



A Guarantee For African Growth



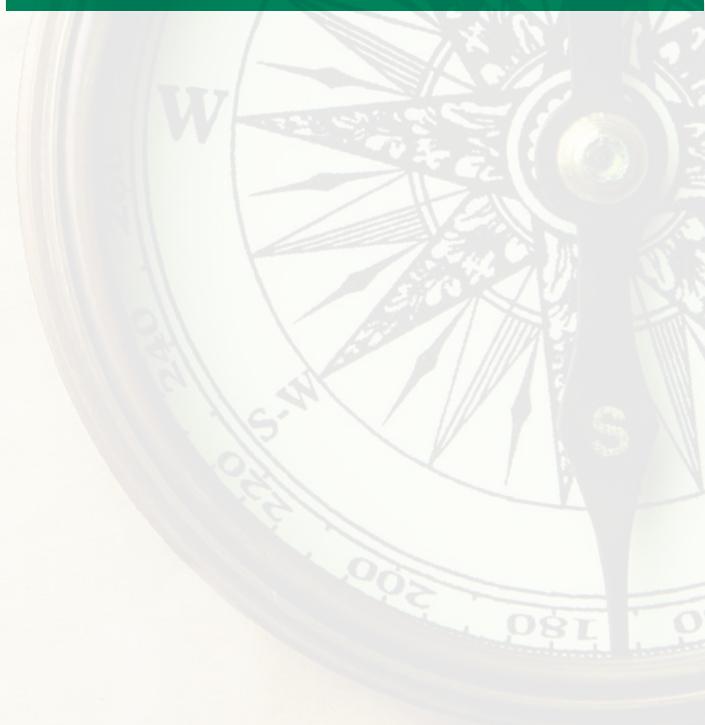
ANNUAL REPORT
& FINANCIAL STATEMENTS

2015

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“African Guarantee Fund (AGF) is the link that will enable African banks to execute their SME banking strategies effectively, while bringing their businesses to the required scale and thus enabling SMEs to play their expected role in fostering African economic development”

Felix A. Bikpo

Chief Executive Officer, AGF

1. Message from the CEO

Dear Shareholders,

It is with great pleasure that I present to you the status of the African Guarantee Fund as at the year ended 31 December, 2015. Indeed, 2015 was a year of significant developments with far-reaching implications. The recovery of the global economy, which followed the international financial crisis, has remained modest, amid slowing world trade, moderating growth in the emerging economies and the ongoing concerns on the durability of the economic recovery in the advanced economies. Three key transitions influenced the world economy:

- the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services;
- lower prices of energy and other commodities; and
- a gradual tightening in monetary policy in the United States in the context of a resilient U.S. economy recovery, as several other major advanced economies' central banks continue to ease monetary policy.

In Africa, the importance of the continued decline in commodity prices (specifically metals and oil) has given rise to balance of payments challenges that affected the growth in Africa's commodity-producing countries. While growth in Sub Saharan Africa was, overall, relatively strong, there was considerable divergence in economic growth between the continent's oil-importing and commodity-producing countries. In addition to the Ebola disease that the West and the Central African region suffered, the key risk variable was the USD, due to the fact that most global-traded commodities are priced in USD.

It was difficult to forecast an abrupt reversal in the USD strength (the drivers of the USD strength remain firmly in place, interest rate differential remains much higher and QE in EU and Japan will extend the USD strength) which was needed to see a rebound in oil prices. But while USD strength was making Africa's currencies look weak, this was far from the case on a trade-weighted basis or against the EUR. Pressure from lower food and fuel prices and further quantitative easing in the EU would have provided a supportive disinflationary backdrop for local rates globally.

Because of all of that, the continent grew at only 3.5% compared to the 5% of the previous year. This was the environment in which we operated during the year 2015.

The above economic challenges notwithstanding, the year 2015 was a good year for the African Guarantee Fund, and I am happy to report that we achieved significant successes in implementing the 4th year of our strategic plan. The plan formed the bedrock in delivering impressive performance during 2015.

Financial Review

In 2015, more than breaking even, AGF has recorded a profit of USD 3.4 million. More importantly the level of profit generated this year helps our institution to absorb all the losses made during the first 3 years of operation.

In short, the initial capital granted by the founding Shareholders is totally restored, and the Shareholders funds are strengthened.

The key drivers of net earnings growth were benefits from our efforts in:

- strengthening our portfolio
- diversifying our revenue base
- increasing the efficiency of our operations
- carefully managing costs
- implementing a more market oriented adaptive approach to partnering with the financial institutions and,
- our latest acquisition of GARI Fund

At the same time, we continued to strengthen our capital base to enable us unlock its full potential and maintain the progress of our mission.

To this end, we welcomed the French Development Agency (AFD) within the AGF Shareholders family in December 2015, with a capital injection of USD 14 million.

Business Performance

Given that economic conditions were generally subdued across a number of key markets, AGF business performances were particularly pleasing.

In 3 full years of standing up, the African Guarantee Fund has developed a portfolio of guaranteed lending of USD 230 million in 35 countries in Africa and still counting.

Partner Financial Institutions (PFIs) are critical channels for us to reach our primary target – the SMEs. Their numbers and subsidiaries have been growing and stood respectively at 37 PFIs and 107 subsidiaries.

We have facilitated 1,300 SMEs to access loans, helping them to create more than 11,000 additional jobs, and USD 80 million in additional revenues.

At AGF, we encourage active participation of women and youth in ownership and management of SMEs. As at the end of 2015, 35% of the SMEs we supported were owned or led by women, while 85% by youth. AGF is committed to achieve its social, economic, and environmental goals and we are gradually succeeding.

Furthermore, one of the most significant achievements during 2015 was the acquisition of the Guarantee Fund for Private Investment in West Africa (GARI FUND). This is in line with the strategy approved by your Board of Directors in the 5-year business plan. The acquisition was an opportunity to increase our capital base with AFD increasing the capital of AGF, by the way of a swap of shares. This has a great potential of reinforcing the financial sustainability of your Institution, which will result in stronger operational and social additionalities.

A Reflection

As we close our 5 financial years, I look back with pride at the acceptance of the new institution by the African and international financial markets. We look forward to meeting the needs of young Africans, as we contribute to the continent's development. I can confirm to you that today, AGF is no longer just a concept but a real institution, the first African institution wholly dedicated to mobilizing private resources for SME development on this continent.

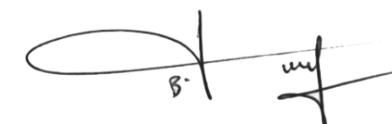
At this stage, I would like to sincerely thank our current partners, the banks and other financial institutions which had confidence in us, and decided to finance the SME's with our support. We are looking forward to significantly increasing the number of these partners in the continent year after year.

Looking Ahead

The beginning of 2016 has seen volatility in the world's financial markets especially in Africa. This can impact the banking sector. The seasonally strong first quarter might turn out to be challenging for the sector overall. In this period of market turbulence, AGF must remain very solid to provide the necessary comfort to the banking sector.

In order to remain strong, our number one goal at this point is to continue raising additional capital on which to leverage, and to seek partnerships with other guarantors with whom we share the approach and philosophy that are grounded in true risk-sharing.

In conclusion, I would like to most sincerely thank the Board members whose guidance ensures that we remain in the path to achieving our vision of being the leading non-bank Financial Institution, which meets the needs of Africa's financing providers, effectively serving SMEs, maintaining our organizational values, and delivering on our mission of promoting economic development and poverty reduction in Africa. I also take this opportunity to thank our staff for their diligence and hard work, and for the good operational performance we have achieved. These are dedicated professional individuals who toil and strive every day to make our vision a reality.



Felix BIKPO,
Chief Executive Officer



2. Corporate Information

2.1 Important facts about AGF

The African Guarantee Fund for Small and Medium-sized Enterprises (AGF) was established in 2011 as a non-bank financial institution. This was a joint initiative of the Danish Government/DANIDA, the Spanish Government/AECID, the African Development Bank, and recently joined by the French Government/AFD. AGF started its operations in 2012.

AGF's mission is to contribute to economic growth and poverty reduction in Africa through enhanced access to finance for Small and Medium-sized Enterprises by providing financial guarantees to Partner Financial Institutions (PFIs). AGF's financial guarantees are combined with Capacity Development support for PFIs and SMEs to enhance their businesses and mitigate risks.



Administrator & Secretary

Kross Border Corporate Services Ltd.

St. Louis Business Center
Cnr Desroches & St. Louis Streets
Port Louis, Mauritius

Registered Offices

Mauritius

Kross Border Corporate Services Ltd.
St. Louis Business Center
Cnr Desroches & St. Louis Streets
Port Louis, Mauritius

Legal Advisers

Uteem Chambers

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

Auditors

Ernst & Young, Mauritius

Level 9, NeXTeracom, Tower 1
Cybercity
Ebene
Republic of Mauritius

Banks

Commercial Bank of Africa

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

Barclays Bank PLC (Mauritius)

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

Ecobank

Gikomba Branch
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P.O. Box 49584 -00100
Nairobi
Kenya

Barclays Bank PLC (UK)

Level 16
1 Churchill Place
London, E14 5HP
United Kingdom

Kenya

3rd & 7th Floors
Mayfair Centre
Ralph Bunche Road
P.O. Box 57795-00200
Nairobi, Kenya

Daly & Inamdar

6th Floor
ABC Towers, ABC Place,
Waiyaki Way
P.O. Box 40034-00100
Nairobi, Kenya

CFC Stanbic Bank

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

Board of Directors

The Board of Directors 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 efficiently.



Abdoulaye Bio TCHANÉ
Chairman



Morten Christiansen
Representing the Danish
Government



**Fakr-ud-deen Ali
Peerbux**
Independent
(Up to 30 Jun.15)



Lilian Wanjiru Macharia
Representing the African
Development Bank
(Up to 15 Aug.15)



Riad Aubdool
Independent



Andrew E. Temu
Independent



Luis Barranco Duque
Representing the Spanish
Government
(Up to 5 Aug.15)



Juneid Kodabux
Independent



Baba Issah
Independent



OUR SHAREHOLDERS & PARTNERS

Shareholders



Danish International
Development Agency



Spanish Agency for International
Cooperation and Development



African Development
Bank



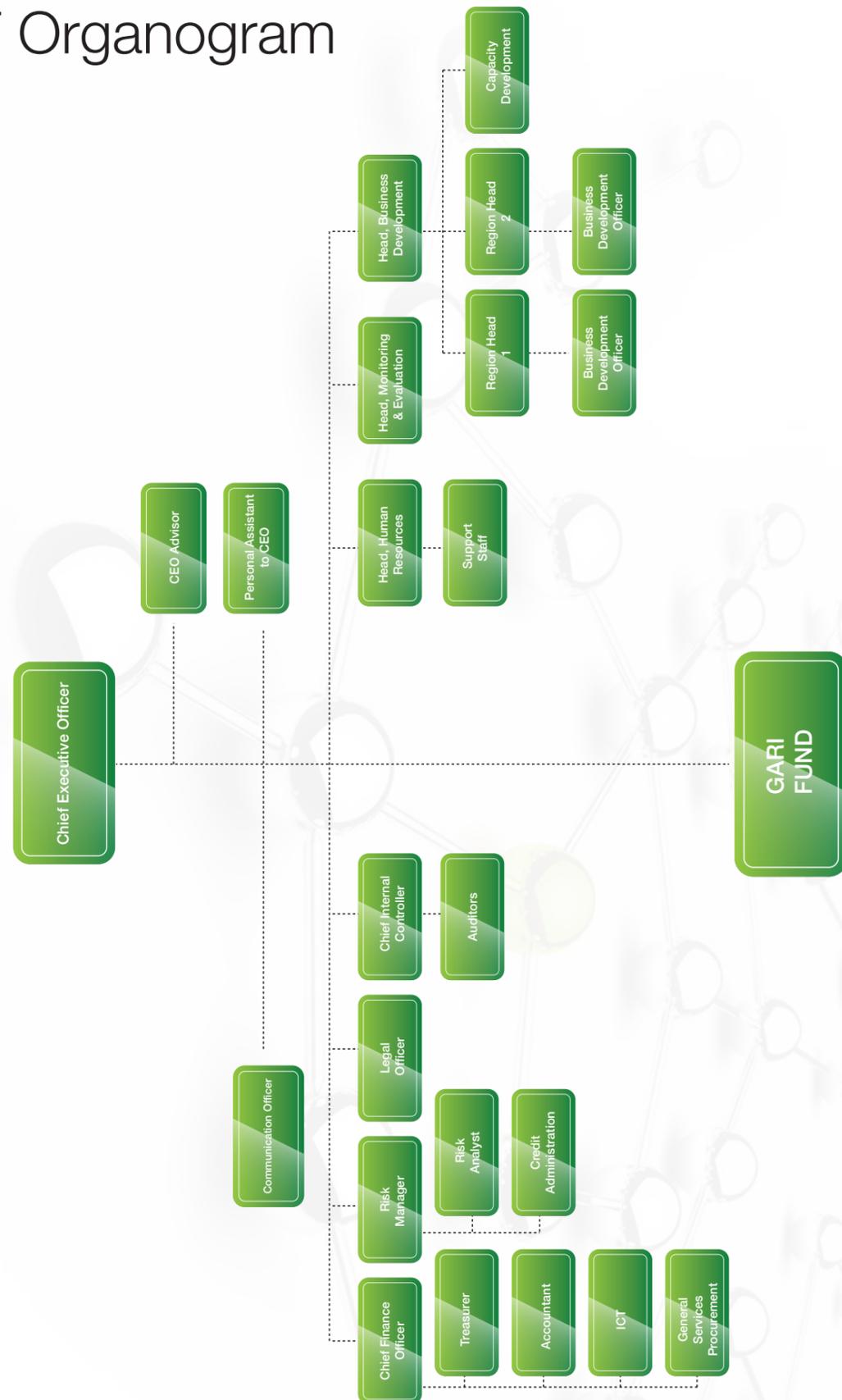
French Development
Agency

Development Partner



Swedish International Development Cooperation Agency

AGF Organogram



Management Team

The Management Team is the Human Resource engine propelling AGF



Felix Adahi BIKPO
Chief Executive Officer



Adidja ZANOVI
Chief Internal Controller



Jean Paul MIGAN
Head, Business Development



Joshua OBENGELE
Acting Risk Manager



Josphat NGARUIYA
Head, Human Resources



David EKABOUMA
Head, Structured Finance & New Products



Emmanuel RUTSIMBA
Head, Monitoring & Evaluation



Jules NGANKAM
Chief Financial Officer



John WASIELEWSKI
CEO Advisor

Our Team

With a team of committed, high quality staff at AGF, we continue to make a valuable, sustainable, and positive impact on the SME landscape in the countries where we operate.



