,019)
Deferred tax asset not recognized	678,896	(18,757)	678,896	(18,757)
Tax assessment provisions	-	242,418	-	242,418
Income tax expense	-	242,418	-	242,418

As at 31 December 2023, the Group and the Company had unrecognised deferred tax assets of USD 3.7m (2022: USD 4.4m).

Notes (continued)

16. Income tax (continued)

The Group and the Company have not recognised the deferred tax assets as it is not probable, at the reporting date, the future taxable profits will be available against which the deferred tax assets can be recovered.

As each balance sheet date, the Group and the Company re-assess unrecognised deferred tax assets.

The below represents the corporation tax payable as per the assessment by Kenya Revenue Authority (KRA) as indicated below. The branch had unused accumulated tax losses as at 31 December 2023 as follows:

Year of Assessment	Expiry Year	2023 USD	Company 2022 USD
2012	2017	-	-
2013	2018	-	-
2014	2020	2,827,035	2,827,035
2015	2022	1,487,625	1,487,625
2016	2022	156,430	156,430
2017	2023	4,373,454	4,373,454
2018	2023	1,665,109	1,665,109
2019	2024	2,483,112	2,483,112
2020	2025	1,033,630	1,033,630
2021	2026	5,525,879	5,525,879
2022	2027	2,896,550	2,896,550
2023	2028	1,221,028	-
		23,669,852	22,448,824

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.)

Mauritius:

The unused tax losses not recognized in the books as at 31 December 2023 for the Group and the Company amounted to USD Company 2023 17,327,508 (Company 2022: USD 19,540,159). 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	2023 USD	Group and Company 2022 USD
2013	2018	-	1,019,380
2014	2020	-	1,035,462
2015	2022	1,003,770	1,161,579
2016	2022	1,643,634	1,643,634
2017	2023	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	2027	4,357,720	4,357,720
		17,327,508	19,540,159

The current tax is non-current.

17. Property and equipment

Group	Office equipment	Fittings	Furniture	Computer equipment	Motor vehicles	Assets under construction	Land	Owner Occupied	Total
COST									
At 1 January 2022	45,612	18,485	331,169	134,495	277,929	10,831,281	2,169,708	6,061,918	19,870,597
Reclassification	-	2,615,952	-	-	-	(10,821,602)	3,008,414	5,197,236	-
Transfer to investment property	-	-	-	-	-	-	-	(3,820,529)	(3,820,529)
Currency translation difference	725	(4,267)	(14,878)	(4,628)	(10,810)	7,113	(122,860)	(346,528)	(496,133)
Additions	49,285	56,930	704,117	69,908	-	8,942	-	57,765	946,947
Disposals	-	(61)	(51)	(139)	-	-	-	-	(251)
Fair value loss on land	-	-	-	-	-	-	(254,042)	-	(254,042)
At 31 December 2022	95,622	2,687,039	1,020,357	199,636	267,119	25,734	4,801,220	7,149,862	16,246,589
At 1 January 2023	95,622	2,687,039	1,020,357	199,636	267,119	25,734	4,801,220	7,149,862	16,246,589
Reclassification	-	(2,615,952)	-	-	-	-	-	2,615,952	-
Adjustments	-	-	(23,387)	-	-	-	-	(141,002)	(164,389)
Currency translation difference	1,402	2,167	7,907	2,350	1,093	784	62,394	114,391	192,488
Additions	14,320	36,943	9,916	87,959	121,916	118,354	-	389,408	389,408
Disposals	(29,945)	(320)	(5,548)	(16,209)	(1,517)	(4,469)	-	-	(58,008)
At 31 December 2023	81,399	109,877	1,009,245	273,736	388,611	140,403	4,863,614	9,739,203	16,606,088
DEPRECIATION									
At 1 January 2022	(42,495)	(18,445)	(76,100)	(95,627)	(269,270)	-	-	(25,327)	(527,264)
Currency translation difference	(1,295)	991	(390)	3,274	2,151	-	-	(857)	3,874
Disposals	-	63	51	139	-	-	-	-	253
Charge for the year	(5,923)	(2,403)	(61,830)	(25,648)	-	-	-	(122,125)	(217,929)
At 31 December 2022	(49,713)	(19,794)	(138,269)	(117,862)	(267,119)	-	-	(148,309)	(741,066)
At 1 January 2023	(49,713)	(19,794)	(138,269)	(117,862)	(267,119)	-	-	(148,309)	(741,066)
Currency translation differences	(1,356)	(892)	(2,404)	(2,460)	(1,092)	(370)	-	(6,746)	(15,320)
Disposals	29,196	320	5,548	16,209	1,517	-	-	-	52,790
Charge for the year	(11,817)	(13,621)	(120,192)	(47,304)	(22,859)	(17,456)	-	(267,483)	(500,732)
At 31 December 2023	(33,690)	(33,987)	(255,317)	(151,417)	(289,553)	(17,826)	-	(422,538)	(1,204,328)
NET BOOK VALUE									
At 31 December 2023	47,709	75,890	753,928	122,319	99,058	122,577	4,863,614	9,316,665	15,401,760
At 31 December 2022	45,909	2,667,245	882,088	81,774	-	25,734	4,801,220	7,001,553	15,505,523

