

Annual report

2012



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Corporate Data

DIRECTORS	DATE OF APPOINTMENT	DATE OF RESIGNATION
Mette Knudsen	28 March 2011	1 August 2012
Susan Albaek	5 November 2012	-
Manuel De la Rocha Vazquez	28 March 2011	-
Pietro Calice	28 March 2011	-
Juneid Kodabux	28 March 2011	-
Baba Abdullah Issah	15 June 2011	-
Andrew E. Temu	15 June 2011	-
Zyad Khodabocus	14 September 2011	22 March 2012
Fakr-ud-deen Ali Peerbux	22 March 2012	-

MANAGEMENT	POSITION
Felix A. Bikpo	Chief Executive Officer
NK Passwell Shapi	Business Development Director
Susan Murage	Human Resources Director
David Ekabouma	Internal Control Director

ADMINISTRATOR & SECRETARY

Consilex Ltd
4th Floor, Les Jamalacs Building
Vieux Conseil Street
Port Louis
Republic of Mauritius

Corporate Data (Cont'd)

REGISTERED OFFICES

MAURITIUS

C/o Consilex Ltd
4th Floor, Les Jamalacs Building
Vieux Conseil Street
Port Louis
Republic of Mauritius

KENYA

7th Floor Mayfair Centre
Ralph Bunche Road
Nairobi
Kenya

LEGAL ADVISERS

MAURITIUS

Uteem Chambers
4th Floor, Les Jamalacs Building
Vieux Conseil Street
Port Louis
Republic of Mauritius

KENYA

Daly & Figgis
8th Floor Lonrho House
Standard Street
P.O Box 40034 - 0100
Nairobi
Kenya

AUDITORS

MAURITIUS

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

KENYA

Ernst & Young
Kenya-Re Towers, Upper Hill
Off Ragati Road
P.O Box 44286-00100
Nairobi
Kenya

BANKERS

MAURITIUS

HSBC Bank (Mauritius) Limited
6th Floor, HSBC Centre
18 Cybercity
Ebene
Republic of Mauritius

KENYA

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

AGF at a Glance



The African Guarantee Fund - for Small and Medium-Sized Enterprises Ltd ("AGF" or the "Company") has been incorporated in the Republic of Mauritius on 28 March 2011 as a private company limited by shares in accordance with the Companies Act 2001. It has been granted a Category 1, Global Business Licence by the Financial Services Commission. The registered office is located at C/o Consilex Ltd, 4th Floor, Les Jamalacs Building, Vieux Conseil Street, Port-Louis. AGF also has a branch in Nairobi (Kenya), registered as a branch of a foreign entity under the Kenyan Companies Act.

Vision

To be the leading non-bank Financial Institution which meets Africa's financing provider's needs, effectively serving Small and Medium Sized Enterprises (SMEs), maintaining our uncompromised principal as we grow.

Mission statement

The promotion of economic development and poverty reduction in Africa. The mission will support the achievement of the overall vision and to that end AGF aims to:

- To be more resource efficient;
- Build strong partnership between financial institutions and AGF;
- Reduce inability of SME/SMI to provide acceptable guarantees;
- Encourage and support banks and other financial intermediaries in the financing of SMEs by sharing risk; and
- Support capacity development of AGF partners by seeking to build their capacity and knowledge.

Operations

AGF has two lines of activity:

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

AGF is currently focusing its activities on the following countries: Cameroun, Ghana, Kenya, Togo, Mozambique, Senegal, Tanzania, Uganda and Zambia and will gradually increase to cover the whole of Africa. Transactions from other African countries other than the ones mentioned above can at present also be considered.

Geographical presence

Whereas AGF is headquartered in Port Louis, Mauritius, its operations are managed out of its Nairobi, Kenya branch office. AGF will gradually roll out branch offices in key regional hubs.

Board of Directors

The Board has the overall responsibility of providing the organization with broad policies and objectives, while ensuring that sufficient resources are available for operations and that these resources are managed effectively.

Non-Executive Directors - Representing the shareholders



Susan ALBAEK
Representing the Danish Government



Manuel DE LA ROCHA VAZQUEZ
Representing the Spanish Government



Pietro CALICE
Representing the African Development Bank

Independent Directors



Baba ISSAH



Juneid KODABUX



Fakr-ud-deen Ali PEERBUX



Andrew E. TEMU

Senior Management Team

Whereas the Board is accountable to the shareholders for the performance of the organization, it has delegated day to day operations to Management.



**Felix
ADAHI BIKPO**
Chief Executive
Officer



**NK Passwell
SHAPI**
Business
Development
Director



**Susan
MURAGE**
Human
Resources
Director



**David
EKABOUMA**
Internal
Control
Director

CEO's Letter

We are delighted to present the Financial Statement of your Institution for the year ended 31 December 2012.

The economic environment in which we operated was characterized by a gradual strengthen in of the world economy after a major setback during 2011: The threat of a sharp global slowdown eased with improved activity in the United States and better policies in the euro area. In Europe, banks are assumed to be insolvent until proven otherwise. Equity market valuations of banks in many major markets are near half book value and funding costs are higher than the corporations they are supposed to serve. African economies continued to grow by more than 5% in 2012 lead by strong terms of trade and increase diversification toward fast-growing Emerging Markets.

As we close our first full financial year , we look back with pride at the acceptance of the new institution by the African and international financial markets and look forward to meeting the needs of young African, as we contribute to the Continent's development.

The African Guarantee Fund was imagined and designed primarily as a response to a development challenge. The need to foster innovation, grow companies, and provide employment opportunities in all economies is essential to long term and sustained growth.

SMEs are known to be the primary generators of employment. This is our constituency and our goal.