Corporate Information (continued)

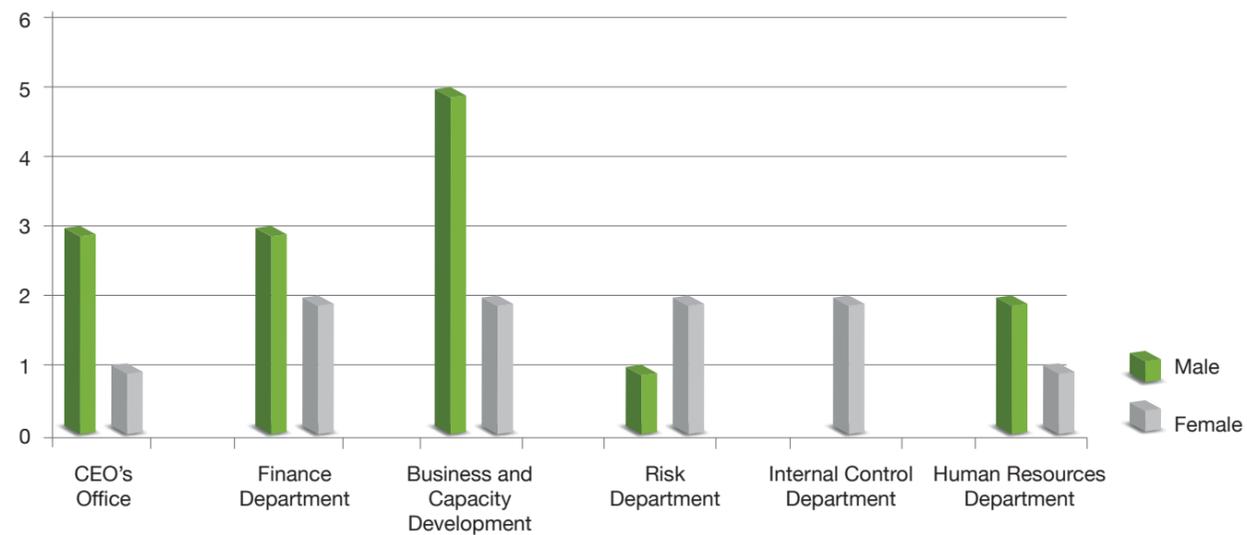


Staff diversity with a unity of purpose

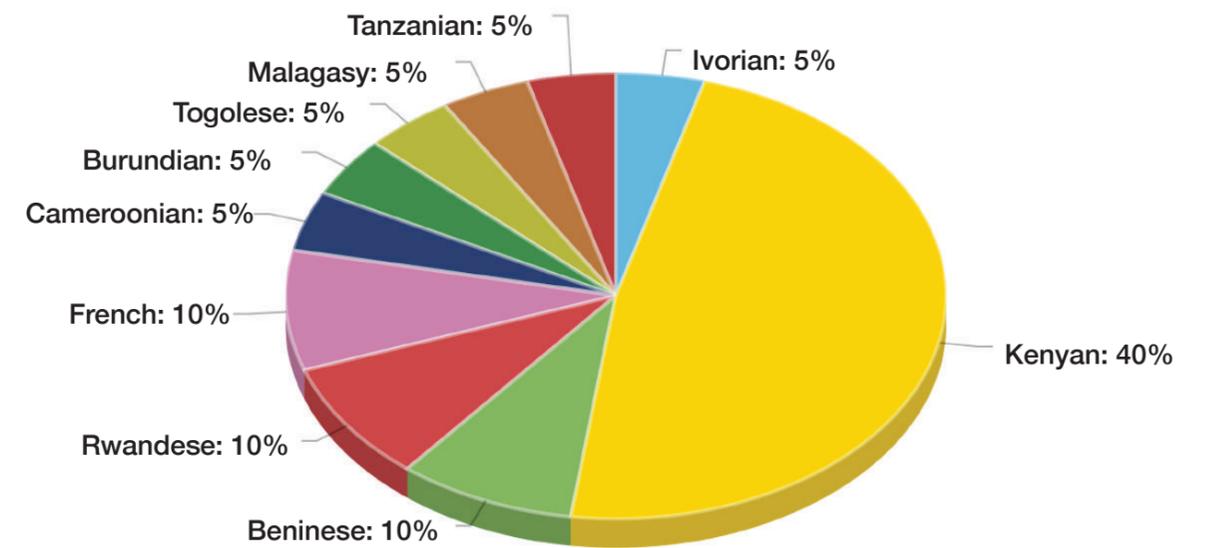
AGF Group Workforce Demographics

The graph below illustrates the AGF workforce diversity by gender and the departments to which they are attached.

In the AGF-Kenya office, gender distribution stands at 58% (male) and 42% (female).



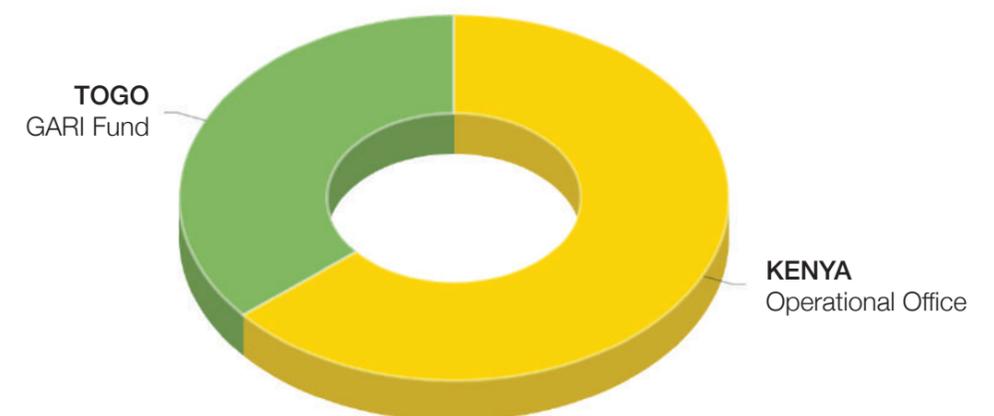
Workforce Diversity by Nationality



With the acquisition of the GARI Fund, the AGF team has tremendously grown both in size and capacity.

As the AGF Group expands, the staff concentration is based in two countries as follows:

AGF Group Staff Distribution



Statement of Corporate Governance

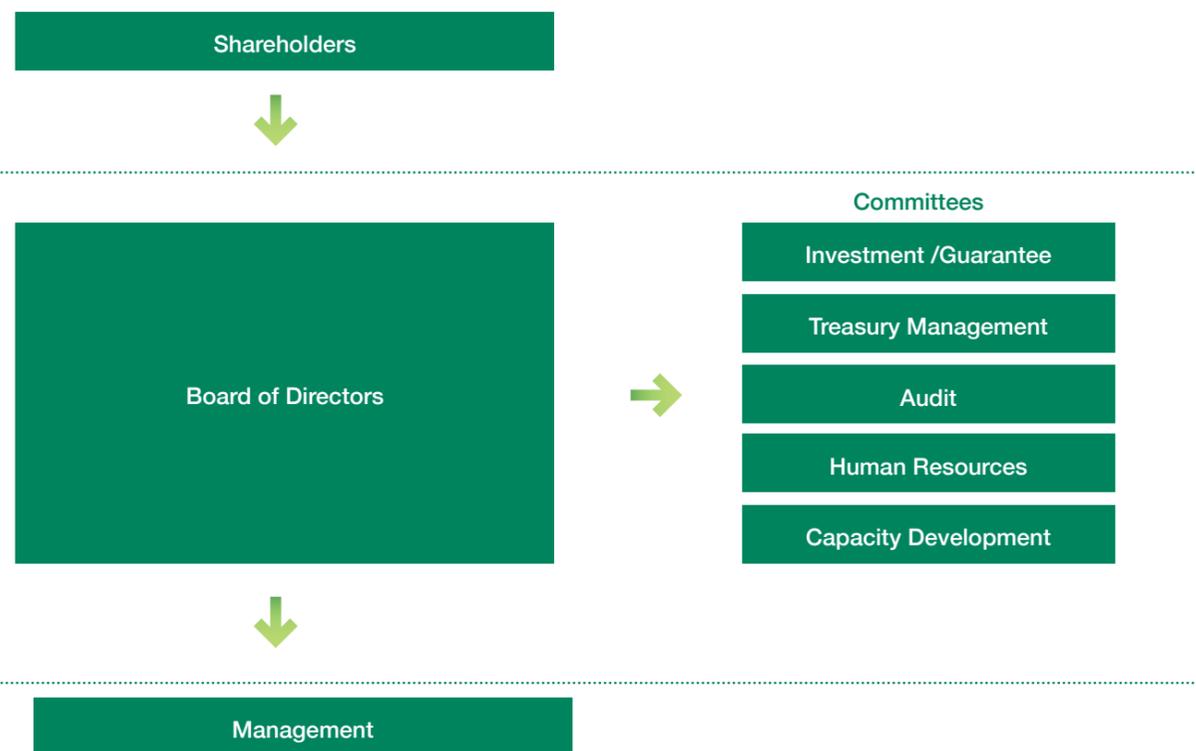


3. Statement of Corporate Governance

One of the African Guarantee Fund's core values is effective Corporate Governance. The Board of Directors (BOD) of AGF is at the core of AGF's system of corporate governance and is ultimately accountable and responsible for the performance and affairs of the Company. Good Corporate Governance is regarded as critical to the success of the business of the Company and the Board is unreservedly committed to applying the fundamental principles of good governance - transparency, integrity, accountability and responsibility - in all dealings by, in respect of and on behalf of the company. The Board of Directors is the representative of the shareholders and has the duty of validating financial results, review of Group

performance, protecting assets, and advising the CEO on strategy. Directors are also responsible for ensuring proper and sound Corporate Governance within the Group. AGF is vigilant to uphold best practice in Corporate Governance. In this regard, the Board has entrenched company policies and guidelines in line with the regulatory framework of our areas of operation.

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



Board of Directors

The Board is the principal governing organ of the company. The key roles of the Board are:

- To act as the custodian of the Company's resources: The Board acknowledges that the fiduciary responsibility over the assets and actions of company lies with the Board of Directors. This promotes accountability to shareholders and transparency in disclosure of information.
- To provide leadership and business direction: The Board has continuously supported the Company's growth strategy and plays a prominent role in the strategy-development process.

The Board participates in strategy formulation and also supports management in the realization of long-term and short-term business strategies by providing oversight, adequate resourcing, setting targets, and following up on the implementation of strategy and objectives of the business.

Board Composition

All Directors, except the Chief Executive Officer, are non-executive directors. The Company Secretary is present in all meetings and is responsible for ensuring that all the Board procedures are followed and plays an active role in the improvement and monitoring of Corporate Governance.

Division of Responsibilities

The roles of Chairman and Chief Executive Officer are separate. The Chairman leads the Board in agreeing on strategy, monitoring operational and financial performance, and establishing the Group's risk appetite. The Chairman also facilitates effective contribution of non-executive directors and constructive relations between the Executive Director and Non-Executive Directors.

The Chief Executive Officer has the direct charge of day to day business of the Group, and is accountable to the Board for the financial and operational performance of the Group.

The Non-Executive Directors constructively challenge and help develop proposals on strategy, review the performance of management in meeting the agreed objectives, and monitor the reporting of performance. They seek assurance on the integrity of the financial information, and safeguard that the financial controls and systems of risk management are robust and defensible.

Delegated Authority

The Board has approved the delegation of certain authorities to the Board Committees and to the Management. The various Board Committees have specific directives to ensure that

relevant issues are attended to with proper considerations. The Board has established the following

Committees, whose mandates, terms of reference, and memberships are spelt out as follows:

The Investment/Guarantee Committee

This committee is responsible for advising on the policies and guidelines for origination, appraisal, structuring and approval of guarantees to be approved by the Board and executed by the Management. It is also responsible for approving acceptable risk thresholds. It also approves guarantee applications above the limit set for the Management and up to the limit delegated to it by the Board.