*During the year under review, owner occupied portion of the investment property was measured at cost less depreciation in line with the Group's change from fair value to cost model.

All property plant and equipment are non-current.

Notes (continued)

17. Property and equipment (continued)

COMPANY	Office equipment USD	Fittings USD	Furniture USD	Computer equipment USD	Motor vehicles USD	Assets under construction USD	Land USD	Owner Occupied USD	Total USD
COST									
At 1 January 2022	7,097	-	57,948	64,831	231,288	10,821,601	-	-	11,182,765
Reclassification	-	2,615,952	-	-	-	(10,821,601)	3,008,414	5,197,235	-
Transfer to investment property	-	-	-	-	-	-	-	(1,799,924)	(1,799,924)
Additions	42,518	-	702,982	57,702	-	-	-	-	803,202
Disposals	-	-	-	-	-	-	(254,040)	-	(254,040)
At 31 December 2022	49,615	2,615,952	760,930	122,533	231,288	-	2,754,374	3,397,311	9,932,003
At 1 January 2023	49,615	2,615,952	760,930	122,533	231,288	-	2,754,374	3,397,311	9,932,003
Reclassification	-	(2,615,952)	-	-	-	-	-	2,615,952	-
Adjustment	-	-	(23,387)	-	-	-	-	(141,002)	(164,389)
Additions	4,428	-	-	36,387	121,916	-	-	-	162,731
At 31 December 2023	54,043	-	737,543	158,920	353,204	-	2,754,374	5,872,261	9,930,345
DEPRECIATION									
At 1 January 2022	(6,193)	-	(57,948)	(34,745)	(231,288)	-	-	-	(330,174)
Charge for the year	(3,277)	-	(26,926)	(18,058)	-	-	-	(28,311)	(76,572)
At 31 December 2022	(9,470)	-	(84,874)	(52,803)	(231,288)	-	-	(28,311)	(406,746)
At 1 January 2023	(9,470)	-	(84,874)	(52,803)	(231,288)	-	-	(28,311)	(406,746)
Charge for the year	(5,744)	-	(83,592)	(24,941)	(22,859)	-	-	(173,899)	(311,035)
At 31 December 2023	(15,214)	-	(168,466)	(77,744)	(254,147)	-	-	(202,210)	(717,781)
NET BOOK VALUE									
At 31 December 2022	38,829	-	569,077	81,176	99,057	-	2,754,374	5,670,051	9,212,564
At 31 December 2023	40,145	2,615,952	676,056	69,730	-	-	2,754,374	3,369,000	9,525,257

Notes (continued)