Africa today is enjoying unprecedented growth. The world is awakening to the opportunities that Africa offers. Our job is to be part of the effort that ensures that the benefits of that growth are shared through all levels of society by being in the middle of the process that grows companies and expands opportunities for employment. Employment generation is a core "development goal"

During the year 2012, we have set up our basic operations and we started developing a portfolio in order for AGF to be no longer just a concept but a real Institution, the first African institution wholly dedicated to mobilizing resources for SME development on the African Continent. We continue to refine our risk and pricing models and aim to be leaders in this regard. A center of excellence on SME finance in Africa!

CEO's Letter (Cont'd)



Looking ahead we had a strong conviction in a secular growth opportunity that the African Continent presents, notwithstanding mid-course adjustment in the near term.

Employment generation is a core “development goal”. We will measure this growth by establishing base line information with our partner banks and their SME clients. We will need the above to ensure not only that we have the “additionality” required by our interventions but also to manage risk. Development goals will be set in the process of developing our projects and firmed up when we do our risk analyses. Through an aggressive monitoring of our growing portfolio we will track progress towards the development goals that we establish with our partners in each individual guarantee agreement. Through this process we will learn what the real problems are and adapt and design our inputs to the specific challenges with each bank and SME. We will support the growth of these enterprises through the targeted provision of capacity development services and training.

Our products are and will be designed to deal with the key problems facing event “willing” banks to get the needed financing to SMEs without exposing their depositors and shareholders to unknown or unnecessary risks. Our products and our day to day activities are guided by our development goals.

All of the above can only be reached through engagement with the right partners with which we intend to leverage not only their money but also their knowledge of local markets and the problems they face in serving the SME sector

Our primary means to support progress towards our development goals are our Capacity Development Activities. It is as important to grow investment in the fund as well as in our capital base. All guarantee efforts are more effective when both technical assistance and training are available along with the credit enhancement.

Risk is not only about the numbers. It is also about management, understanding markets, and applying technology. We see it as our job to keep up on these matters and make that information available to our partners on a consistent basis.

CEO's Letter (Cont'd)

We believe that there has to be consolidation in the development finance industry. Now that there is considerable private and public capital within Africa and poised for investments we need to throw away our old models and come up with an unified approach on these common goals. There is a terrible inefficiency in the way that efforts are currently being dealt with by DFIs and National and Regional Development Banks. Instead of acting alone we all need to come together in financial structures and leverage each other in a prudent way and ultimately ensures a flow of capital to needed sectors. This is especially true in infrastructure and equally so in the SME economy.

I would like to take this opportunity to express my deep appreciation of your support and association with the Institution and also to convey that we remain committed to realizing the objectives of the Founders.

Felix A. Bikpo

Financial Review

Statement of comprehensive income

DESCRIPTION (Amount in USD)	2012	2011
Income	2,360,684	940,906
Expenses	(2,701,696)	(845,533)
Foreign exchange loss	(34,389)	(95,373)
Loss for the period	(375,401)	(530)

Overview

Total income for the period amounted to USD 2,306,684 compared to USD 2,737,000 per the budget. AGF income essentially included USD 2,303,099 of the grant income received from DANIDA, USD 10,175 of guarantee income and USD 4,390 of investment income.

Investment income was USD 73,000 lower due to the fact that shareholders were fully received at the end of the year instead of the end of the third quarter of 2012 as anticipated.

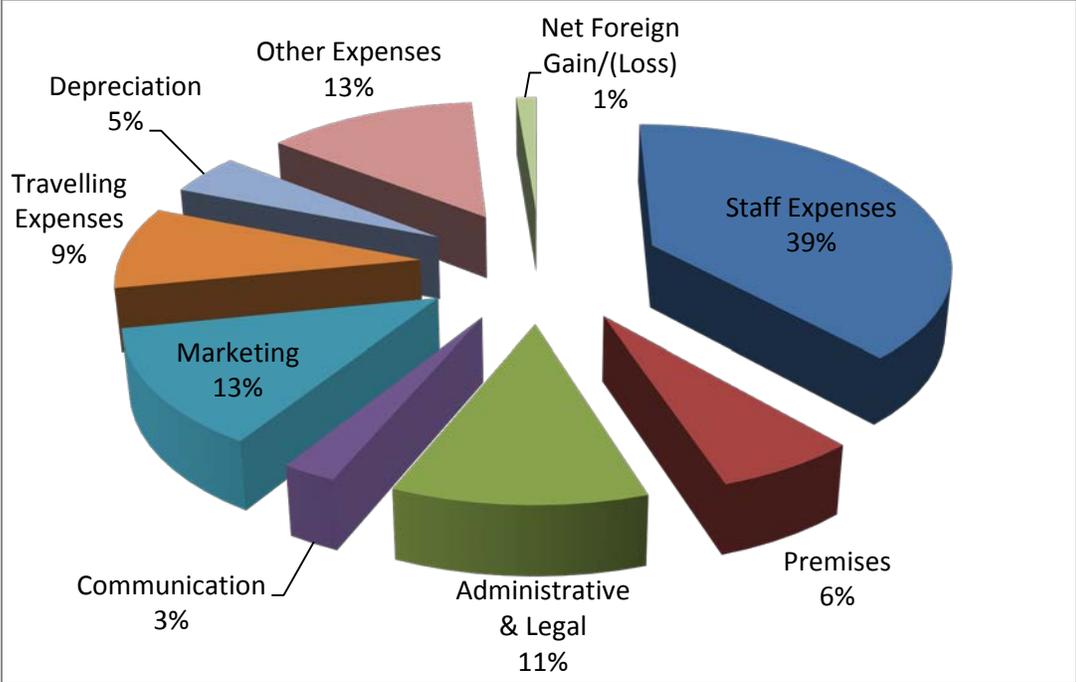
Guarantee income was USD 178,000 lower than budget, because only one of the guarantees approved by AGF was acted on during the fiscal year 2012 by the partner financial institution (PFI).

To mitigate the lower level of income, AGF managed to maintain the 2012 expenses below the budget (USD 170,000). As a result, the loss of the period is slightly higher (USD 71,401) than the budget.