The 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 the Management. The TMC reports to the Board on quarterly basis on the performance of AGF's investment portfolio as well as compliance with Treasury Management Policy.

The Audit Committee

This committee reviews internal controls underpinning the business. It supervises the AGF internal audit function and mandates audit activities. The committee recommends the appointment of external auditors as well as their remuneration to the Board. It also ensures that there is compliance with all applicable laws, regulations, as well as set operating standards.

The Capacity Development Committee

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 the Management. It also, together with the Trustees, reviews annual work plans submitted by Management. Furthermore, 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. AGF is mandated as the Fund manager of the Capacity Development Trust.

The Human Resource Committee

This committee is a means by which the Board provides strategic oversight roles 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.

Risk Management Framework



4. Risk Management Framework

The Board of Directors of the African Guarantee Fund is the primary risk supervisor, exercising its role through the Audit and Investment Committees. The Board has delegated the day-to-day operations of the Group to Management, but remains accountable for ensuring that operations are carried out in compliance with applicable laws and regulations. They also ensure that Management operations are consistent with safe and sound practices.

The company has instituted an end-to-end, forward-looking framework for Risk Management. Within this framework, all risks associated with the company's business and operations, and those specific to projects are actively owned and managed by the respective projects supported by an integrated risk management hierarchy.

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 rate risks. The Company's overall Risk Management program focuses on the unpredictability of financial markets, and seeks to minimize potential adverse effects on the Company's financial performance.

A Risk Management procedure is enforced to quantify and manage systematic portfolio risks. This includes careful scenario analysis to examine portfolio risks in the event of a major market shock and use overlay hedging to bring systematic risks within desired limits. Part of AGF's Risk Management strategy is to manage risks through a diversified portfolio in terms of customers, geographic location, and revenues to avoid big concentrations.

AGF keeps internal risk rating including summary indicators of AGF's individual exposure. A well-structured financing rating framework is an important tool for monitoring and controlling risk inherent in individual financings as well as in portfolios of AGF.

The internal rating framework facilitates AGF in a number of ways such as:

- i) financing selection;
- ii) amount of exposure;
- iii) tenure and price of facility;
- iv) frequency or intensity of monitoring;
- v) analysis of migration of deteriorating financing and more accurate computation of future loan loss provision; and
- vi) deciding the level of approving authority of financing.

AGF plans to become an Associate Member of the Equator Principles (EP) and will voluntarily make best efforts to conduct an adequate, accurate and objective assessment and presentation of the social and environmental impacts and risks of each guarantee.

AGF's Risk Management Policy and Procedure Manual describes the minimum risk acceptance criteria to be observed under normal working conditions. This manual sets out the guidelines and the conditions under which AGF's risks are managed.

Treasury Management

The viability of AGF depends largely on the quality of the Treasury Management, whose principal objective is to earn the maximum risk-adjusted return on its capital, and to settle all obligations in full as they fall due. Based on the premise that AGF is primarily a provider of financing guarantees, its fund is invested primarily in highly liquid securities.



AGF Performance Highlights
as at 31 Dec. 2015



The image shows a magnifying glass with a black handle and a silver frame, positioned over a financial table. The table contains multiple columns of numerical data, likely representing performance metrics. The magnifying glass is focused on a specific row, highlighting the values in that row. The background is a light blue gradient.

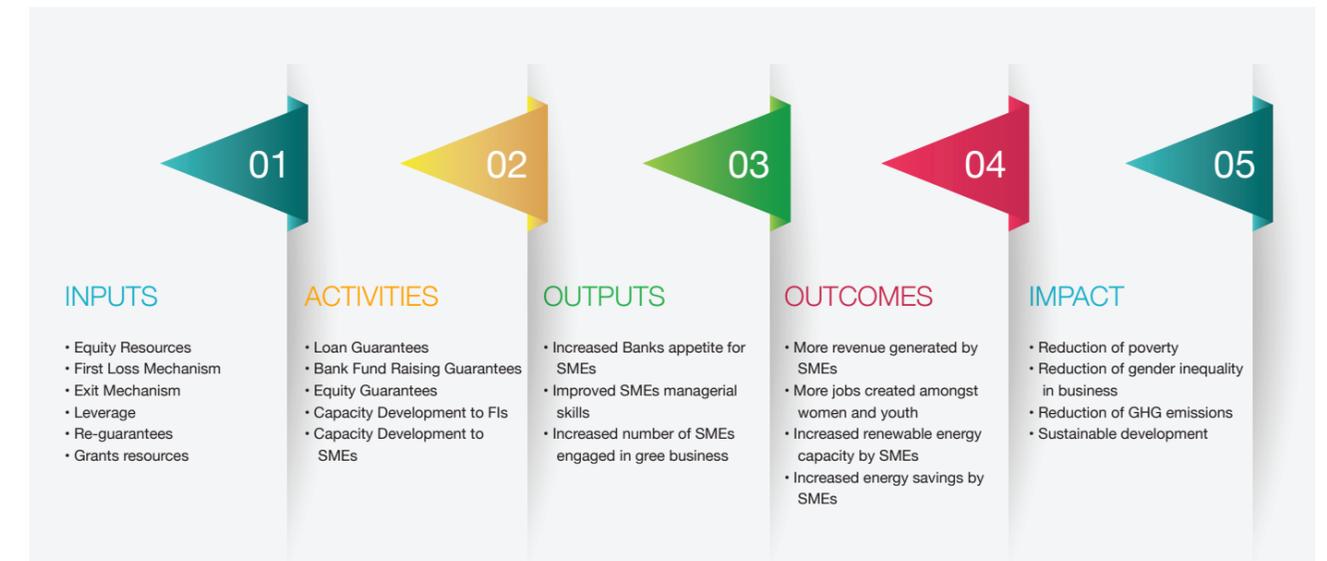
	2197	2042	2091	2138	2186	2352	2446		
	2173	2230	2305	2358	2412	2502	2708		
	2173	2228	2281	2334	2388	2470	2584		
	2388	2446	2281	2334	2388	2470	2584		
	656	2446	2507	2566	2624	2714	2828		
	825	672	2507	2566	2624	2714	2828		
	656	849	690	708	726	756	795		
	825	672	873	708	726	756	795		
	1653	849	690	897	920	958	998		
	2150	672	873	708	726	756	795		
	2820	1693	873	897	920	958	998		
	2820	2210	1735	897	920	958	998		
	2820	2997	2175	1776	1800	1848	1902		
	3513	2997	2175	1776	1800	1848	1902		
	4013	2997	2175	1776	1800	1848	1902		
	2820	2997	2175	1776	1800	1848	1902		

5. AGF Performance Highlights as at 31 Dec. 2015

At a Glance



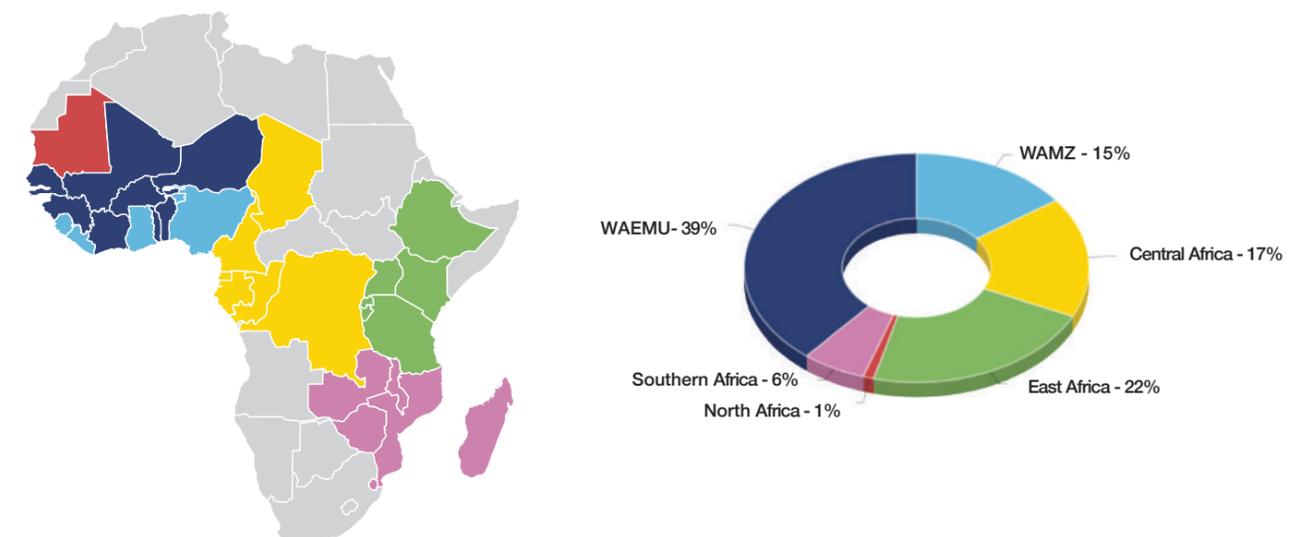
The AGF results chain below illustrates how inputs (resources) are crucial for the activities we implement, and the outputs (products and services) we generate, and how these gradually yield to our desired outcomes (changes), and contribute to the overarching goals (impacts) in the countries where we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



Guarantee Activity

As at 31st December 2015, AGF had signed 59 guarantee agreements. Cumulatively since inception, the total volume of guarantee agreements signed as at the end of 2015 was USD 230 million. A portion of this was re-guaranteed to the tune of USD 51 million by our partners SIDA, DCA and ATI.

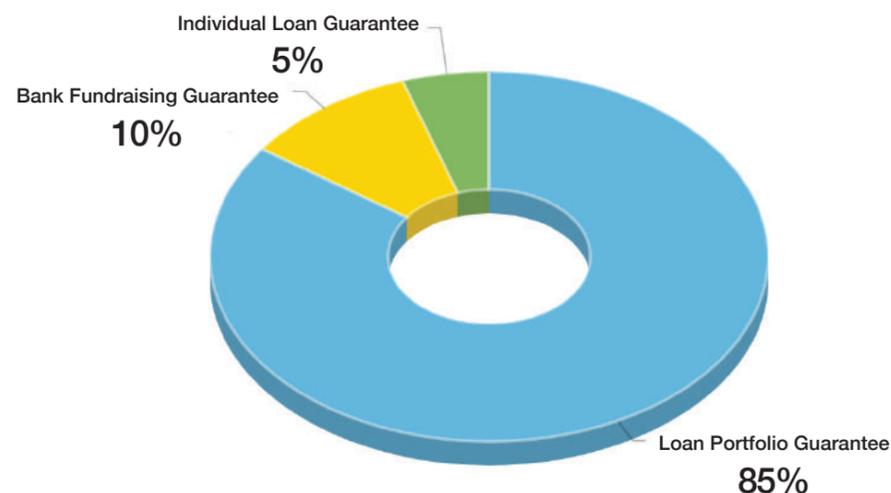
A volume of USD 230 million of guarantees had been signed by the end of 2015. This has been leveraged by the banks, by making available to SMEs up to USD 460 million of financing. Out of this, USD 140 million had already been disbursed to SMEs.



5. AGF Performance Highlights as at 31 Dec. 2015 (continued)

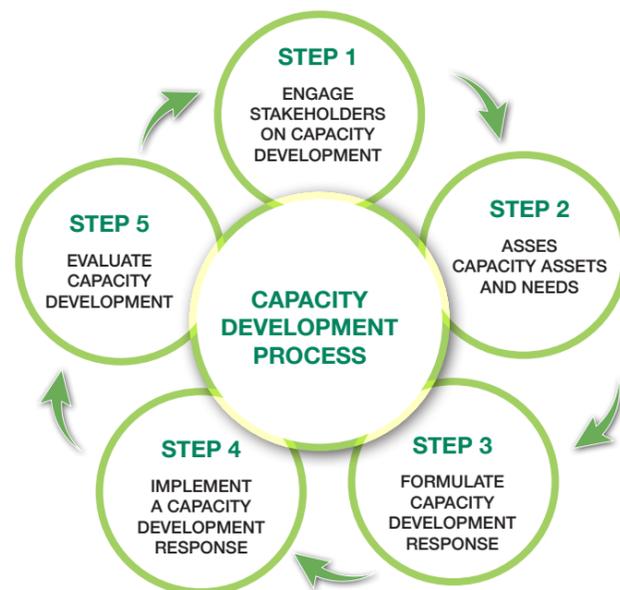
In terms of geographical distribution of the guarantee exposure as at end of 2015, 39% of the total exposure was in the West African Economic and Monetary Union (WAEMU) due to the preference of the master portfolio guarantee which is availed to the Group rather than a portfolio guarantee which is availed to a stand-alone entity. The East African region (22%) followed closely. The West African Monetary Zone (WAMZ) had 15% of the exposure.