18. Intangible assets

Group	Software USD	Website USD	Assets under work in progress USD	Total USD
COST				
At 1 January 2022	3,512,165	55,912	74,320	3,642,397
Currency translation difference	(78,072)	(550)	185,757	107,135
Disposals	-	(76)	(19,303)	(19,379)
Additions	1,277	-	13,874	15,151
At 31 December 2022	3,435,370	55,286	254,648	3,745,304
At 1 January 2023	3,435,370	55,286	254,648	3,745,304
Currency translation difference	6,635	318	2,560	9,513
Disposals	(14,567)	-	-	(14,567)
Additions	-	-	270,342	270,342
At 31 December 2023	3,427,438	55,604	527,550	4,010,592
AMORTISATION				
At 1 January 2022	(1,487,038)	(41,238)	-	(1,528,276)
Currency translation difference	88,853	(10,498)	-	78,355
Charge for the year	(595,259)	(3,550)	-	(598,809)
At 31 December 2022	(1,993,444)	(55,286)	-	(2,048,730)
At 1 January 2023	(1,993,444)	(55,286)	-	(2,048,730)
Currency translation difference	(6,975)	(318)	-	(7,293)
Disposal	14,567	-	-	14,567
Charge for the year	(606,104)	-	-	(606,104)
At 31 December 2023	(2,591,956)	(55,604)	-	(2,647,560)
NET BOOK VALUE				
At 31 December 2023	835,482	-	527,550	1,363,032
At 31 December 2022	1,441,926	-	254,648	1,696,574

All intangible assets are non-current.

Notes (continued)

18. Intangible assets (continued)

Company	Software USD	Website USD	Assets under work in progress USD	Total USD
COST				
At 1 January 2022	3,216,418	44,864	-	3,261,282
Transfer from work in progress	-	-	170,659	170,659
Additions	1,277	-	-	1,277
At 31 December 2022	3,217,695	44,864	170,659	3,433,218
At 1 January 2023	3,217,695	44,864	170,659	3,433,218
Additions	-	-	270,342	270,342
At 31 December 2023	3,217,695	44,864	441,001	3,703,560
AMORTISATION				
At 1 January 2022	(1,185,173)	(41,314)	-	(1,226,487)
Charge for the year	(592,714)	(3,550)	-	(596,264)
At 31 December 2022	(1,777,887)	(44,864)	-	(1,822,751)
At 1 January 2023	(1,777,887)	(44,864)	-	(1,822,751)
Charge for the year	(587,016)	-	-	(587,016)
At 31 December 2023	(2,364,903)	(44,864)	-	(2,409,767)
NET BOOK VALUE				
At 31 December 2023	852,792	-	441,001	1,293,793
At 31 December 2022	1,439,808	-	170,659	1,610,467

19. Investment properties

This relates to the buildings owned by the group. The group changed its accounting policy from a fair value model to a cost model. As a result, the accumulated fair value gains have been reversed and accumulated depreciation computed to cover from inception to 31 December 2023. The impact of the accounting policy change is in the directors' view immaterial and therefore the change has not been applied retrospectively. The table below represents the movement in investment property:

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
At start of year	6,163,136	-	4,142,532	-
Transfer from owner occupied	-	3,820,528	-	1,799,924
Additions	-	2,134,034	-	2,134,034
Reversal of gain on fair valuation	(208,574)	208,574	(208,574)	208,574
Depreciation	(150,406)	-	(98,349)	-
Translation difference	61,596	-	-	-
At end of year	5,865,752	6,163,136	3,835,609	4,142,532

All investment property is non-current.

Notes (continued)

20 Trade and other receivables

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Trade receivables	6,311,154	7,369,281	4,405,933	5,173,197
Allowance for expected credit losses	(3,170,751)	(5,497,248)	(2,305,186)	(4,476,770)
Net receivables	3,140,403	1,872,033	2,100,747	696,427
Capacity development receivable	-	1,310,784	-	1,310,784
Claims paid to be recovered	11,014,990	9,132,408	2,177,080	1,644,034
Other receivables	3,212,964	4,137,924	1,111,715	2,311,021
Accrued Income	5,986,828	4,841,566	4,652,780	4,841,566
Deposits	45,239	40,148	40,148	40,148
Prepayments	313,521	-	313,520	-
	23,713,945	21,334,863	10,395,990	10,843,980

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 2023. Deposits include utility payments. Other receivables mainly comprise income fees receivable (utilization and commission fees). Prepayments are services paid for in advance like insurances for 2023, website hosting and various licenses whose subscriptions cover till 2024. All receivables are current except those more than one year.

Claims paid represents the amount paid in cash for the other guarantees portfolio (LIG, BFRGs and EGs) that have crystallised and called up by the financial institutions. These amounts are subsequently recovered from realisation of the collaterals held by the Partner Financial Institutions.

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.