Financial Review (Cont'd)

Expenses Review

Total expenses for the period amounted to USD 2,736,084 compared to USD 2,906,000 per the budget. The breakdown of which is provided below:



Staff Expenses

Staff expenses amounted to USD 1,053,844 and USD 21,827 as at 31 December 2012 and 31 December 2011, respectively.

The increase is explained by the increase in the number of employees (FTE: 0.3 and 8.4 for 2011 and 2012 respectively). In addition, the compensation of the CEO was not reported as staff expense in 2011 but rather as other expenses in due to the fact that he was hired as a contractor until all necessary work authorization was obtained.

Marketing

Marketing costs amounted to USD 354,788 as at 31 December 2012. No Marketing costs were incurred during the year ended 31 December 2011.

Marketing costs are essentially composed of the fees paid to the Advertising company for AGF's promotional strategy and materials and the cost of the launch (54% of the total). Marketing expenses, excluding launch cost, amounted to USD 162,942 compared to USD 213,000 per the budget.

Financial Review (Cont'd)

Expenses Review (Cont'd)

Administrative and Legal

Administrative and legal costs totaled USD 312,743 and USD 273,377 as at 31 December 2012 and 31 December 2011, respectively.

Administrative and legal costs mainly included: Governance cost (USD 111,334), Board Costs (USD 81,843), Administrative and Secretarial fees (USD 40,025), Legal fee (USD 26,510) and Work Permits (USD 41,096).

Travelling expenses

Travelling expenses totaled USD 252,575 as at 31 December 2012, including USD 224,685 for travels in relation to the promotion of AGF and potential investors meetings.

Premises

Premises costs totaled USD 176,207 and USD 62,683 as at 31 December 2012 and 31 December 2011, respectively.

The increase is due to the combined effect of the number of office spaces (one office in 2011 versus 2 offices in 2012) rented out and the number of months of rents paid (5 months in 2011 versus an average of 9.5 months in 2012).

Other Operating Expenses

Other operating expenses totaled USD 358,907 and USD 394,598 as at 31 December 2012 and 31 December 2011, respectively.

Staff recruitment (USD 181,850), staff training (USD 47,500), consultancy (USD 42,520) and audit fees (USD 35,808) represent more than 84% of the total other expenses incurred in 2012.

Staff recruitment corresponds to the total cost (fees and candidates travel expenses paid to the recruiting agencies). The increase is somehow proportional to the number of recruits (3 in 2011 versus 5 in 2012).

Staff training relates to the cost incurred in relation with the credit management system.

Financial Review (Cont'd)

Statement of Financial Position

Cash at bank

Cash at bank at 31 December 2012 and 31 December 2011 is detailed as follows:

DESCRIPTION	2012	2011
Barclays Bank (MAURITIUS)	34,182,792	-
CFC Stanbic (KENYA)	202,273	770,523
Commercial Bank of Africa (KENYA)	1,141,517	-
Ecobank (KENYA)	761,138	-
HSBC (MAURITIUS)	12,000,000	28,999,990
TOTAL	48,287,720	29,770,513

The Company remains debt free, other than trade payables and other liabilities in the ordinary course of business.

Capital expenditures

Capital expenditures amounted to USD 568,227 and USD 690,454 at 31 December 2012 and 31 December 2011, respectively. . The Company focuses its capital expenditures as follows:

DESCRIPTION	2012	2011
Office outfitting	228,420	476,425
Office equipment	154,832	-
Office furniture	155,746	-
Motor Vehicle	-	99,000
IT equipment	29,229	4,342
Total Property & Equipment	568,227	579,767
Deposit for furniture ordered at year end	-	70,245
Deposit for IT equipment ordered at year end	-	40,442
Total Deposit	-	110,087

Financial Review (Cont'd)

Statement of Financial Position (Cont'd)

Deferred income

In 2011, the deferred income corresponds to the unutilized portion of the grant from DANIDA. In 2012, the grant received was fully utilized resulting in a nil balance at the end of the year.

DESCRIPTION	2012	2011
Balance at the beginning of the period	1,304,739	2,089,300
Grant received from DANIDA	998,360	2,089,300
Expenses paid/payable directly by DANIDA	-	156,088
Amount released to profit or loss	(2,303,099)	(940,649)
Deferred income (Liability)	-	1,304,739

Shareholders contributions

The Shareholder's Agreement and the Subscription Agreements were signed by all the Shareholders as at 31 December 2011.

Shareholders contributions bank at 31 December 2012 and 31 December 2011 are detailed as follows:

DESCRIPTION	2012	2011
Denmark	20,000,001	20,000,001
Spain	20,000,001	8,000,001
African Development Bank	10,000,001	1,000,001
TOTAL	50,000,003	29,000,003

Corporate Governance

The Board of Directors considers good governance practices to be essential in developing and sustaining any successful business. The Board exercises oversight on Management through the following committees:

Treasury Management Committee (TMC)

This committee has the Board's delegated authority over AGF's Treasury. It has the responsibility of setting the investment policy to be approved by the Board and executed by Management. The TMC meets at least once a month and reports to the Board on a quarterly basis on the performance of AGF's investment portfolio as well as compliance with treasury management policy.

Investment (Guarantee) Committee

This committee is responsible for approving the policies and guidelines for origination, appraisal, structuring and approval of guarantees. It is also responsible for approving acceptable risk thresholds as well as setting guarantee approval limits for Management. It also approves guarantee applications above the limit set for Management and up to the limit (i.e. USD 1.5 million) delegated to it by the Board.

Capacity Development Committee (CDC)

This committee guides the Trustees of the Capacity Development Trust Fund in the management of the Fund. It reviews all applications for capacity development assistance prepared by Management. It also, together with the Trustees, reviews annual work plans submitted by Management. In addition, it reviews periodic performance reports submitted by Management and ensures that selection of capacity development consultants by Management is within the rules approved by the Trustees.