In terms of product distribution, AGF's Loan Portfolio Guarantee was still the most popular product in 2015. The table below shows the cumulative guarantee portfolio for AGF by product:

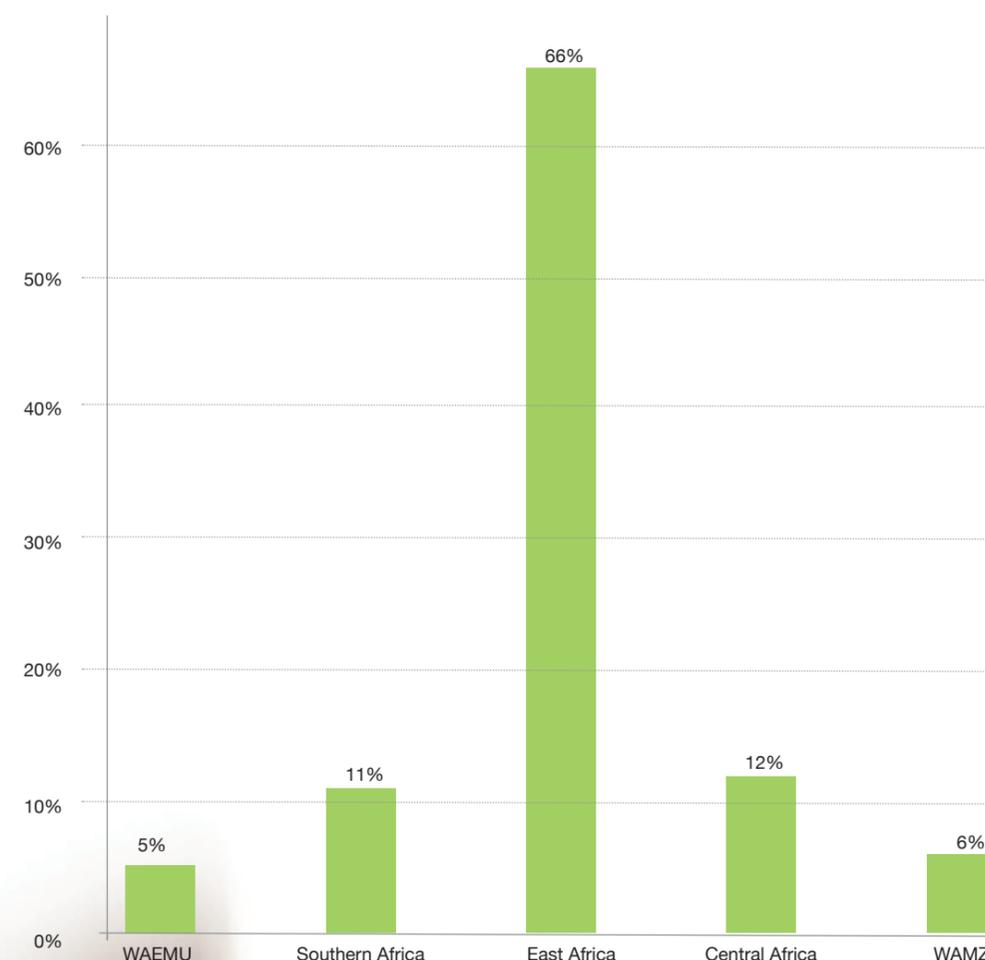


Capacity Development Activity

“At AGF, financial guarantees are complemented by Capacity Development support. Capacity Development enhances technical competence and builds confidence among PFIs to lend to SMEs. Lack of capacity coupled with PFIs insufficient information on SMEs makes SME lending a risky business”



Regional distribution since inception



As at 31st December 2015, the East Africa region had utilized the largest portion of the Capacity Development resources.



Treasury Management

Treasury assets stood at USD101.8 million and generated a return of 3.65%.

The fixed income assets have been invested in USD and EUR denominated securities with 90% in USD. AGF bond assets were almost all investment grade securities except for 2% in non-rated securities while 67% rated A- and above.

Treasury Assets

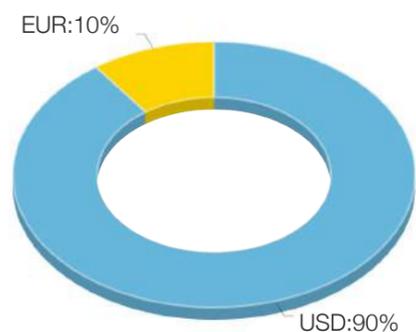
	Amount (in USD thousands)	Percentage	Return
Earning Assets - Bonds	48,205	47%	2.90%
Earning Assets - Fixed Deposits	41,771	41%	5.56%
Non-Earning Assets	11,878	12%	
Total Bonds, Cash and Cash equivalent	101,855	100%	3.65%

Bond Portfolio breakdown

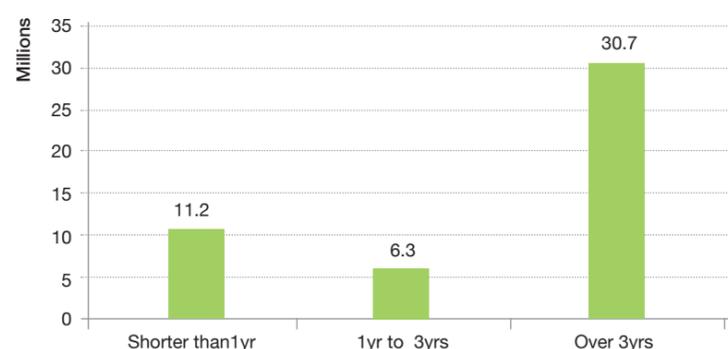
By Rating	Book Value	Percentage
AAA	3,212	7%
AA+	6,074	13%
AA	8,355	17%
AA-	5,053	10%
A	2,587	5%
A-	7,013	15%
BBB	14,828	31%
Not Rated	1,079	2%
Total	48,205	100%

The average rating of the bond portfolio is A.

By Currency



By Maturity



5. AGF Performance Highlights as at 31 Dec. 2015 (continued)

Financial Performance

Statement of comprehensive income

(In USD thousands)	2015	2014	2013	2012
Operating Income	9,085	5,381	1,979	58
Operating Expenses	(6,400)	(6,205)	(3,279)	(2,736)
Grant	0	0	0	2,303
Provision for Guarantees	(847)	(136)	(203)	0
Profit for the period	1,838	(959)	(1,503)	(375)
Exceptional Item	1,754			
Other comprehensive income	(157)	0	0	0
Total comprehensive profit for the period	3,435	(959)	(1,503)	(375)

Overview

Total income for the period amounted to USD 9.09 million compared to USD 5.38 million the previous year, up 69%. This increase was driven by the growth of the guarantee business by 80% and the treasury activity by 18%.

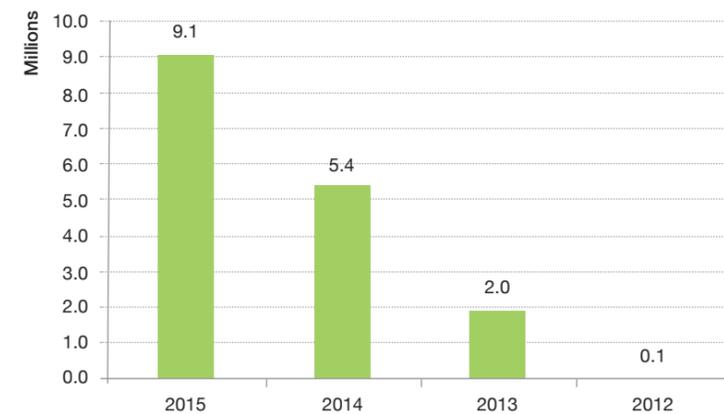
During the same period, our expenses increased by 14%, mainly due to general provision for guarantee business, loan interests and in part to the increase of the staff due the higher volume of activity.

Income Review

Total income excluding grants

(in USD thousands)	2015	2014	2013	2012
Guarantee business	7,240	3,731	614	10
Treasury management	1,622	1,442	1,038	47
CD administration	212	189	139	-
Foreign exchange gain	-	-	189	-
Other income	11	20	-	-
Total Income	9,085	5,381	1,979	58

Revenues Growth

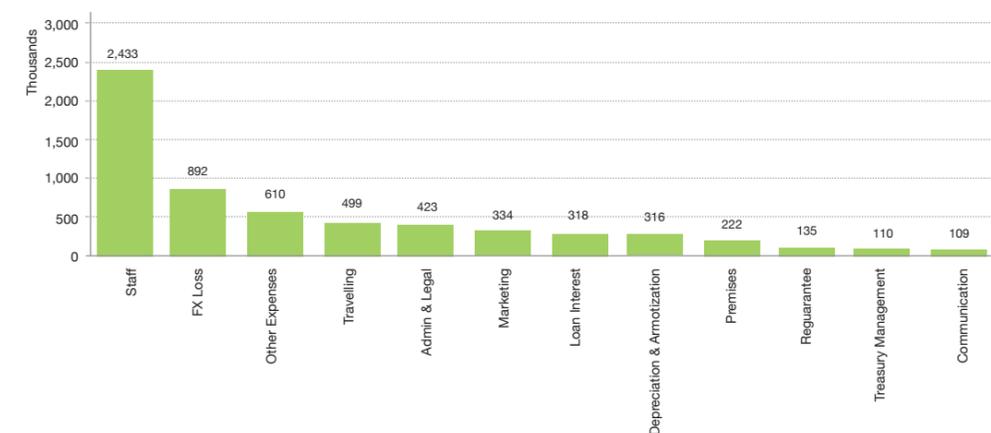


AGF income increased from USD 5.38 million in 2014 to USD 9.09 million in 2015, representing a growth of 69%. The guarantee business generated 80% of 2015 income.

Expenses Review

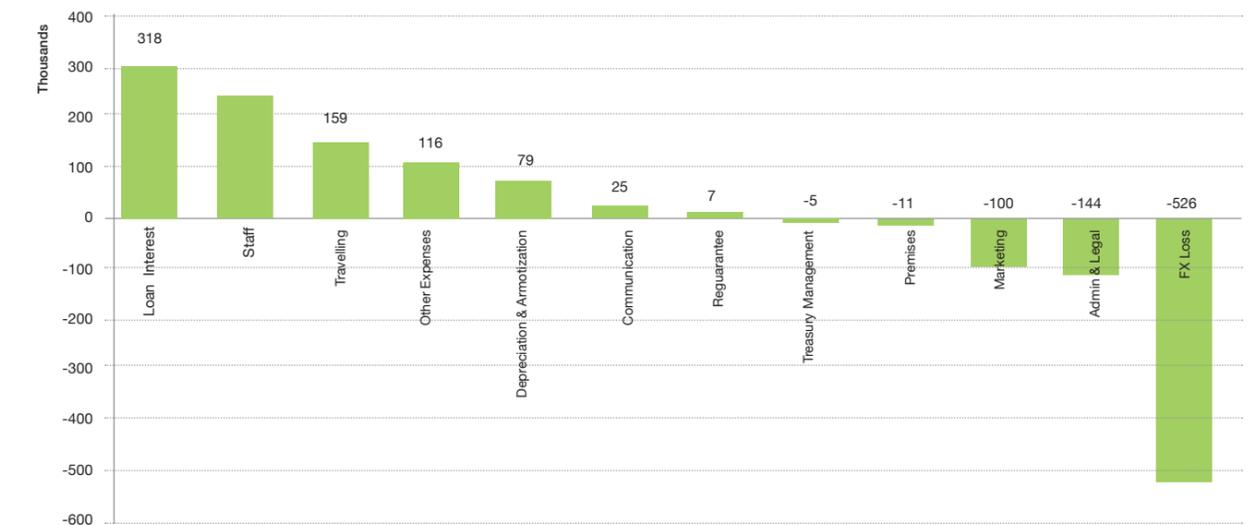
Total expenses for the period amounted to USD 7.246 million compared to USD 6.340 million the previous year.

Expenses breakdown



5. AGF Performance Highlights as at 31 Dec. 2015 (continued)

Variances in expenses from 2014 to 2015

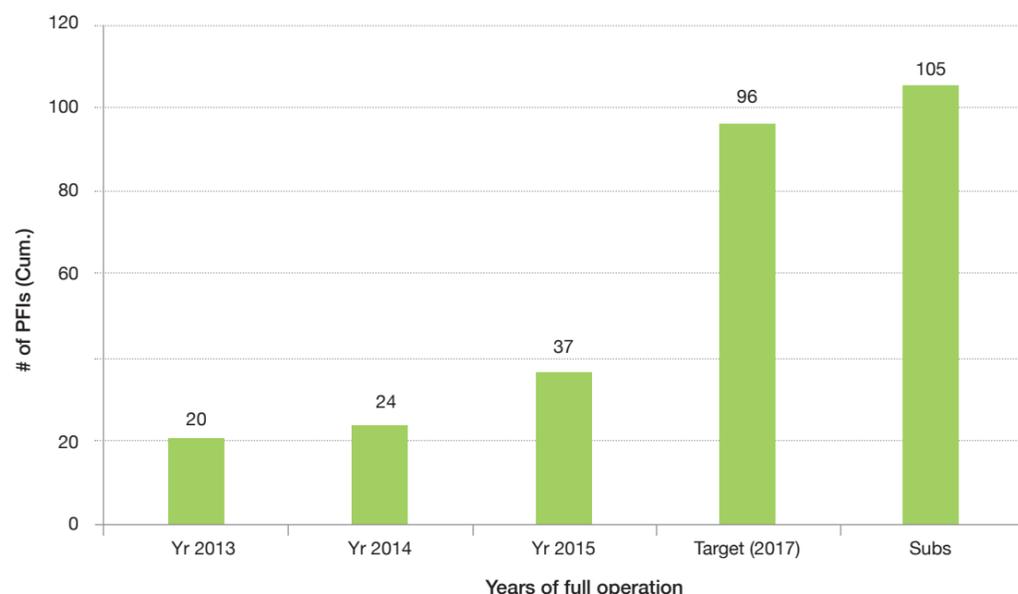


Social Impact



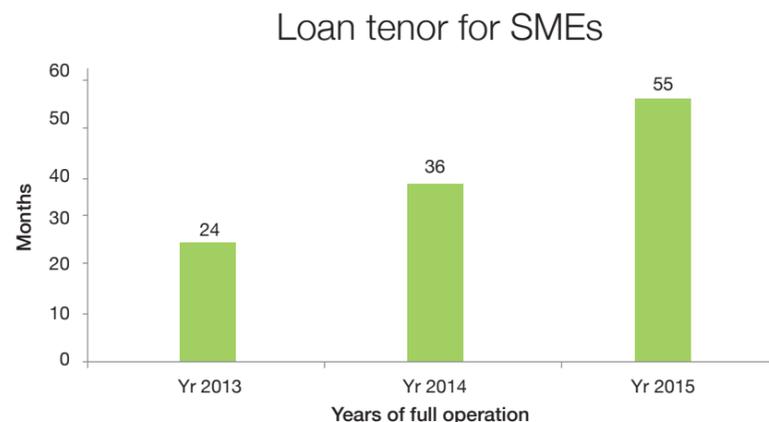
“AGF leverages its strength, expertise, and its shareholders’ resources to influence the behaviour of Financial Institutions to lend to SMEs. Partner Financial Institutions (PFIs) are critical channels for us to reach our primary target – the SMEs. Through such innovative actions, the number of PFIs working with AGF continues to grow”

With a total of 37 PFIs and their 105 subsidiaries implementing AGF guarantee products, more SMEs are gradually able to access guaranteed financing for their business investments. AGF guarantees to PFIs serve two major purposes: to increase PFIs' comfort or to allay their fears in lending to SMEs, who otherwise are regarded as a risky segment; and to enable participating Financial Institutions to transform their short-term deposits into long-term financing to SMEs.