Group	Total USD	Neither past due nor impaired USD	31 – 60	61 – 90	91 - 1 year USD	More than 1 year USD
			days USD	days USD		
Gross	6,311,154	1,027,361	286,726	914,644	1,430,183	2,652,240
ECL	(3,170,751)	(118,902)	(36,420)	(135,611)	(317,490)	(2,562,328)
2023	3,140,403	908,459	250,306	779,033	1,112,693	89,912
Gross	7,369,281	-	659,206	32,847	1,512,858	5,164,370
ECL	(5,497,248)	-	(322,230)	(13,912)	(260,736)	(4,900,370)
2022	1,872,033	-	336,976	18,935	1,252,122	264,000
Company						
Gross	4,405,933	912,235	10,663	525,513	1,025,689	1,931,833
ECL	(2,305,186)	(97,674)	(1,354)	(77,916)	(229,560)	(1,898,682)
2023	2,100,747	814,561	9,309	447,597	796,129	33,151
Gross	5,173,197	-	267,971	32,847	388,980	4,483,399
ECL	(4,476,770)	-	(94,301)	(13,912)	(149,158)	(4,219,399)
2022	696,427	-	173,670	18,935	239,822	264,000

Notes (continued)

21. Trade and other payables

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Trade and other payables	3,948,160	4,958,281	1,026,969	3,810,975
Accrued expenses	1,525,223	1,898,429	2,260,303	1,693,444
Statutory payables	-	111,693	-	111,693
	<u>5,473,383</u>	<u>6,968,403</u>	<u>3,287,272</u>	<u>5,616,112</u>

The carrying amount of trade and other payables approximate their fair values. Trade payables are interest-free and are payable within a period of three months.

All trade and other payables are current.

22. Financial guarantee contract assets and liabilities

The guarantee contract assets and liabilities relating to financial guarantees under the loan individual portfolio, the bank fundraising portfolio and equity guarantee portfolio at 31 December 2023 were as follows:

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Financial guarantee contract assets	<u>1,906,708</u>	<u>1,654,928</u>	<u>892,830</u>	<u>971,760</u>
Financial guarantee contract liabilities	<u>16,666,173</u>	<u>17,865,882</u>	<u>4,992,367</u>	<u>5,052,252</u>

The grading of the gross amount of financial guarantee contracts (LIGs, BFRGs, EGs) at year was as follows:

Gross amount of financial guarantee contracts (LIGs, BFRGs, EGs)

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Stage 1 - Performing	32,602,798	30,334,434	16,039,934	16,039,934
Stage 2 – Significant increase in credit risk	15,864,218	12,633,265	0	4,856
Stage 3 – Non-performing (in default)	<u>25,405,778</u>	<u>33,168,346</u>	<u>14,859,806</u>	<u>14,619,728</u>
	<u>73,872,794</u>	<u>76,136,045</u>	<u>30,899,740</u>	<u>30,664,518</u>

The total charge to profit or loss for expected credit losses on financial guarantees in the year is as follows:

The balance sheet and P&L movement has been disclosed in Note 4(a).

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Expected credit losses on performing guarantees	2,039,661	297,058	32,072	238,757
Expected credit losses on non-performing guarantees	<u>760,632</u>	<u>3,695,659</u>	<u>3,908,043</u>	<u>1,928,173</u>
	<u>2,800,293</u>	<u>3,992,717</u>	<u>3,940,115</u>	<u>2,166,930</u>

Notes (continued)

23. Post-employment benefits obligation

	Group		Company	
	2023	2022	2023	2022
	USD	USD	USD	USD
At start of year	284,127	235,345	-	-
Foreign currency exchange loss	8,662	48,782	-	-
At end of year	<u>292,789</u>	<u>284,127</u>	-	-

These are provisions and liabilities relating to employee benefits under defined benefit plans. The defined benefit plans are unfunded. All Post-employment benefits obligation are non-current

24 a. Classes of shares

	Group and Company	
	2023	2022
	Number	USD
Class B shares	7,954	79,540,016
Class C shares	13,520	135,351,136
Class D shares	3	3
	<u>21,477</u>	<u>214,891,155</u>

	Group and Company	
	2022	2023
	Number	USD
Class B shares	7,954	79,540,016
Class C shares	13,520	135,351,136
Class D shares	3	3
	<u>21,477</u>	<u>214,891,155</u>

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

Each Class A Share of no par value, shall have the following rights:

(a) Dividend

Class A Share shall confer on its holder the right to receive non cumulative Target Dividends.