Audit Committee

The Audit Committee is responsible for reviewing internal controls including financial and business. It also reviews internal audit function, mandates audit activities and facilitates dialogue between auditors and management regarding outcome of audit activities. It proposes external auditors as well as their remuneration to the Board and ensures that there is compliance with all applicable laws, regulations as well as set operating standards.

Human Resources Committee

This committee is a means by which the Board provides a strategic oversight role and guidance on the human resources management practices of AGF. Its primary responsibility includes reviewing, monitoring and making recommendations to the Board of Directors on AGF's human resources strategy and policies.

Report of the Directors

The directors present their commentary, together with the audited financial statements of African Guarantee Fund - for Small and Medium-sized Enterprises Ltd (the "Company") for the year ended 31 December 2012

PRINCIPAL ACTIVITY

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

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

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

RESULTS AND DIVIDENDS

The result for the period is as shown in the statement of comprehensive income on page xx.

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

DIRECTORS

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the Company's statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and Companies Act 2001.

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

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

AUDITORS

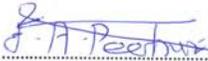
The auditors, Ernst & Young, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual Meeting of the shareholder.

Certificate from Company Secretary

AFRICAN GUARANTEE FUND - FOR SMALL AND MEDIUM-SIZED ENTERPRISES LTD
CERTIFICATE FROM THE SECRETARY

4.

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of African Guarantee Fund - For Small and Medium - Sized Enterprises Ltd (the "Company") under the Companies Act 2001, for the year ended 31 December 2012.



Consilex Ltd
CORPORATE SECRETARY

Date: 05 APR 2013

Independent Auditors' Report to the Members of African Guarantee Fund – For Small and Medium-Sized Enterprises Ltd

Report on the Financial Statements

We have audited the financial statements of the African Guarantee Fund – For Small and Medium-Sized Enterprises Ltd, “the Company”, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

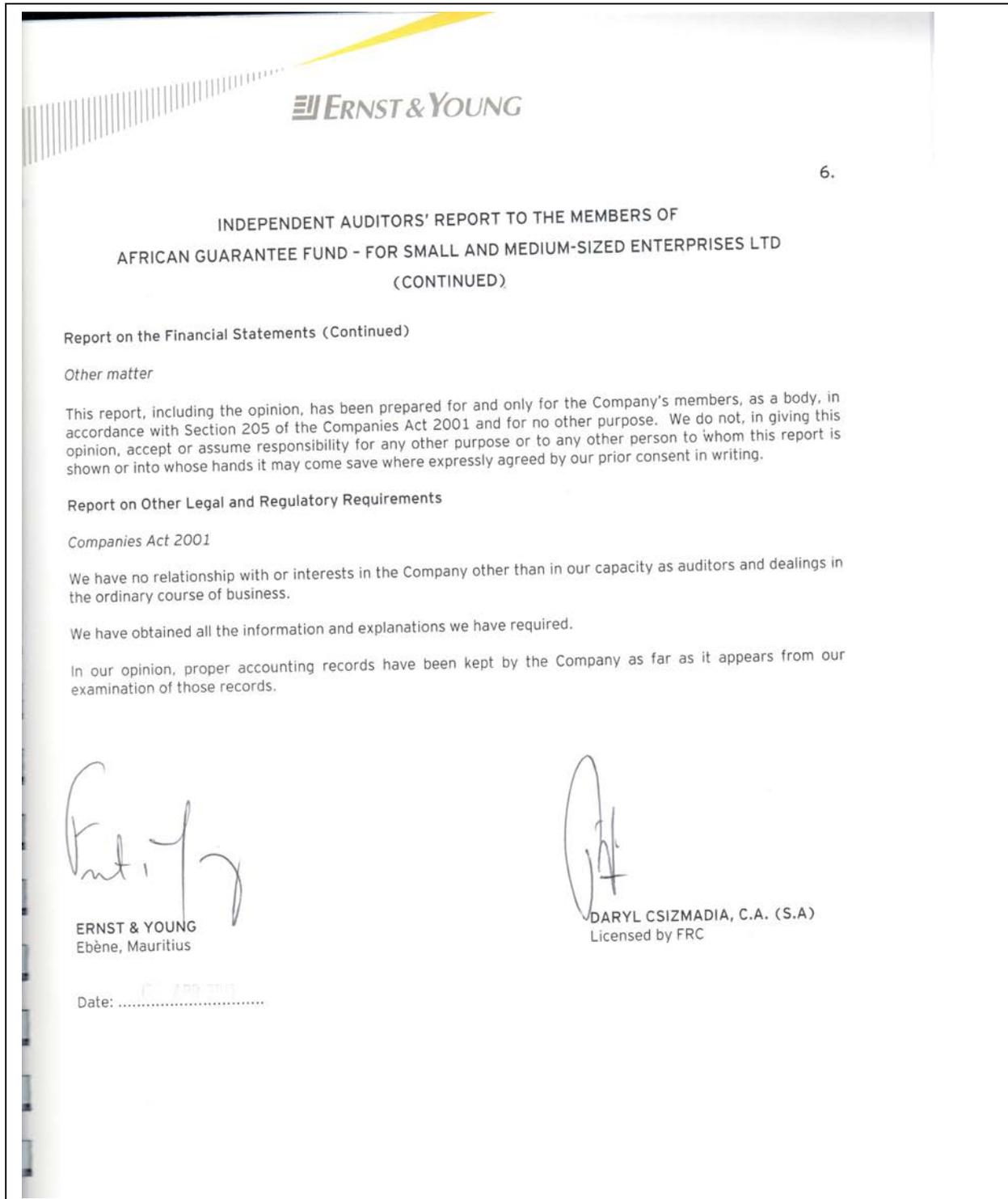
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 21 to 56 give a true and fair view of the financial position of the Company as at 31 December 2012, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

Independent Auditors' Report to the Members of African Guarantee Fund – For Small and Medium-Sized Enterprises Ltd (Cont'd)