“Participating SMEs are increasingly accessing medium to long-term investment loans through AGF guarantee facilities. The loan tenor is growing”

Tenor, both for the PFIs and SMEs is essential for our guarantee business. PFIs need sufficient guarantee tenor to turn their liquidity into long-term financing to SMEs. SMEs too, need sufficient loan tenor to invest the loans in business ventures that promise more returns.



5. AGF Performance Highlights as at 31 Dec. 2015 (continued)

The average loan tenor to SMEs has grown from less than 24 months in 2014 to 36 months by December 2015. AGF believes that SMEs access to long-term financing promotes investments and provides potential for SMEs to create more jobs, and, or support existing ones

“We track social performance indicators down to our primary targets...”

Measuring the social performance of our portfolio downstream to the level of SMEs is an important way for AGF to ensure that its interventions are contributing to positive social-economic changes among the over 1,300 SMEs who have accessed guaranteed loans from the PFIs. The aim is to understand the changes to which we have collectively contributed.

“Each SME that accesses financing, each job created, and each household that is sustained by the bread-winner employed by the SMEs as a result of our guarantee products is a critical milestone in transforming a life, a family, and a community”.

This is a real social change that AGF strives to achieve, besides the guarantee business orientation - thereby contributing to economic growth and poverty reduction in the countries where our products are utilized. This is the uniqueness of AGF mandate, which entails the mobilization of private and public capital to create social impacts through the guarantees to PFIs to finance SMEs businesses.

During the year 2015, AGF estimated that the number of additional jobs directly created by the participating SMEs is 11,748. This means, on average, each of the supported 1,291 SMEs has generated 9 additional jobs.

Besides the directly created jobs, many more jobs are indirectly created or supported by employees of SMEs through the small businesses they transact outside their formal jobs. The point of emphasis here is that AGF guarantee loans extended to SMEs result in enormous social impacts at the base of the pyramid through increased incomes and livelihoods of many households.

“AGF encourages active participation of women and youth in ownership and management of SMEs.....”

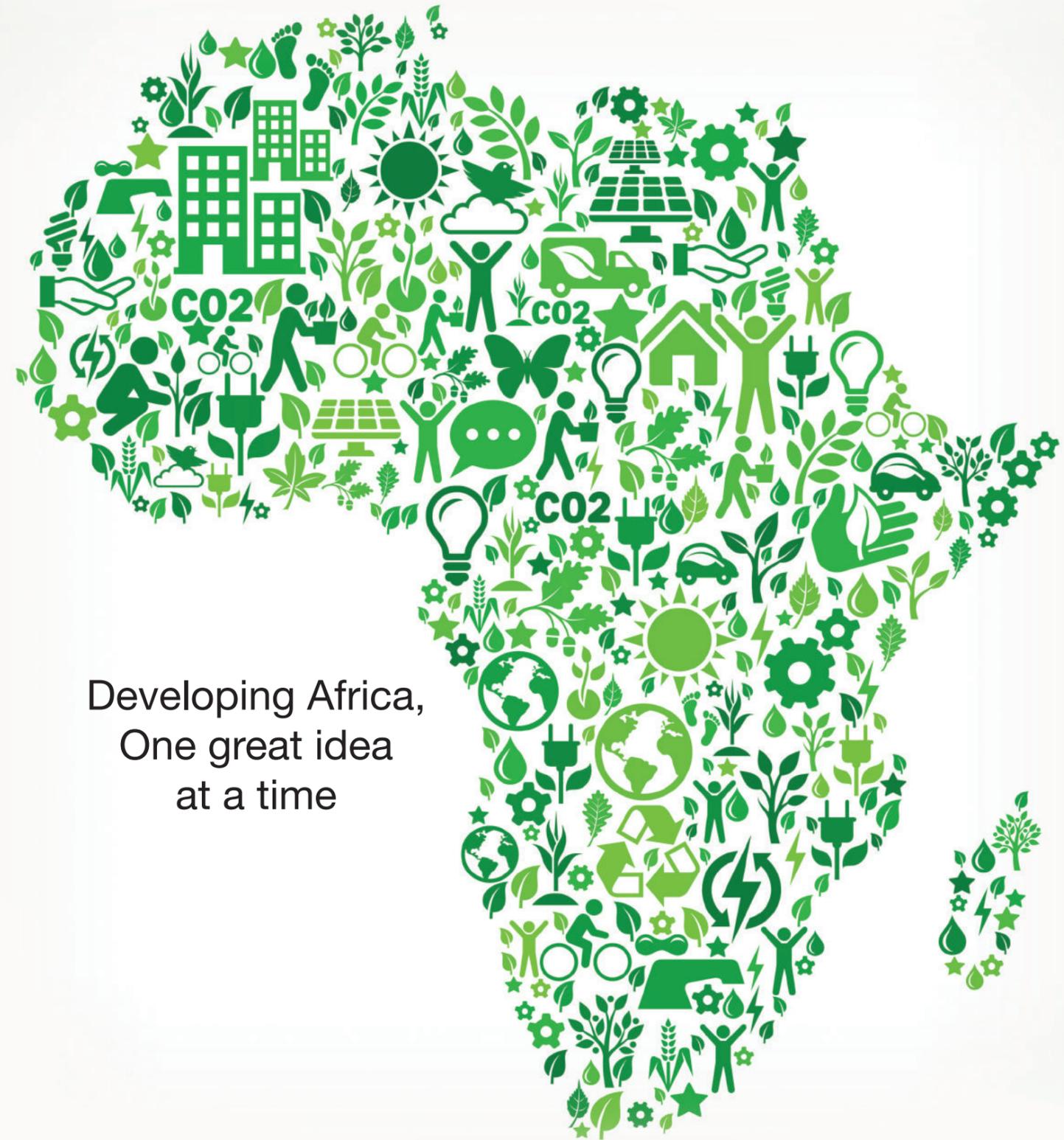
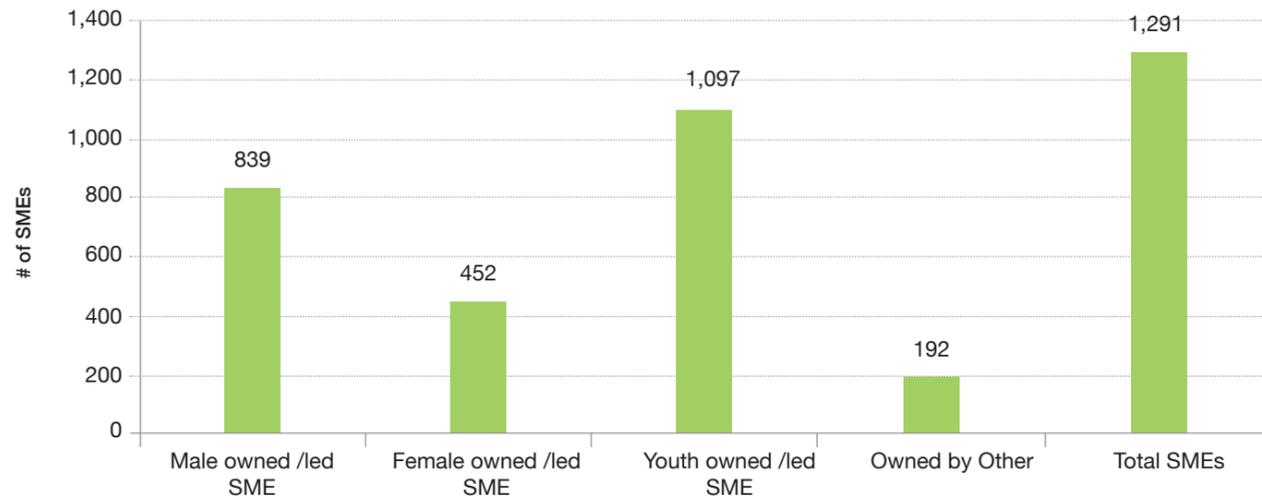
Another key social performance indicator tracked by AGF is the ownership and management of SMEs who access guarantee loans. AGF promotes the involvement of women and youths in SME business, and the measure seeks to track whether this objective is being achieved. Data from PFIs indicate that on average, 65% (891) of SMEs are either owned or managed by male, while the remaining 35% (452) are owned or managed by female.

In terms of age-group, about 85 % (1,097) of the current enrolled 1,291 SMEs are either owned or managed by youths, while 15% (194) are owned or managed by non-youths. This scenario paints a positive picture that reflects the active involvement of youths in SME business, thereby creating opportunities for jobs to themselves and other unemployed youths.

SME ownership and management



SME ownership and Leadership



Developing Africa,
One great idea
at a time

AGF Consolidated Financial Statements
for the year ended 31 December, 2015



STOCKS, CURRENCIES & COMMODITIES

Stock-Market Indexes

	High	Low	Latest Price	Net Chg
Global Average	9437.71	9173.65	9370.07	198.46
Avg	3775.41	3578.75	3749.58	169.59
	373.24	364.80	371.22	1.75
		10147.03	10416.26	269.24
			231.36	5.00



Corporate Information

DIRECTORS

	DATE OF APPOINTMENT	DATE OF RESIGNATION
Bio Tchane Abdoulaye	28-Jun-13	24-Feb-16
Juneid Kodabux	28-Mar-11	-
Riad Abdool	30-Jun-15	-
Baba Abdullah Issah	15-Jun-11	-
Andrew E. Temu	15-Jun-11	-
Fakr-ud-deen Ali Peerbux	22-Mar-12	30-Jun-15
Stefan Nalletamby	04-Jan-16	-
Lilian Wanjiru Macharia	02-Jun-15	10-Aug-15
Luis Manuel Barranco Duque	04-Mar-14	05-Aug-15
Morten Christiansen	07-Apr-14	-

MANAGEMENT

	POSITION
Felix A. Bikpo	Chief Executive Officer
Jules Ngankam	Chief Finance Officer
Jean P Migan	Business Development Head
Joshua Obengele	Acting Risk Manager
Josphat Ngaruiya	Human Resource Head
David Ekabouma	Chief Internal Controller (up to February 2016)
Adidja Zanouvi	Chief Internal Controller (From March 2016)

ADMINISTRATOR & SECRETARY

Kross Border Corporate Services Ltd.

St. Louis Business Center
Cnr Desroches & St. Louis Streets
Port Louis, Mauritius

REGISTERED OFFICES

Kross Border Corporate Services Ltd.	3rd & 7th Floors
St. Louis Business Center	Mayfair Centre
Cnr Desroches & St. Louis Streets	Ralph Bunche Road
Port Louis, Mauritius	P.O. Box 57795-00200 Nairobi, Kenya

LEGAL ADVISERS

Mauritius

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

Kenya

Daly & Inamdar
6th Floor
ABC Towers, ABC Place,
Waiyaki Way
P.O. Box 40034-00100,
Nairobi, Kenya

AUDITORS

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

BANKERS

Mauritius

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

Barclays Bank London PLC (UK)

Level 16
1 Churchill Place
London, E14 5HP
United Kingdom

Kenya

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

Ecobank

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

Commercial Bank of Africa

Upper Hill Branch
Mara and Ragati Roads
P.O. Box 30437 – 00100
Nairobi, Kenya

Commentary of the Directors

The directors present their commentary, together with the audited consolidated financial statements of AFRICAN GUARANTEE FUND- for Small and Medium-sized Enterprises Ltd (the "consolidated") for the year ended 31 December 2015.