(b) Redemption

Class A Share shall be redeemable subject to the approval of the Board.

(c) Voting

Except as otherwise expressly provided in the Shareholders Agreement or required by the Act, each Class A Share shall confer on its holder the right to attend and exercise one vote at any Shareholders' Meeting at a poll.

(d) Liquidation

In the event of the winding up of the Company the holders of Class A 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.

Notes (continued)

24 a. Classes of shares (continued)

Class B

Each Class B Share of no par value, and shall have the following rights:

(a) Dividend

A Class B Share shall confer on its holder the right to receive non cumulative Target Dividends.

(b) Redemption

Class B Share shall be redeemable subject to the approval of the Board.

(c) Voting

Except as otherwise expressly provided in the Shareholders Agreement or required by the Act, each Class B Share shall confer on its holder the right to attend and exercise one vote at any Shareholders' Meeting at a poll.

(d) Liquidation

In the event of the winding up of the Company the holders of Class B 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.

(e) Subordination

A Class B Share is only subordinated to Class A Shares.

Each Class B Share is convertible into Shares of such Class upon the terms and subject to such conditions as set out in the Shareholders Agreement.

Class C

Each Class C Share of no par value and shall have the following rights:

(a) Dividend

Class C Share shall confer on its holder the right to receive non cumulative Target Dividends.

(b) Redemption

Class C Share shall be redeemable subject to the approval of the Board.

(c) Voting

Except as otherwise expressly provided in the Shareholders Agreement or required by the Act, each Class C Share shall confer on its holder the right to attend and exercise one vote at any Shareholders' Meeting at a poll.

(d) Liquidation

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

(e) Subordination

A Class C Share is fully subordinated to Class B Shares and Class A Shares.

Each Class C Share is convertible into Shares of such Class upon the terms and subject to such conditions provided in the Shareholders Agreement.

Notes (continued)

24 a. Classes of shares (continued)

Class D Shares

Class D Shares are not entitled to any dividend. Class D Shares are not 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 equity of USD 15 million in 2022. The amount was received from Proparco through AFD of USD 10 million and AFDB 5 million.

The percentages of shareholding for financial years 2023 and 2022 are presented below.

Shareholders	2022		
	Paid in capital	Number of shares	Percentage
IFU	72,040,016	7,204	33.52%
KFW	61,750,000	6,175	28.74%
AECID	20,000,001	2,001	9.31%
AFDB	20,000,001	2,001	9.31%
NDF	17,101,136	1,695	7.96%
AFD	14,000,000	1,400	6.51%
PROPARCO (FISEA)	10,000,000	1,000	4.65%
DANIDA	1	1	0.00%
Total	214,891,155	21,477	100.00%

Shareholders	2023		
	Paid in capital	Number of shares	Percentage
IFU	72,040,016	7,204	33.52%
KFW	61,750,000	6,175	28.74%
AECID	20,000,001	2,001	9.31%
AFDB	20,000,001	2,001	9.31%
NDF	17,101,136	1,695	7.96%
AFD	14,000,000	1,400	6.51%
PROPARCO (FISEA)	10,000,000	1,000	4.65%
DANIDA	1	1	0.00%
Total	214,891,155	21,477	100.00%

Notes (continued)

24 b. Capital contribution

AGF received USD 8,754,367 capital contribution in the year 2023. There were no shares allocated to the capital contribution. The contributors are as below.

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
At start of year	11,980,024	11,980,024	11,980,024	11,980,024
Additional contributions in the year	8,754,367	-	8,754,367	-
At end of year	<u>20,734,391</u>	<u>11,980,024</u>	<u>20,734,391</u>	<u>11,980,024</u>

25. Deferred grant income

Group

2023	Deferred income- Land Grant	Grant from AFAWA	Capacity development grant	Total
	USD	USD	USD	USD
At start of year	1,637,478	4,617,600	1,801,757	8,056,835
Addition	-	-	197,195	197,195
Expenses/ amortisation	(34,454)	(3,398,079)	(933,680)	(4,366,213)
At end of year	<u>1,603,024</u>	<u>1,219,521</u>	<u>1,065,272</u>	<u>3,887,817</u>