Financial Statements

For the year ended 31 December 2012



Statement of Comprehensive Income

As at 31 December 2012

	Note	2012 USD	2011 USD
Income			
Income from guarantees:			
Assessment and commission fees		10,175	-
Total		10,175	-
Income from investments	7	47,410	257
Grant fund utilised	8	2,303,099	940,649
		2,360,684	940,906
Expenses			
Administrative and legal	10	(312,743)	(273,377)
Communication	10	(67,461)	(2,520)
Depreciation		(125,173)	(29,645)
Marketing	10	(354,788)	-
Net foreign exchange differences		(34,389)	(95,373)
Other expenses	10	(358,907)	(394,598)
Premises	10	(176,207)	(62,683)
Staff expenses	9	(1,053,842)	(21,827)
Travelling expenses		(252,575)	(60,883)
		(2,736,085)	(940,906)
Loss before tax		(375,401)	-
Income tax expenses	11	-	(530)
		(375,401)	(530)
Loss for the year / period		(375,401)	(530)
Other comprehensive income for the year/period		-	-
Total comprehensive income for the year/period		(375,401)	(530)

The notes on pages 26 to 56 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2012

	Note	2012	2011
Assets			
Cash and cash equivalents		48,295,959	29,770,513
Receivables and deposits	14	173,854	171,524
Prepayments		113,848	25,722
Intangible assets	13	207,390	-
Property and equipment	12	1,099,095	550,122
Total assets		49,890,146	30,517,881
Deferred income	8	-	1,304,739
Provision	16	46,400	-
Trade and other payables	15	211,586	88,001
Other liabilities	15	8,088	125,138
Income tax liability	11	-	530
Total liabilities		266,074	1,518,408
Net assets attributable to shareholders		49,624,072	28,999,473
Represented by:			
Issued capital	17	50,000,003	29,000,003
Accumulated losses		(375,931)	(530)
Total equity		49,624,072	28,999,473

Approved by the Board of Directors on XX April 2013 and signed on its behalf by:

.....
Director

.....
Director

The notes on pages 26 to 56 form an integral part of these financial statements.

Statement of Changes in Equity

As at 31 December 2012

	Issued capital	Accumulated losses	Total
	USD	USD	USD
As at 28 March 2011	-	-	-
Issue of shares	29,000,003	-	29,000,003
Loss/ Total comprehensive income for the period	-	(530)	(530)
At 31 December 2011	29,000,003	(530)	28,999,473
At 1 January 2012	29,000,003	(530)	28,999,473
Issue of shares	21,000,000	-	21,000,000
Loss/ Total comprehensive income for the year	-	(375,401)	(375,401)
At 31 December 2012	50,000,003	(375,931)	49,624,072

The notes on pages 26 to 56 form an integral part of these financial statements.

Statement of Cash Flows

As at 31 December 2012

	<u>Note</u>	<u>2012</u> USD	<u>2011</u> USD
Operating activities			
Loss before tax		(375,401)	-
<i>Adjustment for :</i>			
Finance costs		-	1,308
Depreciation of property and equipment	12	123,354	29,645
Depreciation of intangible assets	13	1,819	-
Net unrealized foreign loss	12	-	2,990
Write-off of tangible assets	12	3,211	-
Grant fund utilized	8	(2,303,099)	(940,649)
Provisions		46,400	-
		<u>(2,503,716)</u>	<u>(906,706)</u>
Working capital adjustments:			
Receivables and deposits		(109,641)	(9,465)
Prepayments		(88,126)	(43,729)
Trade and other payables		123,585	88,001
Other liabilities		(117,050)	125,138
		<u>(2,694,948)</u>	<u>(746,761)</u>
Interest paid		-	(1,308)
Tax paid		(530)	-
		<u>(2,695,478)</u>	<u>(748,069)</u>
Net cash used in operating activities			

The notes on pages 26 to 56 form an integral part of these financial statements.

Statement of Cash Flows (Cont'd)

As at 31 December 2012

	Note	2012 USD	2011 USD
Investing activities			
Acquisition of property and equipment	12	(568,227)	(579,767)
Acquisition of intangible assets	13	(209,209)	-
Net cash used in investing activities		(777,436)	(690,454)
Financing activities			
Proceeds from issue of ordinary share capital to shareholders		21,000,000	29,000,003
Grant received from shareholders	8	998,360	2,212,023
Net cash flows from financing activities		21,998,360	31,212,026
Net increase in cash and cash equivalents		18,525,446	29,773,503
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(2,990)
Cash and cash equivalents at beginning of year/period		29,770,513	-
Cash and cash equivalents at end of year/period		48,295,959	29,770,513
Cash and cash equivalent is made up of:			
Cash in hand		8,245	-
Cash at bank		48,287,720	29,770,513
		48,295,965	29,770,513

The notes on pages 26 to 56 form an integral part of these financial statements.

Notes to the Financial Statements

As at 31 December 2012

1. GENERAL INFORMATION

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

The registered office is located at C/o Consilex Ltd, 4th Floor, Les Jamalacs Building, Vieux Conseil Street, Port-Louis.

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

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

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

The financial statements of the Company for the period ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 5th April 2013.

2. BASIS OF PREPARATION

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

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Basis of measurement

The financial statements have been prepared under the historical cost basis and are presented in US Dollars (USD), which is also the Company's functional currency.

Use of estimates and judgements

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

Notes to the Financial Statements

As at 31 December 2012

3. CHANGE IN ACCOUNTING STANDARDS

3.1. ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED DURING THE YEAR

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations adopted in the year commencing 1 January 2012:

	Effective for accounting period beginning on or after
IFRS 7 Financial Instruments	01 July 2011
IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets	01 January 2012

IFRS 7 Financial Instruments

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and had no effect on the Company's financial position, performance or its disclosures.