Principal Activity

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

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

The Group is composed of 2 distinct entities presented hereafter:

- African Guarantee Fund has a branch registered in Nairobi, Kenya. It is registered as a branch of a foreign entity under the Kenyan Companies Act. The main operations are held in Kenya.
- Fonds de Garantie des Investissements Privés en Afrique de l'Ouest ("Fonds GARI") registered in Lomé, Togo. It is registered as a financial institution, subject to the provisions of the banking law in the West African Monetary Union (UMOA/WAMU).

Results and Dividends

The result for the period is as shown in the consolidated statements of profit or loss and other comprehensive income on page 7.

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

Directors

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

Directors' responsibilities in respect of the financial statements

The Group's directors are responsible for the preparation and fair presentation of the financial statements, comprising the consolidated statements of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and Companies Act 2001.

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

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

Auditors

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

Certificate from the Secretary



Kross Border Corporate Services Limited
St Louis Business Centre
Cnr, Desroches & St Louis Streets
Port-Louis, Mauritius
Tel: (230) 203 1100
Fax: (230) 203 1150
www.krossborder.com
Business Registration No: C08011019
VAT Registration No: VAT20253689

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of African Guarantee Fund - for Small and Medium - Sized Enterprises Ltd under the Companies Act 2001, for the year ended 31 December 2015.

For Krossborder Border Corporate Services Limited

Company Secretary

Date: 14 June, 2016

Independent Auditors' Report



Report on the Financial Statements

We have audited the financial statements of African Guarantee Fund – For Small and Medium-Sized Enterprises Ltd (the “Company”) and its subsidiary (altogether the “Group”) on pages 7 to 54 which comprise the statements of financial position as at 31 December 2015 and the statements of profit or loss and statements of comprehensive income, statements 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' Responsibility for the Financial Statement

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 controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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' judgement, 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 controls 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 controls. 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 7 to 54 give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Other matter

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacities as auditors, tax advisors, and dealings in the ordinary course of business.

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

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

ERNST & YOUNG
Ebène, Mauritius

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

Date: 14 June, 2016

Consolidated Statement of Profit or Loss and other Comprehensive Income as at 31 December 2015

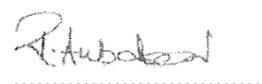
Notes	GROUP	COMPANY	
	2015 USD	2015 USD	2014 USD
Income			
	Income from guarantees:		
	Utilization fees	656,563	426,891
	Assessment and commission fees	1,698,761	1,213,351
9	Income from investments	1,621,663	1,441,610
	Administrative income	212,495	188,842
8(b)	Fair value gain on financial guarantee contracts	4,884,252	2,091,138
10	Other income	10,775	19,614
		9,084,509	5,381,446
Expenses			
12	Administrative and legal fees	(423,118)	(537,486)
12	Communication expenses	(108,896)	(84,084)
14	Depreciation of property and equipment	(237,094)	(229,528)
15	Amortization of intangible assets	(78,964)	(7,968)
12	Marketing expenses	(334,468)	(434,467)
12	Other expenses	(579,633)	(493,090)
12	Premises expenses	(222,424)	(233,395)
11	Staff expenses	(2,432,595)	(2,184,971)
	Travelling expenses	(498,542)	(339,181)
	Treasury management fees	(109,572)	(114,729)
	Other provisions	(29,933)	-
	Guarantee expenses	(134,828)	(128,099)
18	General provision for guarantees	(846,883)	(135,748)
	Net foreign exchange differences	(891,883)	(1,417,507)
	Interest on loans and borrowings	(317,963)	-
		(7,246,796)	(6,340,253)
	Profit/(loss) before tax	1,837,713	(958,807)
23	Exceptional Item	1,753,894	-
	Profit/(loss) before tax	3,591,607	(958,807)
13	Income tax expense	-	-
	Profit/(loss) for the year	3,591,607	(958,807)
	Profit for the year attributable to:		
	- Owners of the Company	3,575,832	(958,807)
	- Non-Controlling Interest	15,775	-
		3,591,607	(958,807)
	Other comprehensive income for the year :-Foreign Currency Translation Loss	(156,809)	-
	Total Comprehensive Income/(loss)for the year	3,434,798	(958,807)
	Total Comprehensive Income attributable to;		
	- Owners of the company	3,449,507	(958,807)
	- Non-Controlling Interest	(14,709)	-
		3,434,798	(958,807)

The notes on pages 11 to 52 form an integral part of these financial statements

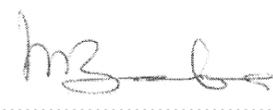
Consolidated Statement of Financial Position as at 31 December 2015

Notes	GROUP		COMPANY
	2015	2015	2014
	USD	USD	USD
Assets			
Cash and cash equivalents	21,114,510	10,605,334	3,887,878
Held-to-maturity financial assets	8(a) 48,205,068	47,125,527	54,901,427
Other financial instruments	8(c) 32,536,000	-	-
Receivables	16 6,191,270	3,120,270	1,656,451
Prepayments	387,075	387,075	94,575
Investment in subsidiary at cost	-	31,887,765	-
Intangible assets	15 650,207	639,633	417,567
Property and equipment	14 1,091,399	1,050,335	1,162,580
Financial guarantees	8(b) 10,203,182	6,856,182	2,091,138
Total assets	120,378,711	101,672,121	64,211,616
Liabilities			
Provisions	19 1,040,039	-	-
General provision for guarantees	18 7,986,940	692,984	271,052
Trade and other payables	17 552,327	518,424	250,559
Borrowed funds	24 21,000,731	21,000,731	-
Other liabilities	17 583,574	41,209	27,799
Total liabilities	31,163,611	22,253,348	549,410
Net assets attributable to shareholders	89,215,100	79,418,773	63,662,206
Represented by:			
Issued capital	21 80,500,003	80,500,003	66,500,003
Retained earnings and other reserves	611,710	(1,081,230)	(2,837,797)
Net assets attributable to shareholders	81,111,713	79,418,773	63,662,206
Total non-controlling interests	8,103,387	-	-
Total equity	89,215,100	79,418,773	63,662,206

The financial statements were approved and authorized for issue by the Board of Directors on 14 June, 2016 and were signed on its behalf by:



Director



Director

The notes on pages 11 to 52 form an integral part of these financial statements

Consolidated Statement of Changes in Equity for the year ended 31 December 2015

	GROUP					
	Issued capital	Retained earnings	Foreign currency translation reserve	Total	Non-controlling interest	Total equity
As at 1 January 2015	66,500,003	(2,837,797)	-	63,662,206	-	63,662,206
Profit for the year	-	3,575,832	-	3,575,832	15,775	3,591,607
Other comprehensive Income	-	-	(126,325)	(126,325)	(30,484)	(156,809)
Total comprehensive income for the year		3,575,832	(126,325)	3,449,507	(14,709)	3,434,798
Issue of shares	14,000,000	-	-	14,000,000	-	14,000,000
Acquisition of subsidiaries	-	-	-	-	8,118,096	8,118,096
As at 31 December 2015	80,500,003	738,035	(126,325)	81,111,713	8,103,387	89,215,100

	COMPANY		
	Issued capital	Accumulated losses	Total
	USD	USD	USD
At 1 January 2014	50,000,003	(1,878,990)	48,121,013
Issue of Shares	16,500,000	-	16,500,000
Loss/total comprehensive income for the year	-	(958,807)	(958,807)
At 31 December 2014	66,500,003	(2,837,797)	63,662,206
At 1 January 2015	66,500,003	(2,837,797)	63,662,206
Issue of shares	14,000,000	-	14,000,000
Profit/total comprehensive income for the year	-	1,756,567	1,756,567
At 31 December 2015	80,500,003	(1,081,230)	79,418,773

The notes on pages 11 to 52 form an integral part of these financial statements

Consolidated Statement of Cash Flows for the year ended 31 December 2015

Notes	GROUP		COMPANY
	2015	2015	2014
	USD	USD	USD
Operating activities			
Profit before tax	3,591,607	1,756,567	(958,807)
<i>Adjustment to reconcile profit before tax to net cash flows:</i>			
<i>Non cash item:</i>			
General provision	737,451	421,932	67,622
Provision movements	-	-	(5700)
Depreciation charge on property and equipment	14 236,592	236,577	229,528
Amortization of intangible assets	15 78,890	78,887	7,968
Write-off of tangible assets	14 -	-	2,408
Income from bonds	(1,329,667)	(1,329,667)	(1,376,214)
Net foreign exchange loss from assets/liabilities revaluation	885,955	885,736	1,408,348
Fair value gain on financial guarantee contracts	8(b) (4,884,252)	(4,765,044)	(2,091,138)
<i>Movement in working capital:</i>			
Receivables	(1,463,819)	(1,463,819)	(1,129,643)
Prepayments	(292,500)	(292,500)	1,694
Other liabilities	13,410	13,410	(1,907)
Trade and other payables	267,865	267,865	4,847
Income tax paid	-	-	-
Net cash flows used in operating activities	(2,158,468)	(4,190,056)	(3,799,288)
Investing activities			
Acquisition of property and equipment	14 (165,917)	(124,332)	(85,316)
Acquisition of intangible assets	15 (311,604)	(300,953)	(103,704)
Acquisition of bonds	(10,998,283)	(10,604,015)	(16,235,014)
Acquisition of a subsidiary net of cash acquired	(23,059,515)	(31,887,765)	-
Interest on bonds received	18,823,846	18,823,846	3,988,540
Net cash flows used in investing activities	(15,711,473)	(24,093,219)	(12,435,494)
Financing activities			
Proceeds from issue of ordinary share capital to shareholders	14,000,000	14,000,000	16,500,000
Loan from Bank	21,000,731	21,000,731	-
Net cash flows from financing activities	35,000,731	35,000,731	16,500,000
Increase in cash and cash equivalents	17,130,790	6,717,456	265,218
Foreign Currency translation	95,842	-	-
Opening balance	3,887,878	3,887,878	3,622,660
Closing balance	21,114,510	10,605,334	3,887,878

Notes to the Financial Statements for the year ended 31 December 2015

1. GENERAL INFORMATION

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

The registered office is located at C/o Kross Border, St Louis business centre, Cnr Desroches & St Louis streets, Port Louis.

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

On January 27, 2015, the Company signed a purchase agreement for the acquisition of the "Fonds GARI" for a consideration paid of USD 31,887,765. Following the General Meeting of shareholders, this sale was finalized and control was effective on December 18, 2015. For consolidation purpose, the subsidiary of "Fonds GARI" was fully consolidated at the effective control date which is December 18, 2015.

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

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

The financial statements of the Group for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 14 June 2016.

2. BASIS OF PREPARATION

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

Statement of compliance

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

Basis of measurement

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of African Guarantee Fund and its sole subsidiary "Fonds GARI" as at 31 December 2015.

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

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

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

Use of estimates and judgements

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

3. CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the financial statements of the Group and the Company. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions – effective 1 July 2014

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

This amendment had no impact on the financial position of the Group and the Company.

3. CHANGES IN ACCOUNTING POLICIES (continued)

Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle

The Group and the Company have applied these improvements for the first time in these financial statements. They include:

	Effective for accounting period beginning on or after
Annual Improvements 2010-2012 Cycle	
IFRS 2 Share-based Payment	1 July 2014
IFRS 3 Business Combinations	1 July 2014
IFRS 8 Operating Segments	1 July 2014
IAS 16 Property, Plant and Equipment	1 July 2014
IAS 38 Intangible Assets	1 July 2014
IAS 24 Related Party Disclosures	1 July 2014
Annual Improvements 2011-2013 Cycle	
IFRS 3 Business Combinations	1 July 2014
IFRS 13 Fair Value Measurement	1 July 2014
IAS 40 Investment Property	1 July 2014

Where the adoption of the standard or interpretation or improvement is deemed to have an impact on the financial statements or performance of the Group and the Company, its impact is described below:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's and the Company's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

This amendment did not have any impact on the Group's and the Company's financial statements.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

This amendment is not relevant for the Group and the Company as they do not receive any management services from other entities.

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

3. CHANGES IN ACCOUNTING POLICIES (continued)

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group and the Company have applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

African Guarantee Fund has not entered into a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiary.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group and the Company do not apply the portfolio exception in IFRS 13.

3.1 Standards issued but not yet effective

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

	Effective for accounting period beginning on or after
IFRS 9 Financial Instruments	1 January 2018
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 16 Leases	1 January 2019
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	1 January 2016
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statement	1 January 2016
Annual improvements 2012 – 2014 Cycle	1 July 2016
Disclosure initiative – Amendments to IAS 1	1 January 2016

3. CHANGES IN ACCOUNTING POLICIES (continued)

3.1 Standards issued but not yet effective (continued)

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

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

Classification and measurement of financial assets

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

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

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

Hedge accounting

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

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

The Group and the Company plan to adopt the new standard on the required effective date.

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

3. CHANGES IN ACCOUNTING POLICIES (continued)

3.1 Standards issued but not yet effective (continued)

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) - effective 1 January 2016

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

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

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

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

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) - effective 1 January 2016

This amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) was made to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The amendment will not have an impact on the Group and the Company as they are not considered as Investment entities.

IFRS 14 Regulatory Deferral Accounts - effective 1 January 2016

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

This new standard will not have an impact, as the Group and the Company are not first time adopters of IFRS.

3. CHANGES IN ACCOUNTING POLICIES (continued)

3.1 Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers - effective 1 January 2017

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

- The five steps in the model are as follows:
- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

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

The Group and the Company are still assessing the impact of this new standard.