2022	Deferred income- Land Grant	Grant from AFAWA	Capacity development grant	Total
	USD	USD	USD	USD
At start of year	1,822,555	6,117,600	-	7,940,155
Additions	-	-	3,225,159	3,225,159
Expenses/ amortisation	(185,077)	(1,500,000)	(1,423,402)	(3,108,479)
At end of year	<u>1,637,478</u>	<u>4,617,600</u>	<u>1,801,757</u>	<u>8,056,835</u>

Company

2023	Grant from AFAWA	Capacity development grant	Total
	USD	USD	USD
At start of year	4,617,600	1,801,757	6,419,357
Addition	-	197,195	197,195
Amortisation to profit or loss	(3,398,079)	(933,680)	(4,331,759)
At end of year	<u>1,219,521</u>	<u>1,065,272</u>	<u>2,284,793</u>

Notes (continued)

25. Deferred grant income continued

Company (continued)

2022	Grant from AFAWA	Capacity development grant	Total
	USD	USD	USD
At start of year	6,117,600	-	6,117,600
Additions	-	3,225,159	3,225,159
Amortisation to profit or loss	(1,500,000)	(1,423,402)	(2,923,402)
At end of year	4,617,600	1,801,757	6,419,357

Grant from AFAWA

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Staff Expenses	1,291,956	1,167,842	1,291,956	1,167,842
Travel and Other Staff Expenses	140,911	274,172	140,911	274,172
PR & Marketing	34,509	57,986	34,509	57,986
Support services to PFIs - CD activities	1,900,702	-	1,900,702	-
Support services to MEs - CD activities	30,000	-	30,000	-
	3,398,079	1,500,000	3,398,079	1,500,000

Grant from Capacity Development

Disbursements for CD activities	585,119	1,149,342	585,119	1,149,342
Administration expenses	348,561	274,060	348,561	274,060
	933,680	1,423,402	933,680	1,423,402

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 2,109,242 (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.

The Group signed a grant agreement with AFDB for facilitation of the AFAWA programme to cover the operating expenses incurred during the implementation of the programme. The grant is a total of USD 25 million to be received within a period of five years. The first tranche of the grant of USD 6.1 million was received in 2022. In the year 2023, the actual expenses incurred in the implementation of the programme is USD 3.4 million and hence a grant income of USD 3.4 million has been recognised.

The balance of the capacity development grant as at end of 2023 is USD 1.1 million.

Notes (continued)

26. Related party disclosures

During the year ended 31 December 2023 and 2022, 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	
			2023 USD	2022 USD	2023 USD	2022 USD
Directors of the Company	Directors	Remuneration and allowances	344,577	327,107	187,371	80,226
Directors' Liability Insurance	Directors and Officers	Board members Liability Insurance	18,372	19,461	18,372	19,461

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

Key management personnel

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Short-term benefits	2,969,908	2,416,538	2,449,299	2,293,974
Long-term benefits	224,115	182,924	156,618	140,653
	3,194,023	2,599,462	2,605,917	2,434,627

27. Investment in subsidiary

Details of the Investment are as follows:

	2023 USD	2022 USD
Unquoted investment		
At 01 January 2023 and 31 December 2023	31,887,765	31,887,765

Name of subsidiary company	Place of incorporation	Business activity	2023 & 2022 Ownership	2023 USD	2022 USD
AGF West Africa	Togo	Guarantee Business	80.56%	31,887,765	31,887,765

Notes (continued)

27. Investment in subsidiary (continued)

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.

Details of the subsidiary is disclosed below:

Name	Country of incorporation and operation	Proportion of interest held by NCI	Profit/(Loss) allocated to NCI during the year		Accumulated NCI as at	
			2023	2022	2023	2022
			USD	USD	USD	USD
AGF West Africa	Togo	19.44%	1,209,462	(94,127)	10,243,924	8,680,518

Details of the Investment are as follows:

The summarized financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Statement of profit or loss

African Guarantee Fund West Africa	2023 USD	2022 USD
Income	7,507,910	4,275,183
Expenses	(1,286,400)	(4,604,795)
Net profit	6,221,510	(329,612)

Statement of financial position

African Guarantee Fund West Africa	2023 USD	2022 USD
Total assets	68,650,250	61,012,303
Total liabilities	(15,755,730)	(16,087,531)
Net assets	52,894,520	44,924,772

Notes (continued)