Notes to the Financial Statements

As at 31 December 2012

3. CHANGE IN ACCOUNTING STANDARDS (Cont'd)

3.2. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Cont'd)

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and is not expected to have any impact on the Company.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

Notes to the Financial Statements

As at 31 December 2012

3. CHANGE IN ACCOUNTING STANDARDS (Cont'd)

3.2. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Cont'd)

IFRS 1 Government Loans - Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Company.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have no effect on the classification and measurement of the Company's financial assets and financial liabilities.

Notes to the Financial Statements

As at 31 December 2012

3. CHANGE IN ACCOUNTING STANDARDS (Cont'd)

3.2. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Cont'd)

IFRS 10 Consolidated Financial Statements

IFRS 10 is effective for annual periods beginning on or after 1 January 2013. The standard replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Company.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the financial position of the Company. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Notes to the Financial Statements

As at 31 December 2012

3. CHANGE IN ACCOUNTING STANDARDS (Cont'd)

3.2. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Cont'd)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements and which have been applied consistently are set out below:

Foreign currency

The Company's functional and presentation currency is the United States Dollar ("USD"), which is the currency of the primary economic environment in which it operates. Therefore, the USD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Cash and cash equivalents

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

Notes to the Financial Statements

As at 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity and investment purposes. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised/ (derecognised) on the date the Company commits to purchase/(sell) the instruments (trade date accounting).

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured at either fair value or amortised cost, depending on their classification as follows:

Held to maturity investments

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

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate (EIR) method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within other expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Notes to the Financial Statements

As at 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Impairment of financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

Asset carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Notes to the Financial Statements

As at 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Financial guarantee contracts

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

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

Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

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

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where The Company has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by The Company is recognised as a separate asset or liability.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts being recognised in profit or loss.

Notes to the Financial Statements

As at 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and equipment

Equipment, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Costs that are subsequently incurred are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Company and the cost of the item can be measured reliably. Expenditure which does not meet these criteria is recognised 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:

Office, furniture and office equipment	3 to 8 years
Computer and accessories	3 to 5 years
Motor vehicles	3 to 5 years

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

Intangible assets

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

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

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if necessary. The useful life of the software is 5 years

Notes to the Financial Statements

As at 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 amortisation 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 recognised 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 realisation 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 recognised 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 recognised 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 amortisation, if no impairment loss had been recognised.

Leased assets

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

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

Notes to the Financial Statements

As at 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Company's control.

Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

Tax

Direct taxation

Direct taxation includes current and deferred tax. Current tax and deferred tax are recognised in profit or loss or items recognised directly in equity or in OCI.

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

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

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

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

Notes to the Financial Statements

As at 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Tax (Cont'd)

Indirect taxation

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

Related party transactions

Related parties are companies where the individual or company has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Employee benefits

Post-employment benefits – defined contribution plans

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

Termination benefits

Termination benefits are recognised as an expense when the Company is 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 recognised as an expense if The Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the Company has 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.

Notes to the Financial Statements

As at 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred income and released to profit or loss on a systematic and rational basis over the expected useful life of the related asset.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes.

Assessment fee and commission revenue

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

Utilization fee

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

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

Interest income

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

Notes to the Financial Statements

As at 31 December 2012

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Going concern

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

Functional currency

The determination of functional currency of the Company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The directors have considered those factors therein and have determined that the functional currency of the Company is the United States Dollar ("USD").

Deferred tax assets

The accounting policy for the recognition of deferred tax assets is described in accounting policy pertaining to Tax. A deferred tax asset is recognised to the extent that it is probable that suitable future taxable profits will be available against which deductible temporary differences can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of suitable future taxable profits, future reversals of existing taxable temporary differences and planning strategies. Deferred tax asset has not been recognised as the Company is still in its start-up phase and management is not expecting any liability with respect to income tax to arise in a foreseeable future.

Depreciation of tangible and intangible assets

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

Notes to the Financial Statements

As at 31 December 2012

6. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk, market risks, operational risks and interest rates risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on The Company's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors of the Company has established the Treasury Management, Investment/Guarantee, Capacity Development and Committees, which are responsible for developing and monitoring the Company risk management policies in their specified areas. All board committees report regularly to the Board of Directors on their activities.

Credit risk

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

	Financial assets held to maturity		Financial assets at fair value to profit or loss		Loans and receivables		Available for sale	
	2012	2011	2012	2011	2012	2011	2012	2011
	USD	USD	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	-	-	-	-	48,295,959	29,770,513	-	-
Trade & other receivables	-	-	-	-	173,854	42,830	-	-
Total	-	-	-	-	48,469,813	29,813,343	-	-

Notes to the Financial Statements

As at 31 December 2012

6. FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk (Cont'd)

The Company has adopted a policy only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as mean of mitigating the risk of financial loss from defaults. The cash at bank are maintained with reputable financial institutions.

	2012			2011		
	Balance	Rating		Balance	Rating	
	USD	Short Term	Long Term	USD	Short Term	Long Term
Barclays Bank(*)	34,182,792	A-1	A+	-	A-1	A+
CFC Stanbic (**)	202,273	B	BB-	770,523	-	-
Commercial Bank of Africa (****)	1,141,517	-	-	-	-	-
Ecobank (***)	761,138	B	B-	-	-	-
HSBC (*)	12,000,000	A-1	A+	28,999,990	A-1	A+
Total	48,287,720			29,770,513		

(*) Rating by Standard & Poors

(**) Rating by Moody's

(***) Rating by Fitch

(****) No independent rating available

Notes to the Financial Statements

As at 31 December 2012

6. FINANCIAL RISK MANAGEMENT (Cont'd)

Market risk

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

Interest rate risk

The Company is exposed to cash flow interest rate risk from its investments. It is currently the Company's policy that 100% of its investments are at fixed interest rates.

Foreign exchange risk

Foreign currency is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency risk.