IFRS 16 Leases – effective 1 January 2019

The IASB has redrafted this new leasing standard that would require lessees to recognize assets and liabilities for most leases. Lessees applying IFRS would have a single recognition and measurement model for all leases (with certain exemptions). Lessors applying IFRS would classify leases using the principle in IAS 17; in essence, lessor accounting would not change. The IASB and the FASB have made different decisions about lease classification and the recognition, measurement and presentation of leases for lessees and lessors.

The Group and the Company are still assessing the impact of this new standard.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) - effective 1 January 2016

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- Disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

The amendment will not have an impact since the Group and the Company do not have any interests in joint operations.

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

3. CHANGES IN ACCOUNTING POLICIES (continued)

3.1 Standards issued but not yet effective (continued)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) - effective 1 January 2016

- Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:
- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;
- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated; and
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendment will not have an impact since the Group and the Company do not use a depreciation method based on revenue for its plant and equipment and intangible assets.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) - effective 1 January 2016

Amends IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16;
- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales; and
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

The amendment will not have an impact as the Group does not recognize 'bearer plants'.

Amendments to IAS 27: Equity Method in Separate Financial Statements - effective 1 January 2016

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The Group and the Company are still assessing whether to adopt this change in IAS 27.

3. CHANGES IN ACCOUNTING POLICIES (continued)

3.1 Standards issued but not yet effective (continued)

Annual improvements 2012 – 2014 Cycle - effective 1 July 2016

The annual improvements 2012-2014 Cycle make amendments to the following standards:

- IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued;
- IFRS 7 – Additional guidance given to clarify whether a servicing contract is continuing involvement in a transferred assets, and clarification made on offsetting disclosures in condensed interim financial statements;
- IAS 9 – Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid; and
- IAS 34 – Clarifies the meaning of "elsewhere in the interim report" and require a cross reference.

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

Disclosure Initiative (Amendments to IAS 1) - effective 1 January 2016

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and
- Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

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

4. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency

Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each subsidiary reflects the economic substance of the underlying events and circumstances of these entities. AGF is registered in Mauritius and the sole subsidiary 'Fonds GARI' is registered and operated in West African Francophone Area with Franc CFA (XOF) as functional currency. The consolidated financial statements are presented in US Dollars (USD), which is the Holding Company's presentation currency ("the presentation currency"). Each entity within the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. As of the reporting date, the results of foreign operations are translated into USD, using the following procedures:

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

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

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

Transactions and balances

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

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

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

The following table summarizes the currencies translation rates into the USD as of December 31, 2015 and 2014 and the average rates for the year ended December 31, 2015 and 2014.

Country	Currency	2015		2014	
		Closing rate	Average rate	Closing rate	Average rate
Togo	XOF	0,00166	0,00168	0,0018462	0,0020227
Kenya	Kshs	102.3	98.28	87.96	90.6

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

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

Group companies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

Business combinations and goodwill

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

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

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

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 amortized cost.

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 recognized at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognized immediately in profit or loss. Financial instruments are recognized/(derecognized) on the date the Group and/or the company commits to purchase/(sell) the instruments (trade date accounting).

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured at either fair value or amortized 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 Group and/or the company intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Held-to-maturity investments are measured at amortized 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 recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate (EIR) method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence that the Group and/or 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 recognized within other expenses in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

Impairment of financial assets

The Group and the company assess 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 Group and 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 group 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 recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

Asset carried at amortized cost

For financial assets carried at amortized cost, the Group and the company first assess 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 Group and the company determines that no objective evidence of impairment exists for an individually assessed

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, recognized 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 recognized 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 recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

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 recognized amounts and there is an intention to settle on a net basis, or to realize 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 Group and/or the company (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

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

Derecognition of financial instruments

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired, or where the Group and/or the company have transferred their contractual rights to receive cash flows on the financial asset such that they have 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 Group and/or the company is recognized as a separate asset or liability.

Financial liabilities are derecognized 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 recognized in profit or loss.

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

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

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

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

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

Office, furniture and office equipment	3 to 10 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 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:

Software	1 to 5 years
Website	5 years

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

the realization of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash generating units). Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

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

Leased assets

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

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

Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Group and/or the company have 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 recognized 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 Group's and/or the company's control.

Contingent liabilities are not recognized 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 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.

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax (continued)

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

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

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

Indirect taxation

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

Related party transactions

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Employee benefits

Post-employment benefits – defined contribution plans

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

Post-employment benefits – defined benefit plans

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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

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

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

Termination benefits

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

Short-term benefits

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

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

Provisions

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

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

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.

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Assessment fee and commission revenue

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

Utilization fee

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

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

Interest income

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Going concern

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

Functional currency

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Deferred tax assets

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

Depreciation of tangible and intangible assets

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

Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment losses on financial guarantee contracts

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

Provisions for losses on financial guarantee contracts

Provisions for guarantees consist of two types: General provisions and specific provisions. The general provisions represent funds set aside by the Group and the company to pay for losses that are anticipated to occur in the future. Past history of loan defaults and recoverability show that the Company may suffer from losses due to the nature of its business. Therefore, it is prudent to create a general provision in addition to the specific provision. The specific provisions are reserves taken for specific guarantee contracts when there is objective evidence of impairment (IAS 39). The company has so far made provisions as stated in Note 18.

6. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

6. FINANCIAL RISK MANAGEMENT(continued)

Credit risk (continued)

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

Cash and Cash Equivalents (excluding cash in hand)

	GROUP			COMPANY			2014		
	2015		2015		2014				
	Balance	Rating	Balance	Rating	Rating				
	USD	Short Term	Long Term	USD	Short Term	Long Term	USD	Short Term	Long Term
Barclays Bank Mauritius ¹	46,888	A-2	BBB	46,888	A-2	BBB	2,016,864	A-2	A-
Barclays Bank London ¹	4,235,990			4,235,990					
CFC Stanbic ²	186,545	B	BB-	186,545	B	BB-	107,422	F1+ (ken)	AAA(Ken)
Commercial Bank of Africa ³	238	A1	AA-	238	A1	AA-	776,411	A1	AA-
Ecobank ⁴	5,977,113	B	B	5,977,113	B	B	981,666	B	B-
BCEAO Lomé (XOF)	2,296,755	N/A	N/A	-	-	-	-	-	-
BCEAO Siège (EURO)	7,762,295	N/A	N/A	-	-	-	-	-	-
BTCI	29,464	N/A	N/A	-	-	-	-	-	-
ECOBANK TOGO	58,588	N/A	N/A	-	-	-	-	-	-
BATG	61,832	N/A	N/A	-	-	-	-	-	-
BOA TOGO	91,059	N/A	N/A	-	-	-	-	-	-
BACI	209,136	N/A	N/A	-	-	-	-	-	-
Total	20,955,903			10,446,774			3,882,363		

(¹) Rating by Standard & Poors, (²) Fitch National rating, (³) Rating by GCR

Held-to-maturity financial assets

Rating*	GROUP		COMPANY	
	2015		2015	
			Book Value	Book Value
AAA	3,212,791		3,212,791	3,248,091
AA+	6,074,293		6,074,293	6,138,482
AA	8,355,618		8,355,618	20,210,874
AA-	5,053,961		5,053,961	
A	2,587,005		2,587,005	2,619,111
A-	7,013,747		7,013,747	8,117,136
BBB	14,828,112		14,828,112	14,567,733
Not rated	1,079,541		-	-
	48,205,068		47,125,527	54,901,427

Source: Bloomberg

6. FINANCIAL RISK MANAGEMENT(continued)

Receivables

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

CAMELS Ratings definitions

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

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

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

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

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

Concentration risk

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

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

6. FINANCIAL RISK MANAGEMENT(continued)

Bond Counterparty	GROUP				COMPANY	
	Book Value 2015	Percentage	Book Value 2015	Percentage	Book Value 2014	Percentage
Dubai Government					15,866,833	28.19%
African Export-Import Bank	6,639,767	13.77%	6,639,767	13.77%	6,824,420	12.13%
Croatia	4,624,442	9.59%	4,624,442	9.59%	5,195,988	9.23%
Slovenia Government	4,494,173	9.32%	4,494,173	9.32%	5,562,400	9.88%
Belgium Kingdom	3,853,687	7.99%	3,853,687	7.99%	4,344,041	7.72%
General Electric	914,407	1.90%	914,407	1.90%	946,791	1.68%
Bank Nederlandse Gemeenten	2,564,709	5.32%	2,564,709	5.32%	2,602,098	4.62%
European Investment Bank	2,565,338	5.32%	2,565,338	5.32%	2,599,973	4.62%
Caisse d'amortissement de la dette sociale	2,595,178	5.38%	2,595,178	5.38%	2,589,593	4.60%
Bank of China Hong Kong	2,587,004	5.37%	2,587,004	5.37%	2,619,111	4.65%
South Africa	2,515,781	5.22%	2,515,781	5.22%	2,547,325	4.53%
Poland	2,519,574	5.23%	2,519,574	5.23%	2,554,736	4.54%
African Development Bank	647,453	1.34%	647,453	1.34%	648,118	1.15%
Morocco	1,048,123	2.17%	1,048,123	2.17%	-	-
Qatar	4,501,931	9.34%	4,501,931	9.34%	-	-
Chile	3,913,799	8.12%	3,913,799	8.12%	-	-
Export-Import BK Korea	1,140,161	2.37%	1,140,161	2.37%	-	-
Banque Ouest Africaine de Développement	132,800	0.28%	-	-	-	0.28%
Société immobilière et financière de la côte africaine	249,000	0.52%	-	-	-	0.49%
Etat du Togo	31,125	0.06%	-	-	-	0.12%
Banque d'investissement et de Développement de la CEDEAO	175,688	0.36%	-	-	-	0.46%
Caisse Autonome d'Amortissement Benin	41,500	0.09%	-	-	-	0.16%
Caisse Régionale Refinancement Hypothécaire	197,108	0.41%	-	-	-	0.43%
Shelter Afrique	152,720	0.32%	-	-	-	0.3%
Etat du Sénégal	99,600	0.21%	-	-	-	0.2%
TOTAL	48,205,068	100%	47,125,527	100%	54,901,427	100%

6. FINANCIAL RISK MANAGEMENT(continued)

Market risk

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

Interest rate risk

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

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

Foreign exchange risk

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

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

	GROUP				
	USD 2015	EURO 2015	KES 2015	XOF 2015	Total USD 2015
Assets	89,816,894	17,291,567	67,820,584	6,710,022,537	120,378,711
Liabilities	30,139,557	69,079	38,248,306	347,149,645	31,163,611
Closing rate	1	1.0862	0.009775	0.0016567	
Net exposure in USD	59,677,337	18,707,066	289,074	10,541,623	89,215,100

	COMPANY				
	USD 2015	EURO 2015	KES 2015	XOF 2015	Total USD 2015
Assets	89,816,894	10,162,927	67,820,584	-	101,672,121
Liabilities	30,139,557	69,079	38,248,306	-	22,253,348
Closing rate	1	1.0862	0.009775	-	
Net exposure in USD	68,165,761	10,963,938	289,074	-	79,418,773

	COMPANY				
	USD 2014	EURO 2014	KES 2014	XOF 2014	Total USD 2014
Assets	47,302,344	10,938,347	432,610	-	64,211,616
Liabilities	439,528	-	9,955,309	-	549,410
Closing rate	1	1.2098	0.011	-	
Net exposure in USD	46,862,816	13,233,212	-104,750	-	63,662,206

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

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

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

6. FINANCIAL RISK MANAGEMENT(continued)

Liquidity risk

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

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

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

As at 31 December 2015	GROUP						
	On demand	1 to 3 months	3 to 6 months	6 to 12 months	1 to 8 years	Undetermined	Total
	USD						
Cash and cash equivalents	17,270,252	3,000,000	844,258	-	-	-	21,114,510
Bond coupons and principal	-	5,043,157	319,071	7,400,308	39,909,982	-	52,672,518
Other financial assets	-	3,901,000	2,822,000	12,865,000	12,948,000	-	32,536,000
Receivables and deposits	-	-	-	-	6,191,270	-	6,191,270
Financial Guarantees	-	-	-	-	-	10,203,182	10,203,182
Total financial assets	17,270,252	11,944,157	3,985,329	20,265,308	59,049,252	10,203,182	122,717,480
Borrowed funds	-	-	21,113,384	-	-	-	21,113,384
Payables	552,327	-	-	-	-	-	552,327
Other liabilities	583,574	-	-	-	-	-	583,574
Total financial liabilities	1,135,901	-	21,113,384	-	-	-	22,249,285

6. FINANCIAL RISK MANAGEMENT(continued)

As at 31 December 2015	COMPANY						
	On demand	1 to 3 months	3 to 6 months	6 to 12 months	1 to 8 years	Undetermined	Total
	USD	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	6,761,076	3,000,000	844,258	-	-	-	10,605,334
Bond coupons and principal	-	5,043,157	319,071	7,327,683	38,902,766	-	51,592,677
Receivables	3,120,270	-	-	-	-	-	3,120,270
Financial guarantees	-	-	-	-	-	6,856,182	6,856,182
Total financial assets	9,881,346	8,043,157	1,163,329	7,327,683	38,902,766	6,856,182	72,174,463
Borrowed funds	-	-	21,000,731	-	-	-	21,000,731
Payables	518,424	-	-	-	-	-	518,424
Other liabilities	41,209	-	-	-	-	-	41,209
Total financial liabilities	559,633	-	21,000,731	-	-	-	21,560,364

As at 31 December 2014	COMPANY					
	On demand	1 to 3 months	3 to 6 months	6 to 12 months	12 months to 6 years	Total
	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	3,107,963	779,914	-	-	-	3,887,878
Bond coupons and principal	-	1,588,722	733,839	16,397,893	40,148,079	58,868,533
Receivables	1,656,451	-	-	-	-	1,656,451
Total financial assets	5,398,648	2,368,637	733,839	16,397,893	40,148,079	64,412,862
Payables	250,559	-	-	-	-	-
Other liabilities	27,799	-	-	-	-	-
Total financial liabilities	278,358	-	-	-	-	278,358

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

6. FINANCIAL RISK MANAGEMENT(continued)

Operational risk

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

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

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

- Ethical and business standards.
- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.
- Development of contingency plans.
- Training and professional development.
- Risk mitigation, including insurance where this is effective.