27. Investment in subsidiary (continued)

Statement of cashflow position

African Guarantee Fund West Africa	2023 USD	2022 USD
Operating activities	4,022,643	(1,453,235)
Financing activities	-	(6,117,590)
Investing activities	(3,691,103)	10,098,237

28. Contingent liabilities and commitments

Contingent liabilities

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Financial guarantees (live)	1,326,865,213	972,952,460	905,482,866	595,040,165
Financial guarantees re-guaranteed	(360,863,429)	(222,430,681)	(271,866,366)	(153,148,469)
Net Exposure	<u>966,001,784</u>	<u>750,521,779</u>	<u>633,616,500</u>	<u>441,891,696</u>
Re-guarantee fees	<u>(329,302)</u>	<u>(1,107,959)</u>	<u>(329,302)</u>	<u>(1,107,959)</u>

At year end, there is a receivable amount of USD 11 million as part of claims paid from these guarantee contracts and the recovery process is ongoing. 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.

29. Guarantee Expenses

These are re-guarantee costs incurred.

	Group		Company	
	2023 USD	2022 USD	2023 USD	2022 USD
Re-guarantee costs	<u>(329,302)</u>	<u>(1,107,959)</u>	<u>(329,302)</u>	<u>(1,107,959)</u>

Notes (continued)

30. Cash flows from operating activities

	Notes	Group		Company	
		2023 USD	2022 USD	2023 USD	2022 USD
Operating activities					
Profit /(Loss) before tax		798,001	(3,204,421)	(5,423,509)	(2,720,229)
<i>Adjustment to reconcile profit before tax to net cash flows:</i>					
<i>Non-cash items:</i>					
Expected credit loss		2,623,042	4,677,867	4,074,250	2,793,778
Loss on disposal of property and equipment		5,218	273,421	-	254,038
Depreciation charge on property and equipment	17	500,732	217,929	311,035	76,572
Depreciation charge on investment property	19	150,406	-	98,349	-
Amortization of intangible assets	18	606,104	598,809	587,016	596,264
Net deferred income on guarantee contracts		-	-	-	-
Amortization deferred income on grants	25	(4,366,213)	(3,108,479)	(4,331,759)	(2,923,402)
Adjustment to property and equipment		164,389	-	164,389	-
Income from investments		(6,079,121)	(4,498,150)	(3,716,519)	(2,160,854)
Net foreign exchange loss		2,576,539	(401,307)	217,574	(423,454)
Fair value gain on financial guarantees contracts	6	(1,607,220)	(1,156,197)	(880,212)	(2,031,579)
Fair value gain on investment property	19	208,574	(208,574)	208,574	(208,574)
Net claims on other guarantees		-	-	-	-
<i>Movement in working capital items:</i>					
Receivables		(2,379,082)	(10,789,537)	447,990	(3,601,233)
Trade and other payables		(5,737,438)	2,692,364	(6,571,256)	2,397,413
Net cash flows from operating activities		<u>(12,536,069)</u>	<u>(14,906,275)</u>	<u>(14,814,078)</u>	<u>(7,951,260)</u>

As part of the working capital, an amount of USD 6,287,463 for the Group and USD 6,000,000 for the Company relates to claims on other guarantees (LIGs, BFRGs & EGs) paid in 2023. (2022: Group, USD 6,176,281 and Company USD Nil)

31. Other reserves

Other reserves include translation reserves. The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the foreign operation.

Currency translation reserves

	2023 USD	Group 2022 USD
At start of year	(672,667)	1,884,622
Charge to other comprehensive income	1,466,754	(2,557,289)
At end of year	<u>794,087</u>	<u>(672,667)</u>

32. Events after reporting date

There were no events after reporting period.

-----000-----





AFRICA HOUSE

Muthangari Road, Lavington
P.O. Box 57795 – 00200
Nairobi, KENYA
T: +254 732 148 000
E: info@agf.africa

IMMEUBLE AGF

5082, Bd GNASSINGBE
Eyadéma, Lomé II
01 BP 985 01Lomé, TOGO
T: +228 22 53 13 00
E: info@agfwest.africa

MAURITIUS OFFICE

9th Floor, Suite 9003
Hennessy Court
Pope Hennessy Street
Port Louis, MAURITIUS
T: +230 210 1301
E: info@agf.africa