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

	EURO		KES		DKK	
	2012	2011	2012	2011	2012	2011
	USD	USD	USD	USD	USD	USD
Financial assets	12,069	20,506	5,354,569	1,468,932	-	191,574
Financial liabilities	-	-	(7,989,442)	(7,620,046)	-	(191,574)
Net exposure by foreign currency	12,069	20,506	(2,634,873)	(6,151,114)	-	-
Closing rate	1.32	1.29	85.59	86.21	5.64	5.74
Net exposure in USD	15,949	26,553	(30,783)	(71,353)	-	-

Notes to the Financial Statements

As at 31 December 2012

6. FINANCIAL RISK MANAGEMENT (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. 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 Company's reputation.

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

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

	Financial liabilities at amortised cost	
	2012	2011
	USD	USD
	On demand	On demand
Trade and other payables	211,586	88,001
Other liabilities	8,089	125,138
Total	219,675	213,139

Notes to the Financial Statements

As at 31 December 2012

6. FINANCIAL RISK MANAGEMENT (Cont'd)

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 Company's operations.

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

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

- Ethical and business standards.
- Requirements for appropriate segregation of duties, including the independent authorisation 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 Company's standards is supported by a programme of regular reviews undertaken by the Internal Control department. The results of internal audit reviews are discussed with the management of the department to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

Capital management

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

Notes to the Financial Statements

As at 31 December 2012

7. INCOME FROM INVESTMENTS

	2012	2011
	USD	USD
Interest received on fixed-term deposits	47,410	257
	47,410	257

8. DEFERRED INCOME

	USD
	Deferred Income
At 28 March 2011	
Grant received from DANIDA	2,089,300
Expenses directly paid/payable by DANIDA	156,088
Released to profit or loss	(940,649)
At 31 December 2011	1,304,739
At 1 January 2012	1,304,739
Grant received from DANIDA	998,360
Released to profit or loss	(2,303,099)
As at 31 December 2012	-

Notes to the Financial Statements

As at 31 December 2012

9. STAFF EXPENSES

Staff costs comprise:

	2012	2011
	USD	USD
Wages and salaries	748,918	17,719
Short-term monetary benefits	135,971	788
Short-term non-monetary benefits	103,619	3,299
Defined contribution pension cost	65,123	-
Social security contributions and similar taxes	211	21
	1,053,842	21,827

10. EXPENSES BY NATURE

	2012	2011
	USD	USD
Consultancy	111,334	18,193
Board costs	81,843	27,512
Work permits	41,096	1,995
Administration and set-up fees	40,025	127,558
Legal and tax advisory fees	31,735	91,936
Other	6,710	6,183
Administrative & Legal	312,743	273,377
Telephone	56,822	1,670
Courier and Postage	7,149	-
Other	3,490	850
Communication	67,461	2,520

Notes to the Financial Statements

As at 31 December 2012

10. EXPENSES BY NATURE (Cont'd)

	2012	2011
	USD	USD
Advertising	351,134	-
Other	3,654	-
Marketing	354,788	-
Staff recruitment	181,850	135,055
Staff training	47,500	-
Consultancy	42,520	245,956
Audit fees	35,808	3,450
Office supplies	24,836	1,145
Other	16,051	5,497
Computer maintenance cost	5,199	-
Bank charges	5,143	3,495
Other expenses	358,907	394,598
Rent	121,171	62,683
Service charges	26,684	-
Security and maintenance	11,763	-
Parking and electricity	14,963	-
Insurance	1,626	-
Premises	176,207	62,683

Notes to the Financial Statements

As at 31 December 2012

11. TAX EXPENSE

The Company being the holder of a Mauritian Category 1, Global Business Licence, is liable to income tax at the rate of 15% on its profit as adjusted for tax purposes. It is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of Mauritian tax chargeable on its foreign source income.

Deferred tax asset has not been recognised as the Company is still in its start-up phase and management is not expecting any taxable income to exceed existing unutilised tax losses in the foreseeable future.

	<u>2012</u> USD	<u>2011</u> USD
Current tax expense in respect of the current year	-	530

The income tax expense for the year can be reconciled to the accounting profit or loss for the period ended 31 December as follows:

	<u>2012</u> USD	<u>2011</u> USD
Loss before tax	(375,401)	-
- Start-up cost	-	90,507
- Unrealized foreign exchange (gain)/loss	-	19,743
- Depreciation of intangible assets	1,819	-
- Depreciation of property and equipment	123,354	29,645
Non allowable expenses	125,173	139,895
Capital allowance for the year/period	(249,286)	(122,253)
Adjusted (loss)/profit for tax purpose	(499,514)	17,642
Income tax expense calculated at 15%	(74,927)	2,647
Foreign tax credit	-	(2,117)
Deferred tax asset not recognized	74,927	-
Income tax expense reported in profit or loss	-	530

Notes to the Financial Statements

As at 31 December 2012

11. TAX EXPENSE (Cont'd)

The unused tax losses not recognised in the books at 31 December 2012 amounts to USD 499,514 (2011: Nil). Deferred tax asset has not been recognised in respect of tax losses carried forward as the Directors consider that it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

Notes to the Financial Statements

As at 31 December 2012

12. PROPERTY AND EQUIPMENT

	Office equipment	Fittings	Furniture	Computer equipment	Motor vehicles	Assets under construction	Total
	USD	USD	USD	USD	USD	USD	USD
COST							
At 28 March 2011	-	-	-	-	-	-	-
Addition	94	-	-	4,249	99,000	476,424	579,767
At 31 December 2011	94	-	-	4,249	99,000	476,424	579,767
Addition	154,832	92,693	155,746	29,229	-	135,727	568,227
Transfer from assets under construction	-	476,424	-	-	-	(476,424)	-
Transfer from deposits	-	-	70,246	37,065	-	-	107,311
Write offs	(94)	(3,095)	-	(22)	-	-	(3,211)
At 31 December 2012	154,832	566,022	225,992	70,521	99,000	135,727	1,252,094
DEPRECIATION							
As at 28 March 2011	-	-	-	-	-	-	-
Charge for the period	(12)	-	-	(1,354)	(28,279)	-	(29,645)
At 31 December 2011	(12)	-	-	(1,354)	(28,279)	-	(29,645)
Charge for the period	(19,342)	(70,443)	(16,479)	(12,369)	(4,721)	-	(123,354)
At 31 December 2012	(19,354)	(70,443)	(16,479)	(13,722)	(33,000)	-	(152,999)
NET BOOK VALUE							
At 31 December 2012	135,478	495,579	209,513	56,798	66,000	135,727	1,099,095
At 31 December 2011	82	-	-	2,895	70,721	476,424	550,122

Notes to the Financial Statements

As at 31 December 2012

13. INTANGIBLE ASSETS

	Software	Website	Assets under construction	Total
	USD	USD	USD	USD
COST				
At 28 March 2011 and 31 December 2011	-	-	-	-
Additions	7,605	14,664	186,940	209,208
At 31 December 2012	7,605	14,664	186,940	209,209
DEPRECIATION				
At 28 March 2011 and 31 December 2011	-	-	-	-
Charge for the period	(108)	(1,711)	-	(1,819)
At 31 December 2012	(108)	(1,711)	-	(1,819)
NET BOOK VALUE				
At 31 December 2012	7,497	12,953	186,940	207,390
At 31 December 2011	-	-	-	-

14. RECEIVABLE AND DEPOSITS

	2012	2011
	USD	USD
Amount receivable from the Danish Government (DANIDA) (Note 18)	-	33,365
Other receivables	120,443	9,465
Deposits	53,411	128,694
	173,854	171,524

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

Other receivables are interest free and are repayable on demand.

Notes to the Financial Statements

As at 31 December 2012

15. PAYABLES AND OTHER LIABILITIES

	<u>2012</u>	<u>2011</u>
	USD	USD
Trade payables	96,881	51,186
Accrued payables	<u>114,705</u>	<u>36,815</u>
	<u><u>211,586</u></u>	<u><u>88,001</u></u>

Book values approximate to fair value at 31 December 2012 and 2011.

Payables and other liabilities are interest free and are repayable on demand.

	<u>2012</u>	<u>2011</u>
	USD	USD
Contractor retention	9,398	41,912
VAT payable	2,973	25,738
Withholding	(4,735)	55,626
Sundry liabilities	<u>453</u>	<u>1,862</u>
	<u><u>8,089</u></u>	<u><u>125,138</u></u>

16. PROVISION

	<u>2012</u>	<u>2011</u>
	USD	USD
At 1 January/ 28 March	-	-
Provisions made during the year	<u>46,400</u>	<u>-</u>
At 31 December	<u><u>46,400</u></u>	<u><u>-</u></u>

The provision made during the year is in respect of a pending dispute with a supplier. The amount has been set to cover the maximum expected loss to the Company on the resolution of this dispute with the supplier.

Notes to the Financial Statements

As at 31 December 2012

17. SHARE CAPITAL

	Issued and fully paid share capital			
	2012		2011	
	Number	USD	Number	USD
Class B share	1,000	10,000,000	100	1,000,000
Class C share	4,000	40,000,000	2,800	28,000,000
Class D share	3	3	3	3
	5,003	50,000,003	2,903	29,000,003

The Company has four classes of shares namely Class A Share, Class B Share, Class C Share and Class D share.

The Company issued 1,200 Class C shares and 900 Class B shares with a par value of 100 USD per share during the year ended 31 December 2012.

Share rights on dividend, on redemption, voting and liquidation are defined below:

Class A Share, Class B Share and Class C Share

Class A Share, Class B Share and Class C Share shall confer on its holder the right to receive non-cumulative Target Dividends and in accordance with Clause 15 of the constitution of the Company.

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

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

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

Class D Share

Class D Share shall not be entitled to any dividend. Class D Share shall not be redeemable.

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

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

Notes to the Financial Statements

As at 31 December 2012

18. RELATED PARTY TRANSACTIONS

During the period ended 31 December 2012, the Company transacted with related entities. Details of the nature, volume of transactions and the balances with the related entities are as follows:

Related Party	Relationship	Description of transaction	2012 USD	2011 USD
Statement of comprehensive income				
DANIDA on behalf of Ministry of Foreign Affairs of Denmark	Shareholders	Grant and invoices paid/payable	998,360	2,245,388
Independent Directors	Directors	Director Fees	23,280	-
		Reimbursement of travel expenses	4,227	-
			<u>1,025,867</u>	<u>2,245,388</u>
Statement of financial position:-				
DANIDA on behalf of Ministry of Foreign Affairs of Denmark	Shareholders	Receivable from DANIDA	-	33,365
		Deferred income	-	<u>1,304,739</u>

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2011, the Company has not recorded any impairment of receivables.

Notes to the Financial Statements

As at 31 December 2012

19. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	<u>2012</u> USD	<u>2011</u> USD
Financial guarantees issued	<u>1,023,000</u>	<u>-</u>
	<u>1,023,000</u>	<u>-</u>

Other commitment

The Company has committed to pay USD 400,000 for the outfitting of another floor space in its office in Kenya. Construction work will be completed by end of February 2013.

Operating lease commitments

The lease is for a period of six years. The future minimum payments under non-cancellable operating leases are as follows:

	<u>2012</u> USD	<u>2011</u> USD
Properties		
Within 1 year	148,825	74,520
After 1 year but within 5 years	564,251	298,082
After 5 years	30,960	43,470
	<u>744,036</u>	<u>416,072</u>

Legal proceedings

Based upon available information and, where appropriate, legal advice being sought, the directors do not believe that there are any potential proceedings or other claims which will have a material adverse impact on the Company's financial position except those already accounted under Note 16.

20. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting date which require disclosure in or amendment to these financial statements.

The gradual target is to operate in all of Africa by the end of 2015.



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