Operational risk

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

Capital management

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

7. FAIR VALUE MEASUREMENTS

	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	GROUP 2015		COMPANY 2015		COMPANY 2014	
Held-to-maturity financial Assets						
<i>Dubai Government Bond</i>					15,866,833	16,120,056
<i>General Electric Capital</i>	914,407	929,660	914,407	929,660	946,791	976,100
<i>Belgium Kingdom</i>	3,853,687	4,075,422	3,853,687	4,075,422	4,344,041	4,660,755
<i>Republic Slovenia 2015</i>					507,059	509,658
<i>Croatia 2015</i>					451,083	450,953
<i>Croatia 2017</i>	4,624,442	4,823,438	4,624,442	4,823,438	4,744,904	5,099,063
<i>Republic of Slovenia 2016</i>	4,494,173	4,518,708	4,494,173	4,518,708	5,055,341	5,226,560
<i>African export- import bank 2016</i>	6,639,767	6,741,563	6,639,767	6,741,563	6,824,420	7,108,125
<i>Bk nederlandse gemeenten</i>	2,564,709	2,878,250	2,564,709	2,878,250	2,602,098	2,979,750
<i>European investment bank</i>	2,565,338	2,854,800	2,565,338	2,854,800	2,599,973	2,948,400
<i>Caisse d'amort dette soc</i>	2,595,178	2,844,900	2,595,178	2,844,900	2,589,593	2,897,100
<i>Bank of china hong kong</i>	2,587,005	2,986,903	2,587,005	2,986,903	2,619,111	3,119,548
<i>South Africa</i>	2,515,781	2,906,675	2,515,781	2,906,675	2,547,325	3,034,825
<i>Poland</i>	2,519,574	2,935,494	2,519,574	2,935,494	2,554,736	3,052,856
<i>African development bank</i>	647,453	674,366	647,453	674,366	648,119	684,820
<i>Kingdom of Morocco</i>	1,048,123	1,297,500	1,048,123	1,297,500	-	-
<i>State of Qatar</i>	4,501,931	5,170,000	4,501,931	5,170,000	-	-
<i>Republic of Chile</i>	3,913,799	4,630,000	3,913,799	4,630,000	-	-
<i>Export-Import Bank Korea</i>	1,140,160	1,325,000	1,140,160	1,325,000	-	-
<i>Banque Ouest Africaine de Développement</i>	132,800	132,800	-	-	-	-
<i>Société immobilière et financière de la côte africaine</i>	249,000	249,000	-	-	-	-
<i>Etat du Togo</i>	31,125	31,125	-	-	-	-
<i>Banque d'investissement et de Développement de la CEDEAO</i>	175,688	175,688	-	-	-	-
<i>Caisse Autonome d'Amortissement Benin</i>	41,500	41,500	-	-	-	-
<i>Caisse Régionale Refinancement Hypothécaire</i>	197,108	197,108	-	-	-	-
<i>Shelter Afrique</i>	152,720	152,720	-	-	-	-
<i>Etat du Sénégal</i>	99,600	99,600	-	-	-	-
Total	48,205,068	52,672,220	47,125,527	51,592,679	54,901,427	58,868,569

Fair value calculated as present value of expected cash over remaining life of financial assets (as of the reporting date).

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

7. FAIR VALUE MEASUREMENTS (continued)

Fair value measurement of financial guarantees

	GROUP 2015 USD	COMPANY 2015	COMPANY 2014 USD
Opening Balance	2,091,138	2,091,138	-
Movement during the year	4,884,252	4,765,044	2,091,138
Acquisition of "Fonds Gari"	3,227,792	-	-
	10,203,182	6,856,182	2,091,138

The financial guarantees fair value are at level 3. There has been no transfer between the level 1 and level 2 during the year

Fair value hierarchy

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

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

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

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

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

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

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

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

8. a) HELD TO MATURITY FINANCIAL ASSETS

2015	GROUP			
	Purchase value (USD including commission)	Maturity Date	Coupon Rate	Book Value (USD)
General Electric Capital	1,010,523	15-Feb-17	5.40%	914,407
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	3,853,687
Croatia 2017	4,978,724	27-Apr-17	6.25%	4,624,442
Republic of Slovenia 2016	5,872,341	17-Feb-16	4%	4,494,173
African Export- Import Bank 2016	7,008,076	27-Jul-16	5.75%	6,639,767
Bank Nederlandse Gemeenten	2,598,433	16-Feb-21	4.38%	2,564,709
European Investment Bank	2,596,771	16-Feb-21	4.00%	2,565,338
Caisse d'amortissement de la dette sociale	2,593,450	17-Apr-20	2.00%	2,595,178
Bank of China Hong Kong	2,600,267	11-Feb-20	5.55%	2,587,005
South Africa	2,593,682	09-Mar-20	5.50%	2,515,781
Poland	2,602,338	21-Apr-21	5.13%	2,519,574
African Development Bank	650,073	02-Oct-18	1.63%	647,453
Morocco	1,058,175	11-Dec-22	4.25%	1,048,123
Export-Import Bank Korea	1,137,097	11-Apr-22	5.00%	1,140,161
Qatar	4,490,130	20-Jan-22	4.50%	4,501,931
Chile	3,903,335	30-Oct-22	2.25%	3,913,798
Banque Ouest Africaine de Développement	-	-	5.95%	132,800
SIFCA	-	-	6.90%	249,000
Etat du Togo	-	-	6.50%	31,125
Banque d'investissement et de Développement de la CEDEAO	-	-	5.02%	175,688
Caisse Autonome d'Amortissement Benin	-	-	6.50%	41,500
Caisse Régionale Refinancement Hypothécaire	-	-	6.10%	197,108
Shelter Afrique	-	-	6.60%	152,720
Etat du Sénégal	-	-	6.50%	99,600
Total	50,741,898			48,205,068

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

8. a) HELD TO MATURITY FINANCIAL ASSETS (continued)

2015	COMPANY			
	Purchase value (USD including commission)	Maturity Date	Coupon Rate	Book Value USD)
General Electric Capital	1,010,523	15-Feb-17	5.40%	914,407
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	3,853,687
Croatia 2017	4,978,724	27-Apr-17	6.25%	4,624,442
Republic of Slovenia 2016	5,872,341	17-Feb-16	4%	4,494,173
African Export- Import Bank 2016	7,008,076	27-Jul-16	5.75%	6,639,767
Bank Nederlandse Gemeenten	2,598,433	16-Feb-21	4.38%	2,564,709
European Investment Bank	2,596,771	16-Feb-21	4.00%	2,565,338
Caisse d'amortissement de la dette sociale	2,593,450	17-Apr-20	2.00%	2,595,178
Bank of China Hong Kong	2,600,267	11-Feb-20	5.55%	2,587,005
South Africa	2,593,682	09-Mar-20	5.50%	2,515,781
Poland	2,602,338	21-Apr-21	5.13%	2,519,574
African Development Bank	650,073	02-Oct-18	1.63%	647,453
Morocco	1,058,175	11-Dec-22	4.25%	1,048,123
Export-Import Bank Korea	1,137,097	11-Apr-22	5.00%	1,140,161
Qatar	4,490,130	20-Jan-22	4.50%	4,501,931
Chile	3,903,335	30-Oct-22	2.25%	3,913,798
Total	50,741,898			47,125,527

8. a) HELD TO MATURITY FINANCIAL ASSETS (continued)

2014	COMPANY			
	Purchase value (USD including commission)	Maturity Date	Coupon Rate	Book Value (USD)
Dubai Government Bond	17,201,215	05-Oct-15	6.70%	15,866,833
General Electric Capital	1,010,523	15-Feb-17	5.40%	946,791
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	4,344,041
Republic Slovenia 2015	585,156	17-Mar-15	2.75%	507,059
Croatia 2015	517,108	05-Jan-15	6.50%	451,083
Croatia 2017	4,978,724	27-Apr-17	6.25%	4,744,904
		17-Feb-16		
Republic of Slovenia 2016	5,872,341		4.00%	5,055,341
African Export- Import Bank 2016	7,008,076	27-Jul-16	5.75%	6,824,420
		16-Feb-21		
Bank Nederlandse Gemeenten	2,598,433		4.375%	2,602,098
		16-Feb-21		
European Investment Bank	2,596,771		4.000%	2,599,973
		17-Apr-20		
Caisse d'amortissement de la dette sociale	2,593,450		2.000%	2,589,593
		11-Feb-20		
Bank of China Hong Kong	2,600,267		5.550%	2,619,111
		9-Mar-20		
South Africa	2,593,682		5.500%	2,547,325
		21-Apr-21		
Poland	2,602,338		5.125%	2,554,736
African Development Bank	650,073	2-Oct-18	1.625%	648,119
	58,456,640			54,901,427

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

8(b). FINANCIAL GUARANTEES

Fair value of financial guarantee contracts: USD 10,203,182 and USD 6,856,182 for the Group and Company respectively. (2014: USD 2,091,138)

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

	GROUP 2015	COMPANY 2015	COMPANY 2014
If the company's average annual growth in utilization is lower by 100 point to the management assumption (from 10% to 9%), the fair value gain will decrease by;	204,650	204,650	135,692
If Gari Fund's average annual growth in utilization is lower by 100 point to the management assumption (from 6% to 5%), the fair value gain will decrease by;	101,454	-	-
If the company's default rate over the period of the contract is higher by 100 point to the management assumption (from 3.84% to 4.84%), the fair value gain will decrease by;	1,275,996	481,814	227,274
If the company's average recovery rate is lower by 100 point to the management assumption (from 32% to 31%), the fair value gain will decrease by;	18,225	18,225	9,236
If Gari Fund's average recovery rate is lower by 100 point to the management assumption (from 27% to 26%), the fair value gain will decrease by;	25,359	-	-
If the company's discount rate is higher by 100 point to the management assumption (from 7.5% to 8.5%), the fair value gain will decrease by;	230,750	157,917	74,041

	GROUP 2015	COMPANY 2015	COMPANY 2014
	USD	USD	USD
Opening Balance	2,091,138	2,091,138	-
Movement during the year	4,884,252	4,765,044	2,091,138
Gari Fund Guarantee Fair value	3,227,792	-	-
	10,203,182	6,856,182	2,091,138

8(c). OTHER FINANCIAL INSTRUMENTS

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

Bank	GROUP		
	Annual rates	Terms	Amount (USD)
ECOBANK TOGO	6.00%	30/06/15 - 29/06/18	2,490,000
CORIS BANK BURKINA	6.50%	01/08/13 - 31/07/16	1,992,000
CORIS BANK BURKINA	6.50%	03/12/13 - 02/12/16	2,490,000
BSIC TOGO	7.00%	28/01/13 - 27/01/16	3,320,000
BSIC TOGO	7.00%	13/02/13 - 12/02/16	415,000
BSIC TOGO	6.00%	08/06/15 - 07/06/18	830,000
BOA BENIN	7.00%	27/01/13 - 26/01/16	3,320,000
BOA BENIN	6.40%	08/08/13 - 07/08/16	1,909,000
BTD - ORABANK TOGO	7.00%	01/07/13 - 30/06/16	2,490,000
BTD - ORABANK TOGO	7.00%	01/09/13 - 31/08/16	1,162,000
BANQUE ATLANTIQUE TOGO	6.00%	01/07/15 - 30/06/18	249,000
BANQUE ATLANTIQUE TOGO	6.54%	16/06/15 - 15/06/18	1,660,000
BANQUE ATLANTIQUE TOGO	6.50%	16/12/15 - 15/12/16	830,000
ORABANK TOGO	6.00%	25/04/12 - 24/04/15	830,000
ORABANK TOGO	6.40%	15/07/13 - 14/07/16	1,992,000
ORABANK TOGO	5.00%	28/03/13 - 27/03/16	249,000
DIAMOND TOGO	6.50%	14/07/13 - 13/07/16	996,000
DIAMOND TOGO	6.70%	16/06/15 - 14/06/18	2,490,000
BOA TOGO	5.00%	11/06/14 - 11/12/16	332,000
BOA SENEGAL	6.00%	17/06/15 - 16/06/18	2,490,000
Total			32,536,000

9. INCOME FROM INVESTMENTS

	GROUP 2015	COMPANY 2015	COMPANY 2014
	USD	USD	USD
Income from held-to-maturity financial assets	1,332,581	1,329,667	1,376,214
Interest received on fixed-term deposits in Kenya	214,574	214,574	60,739
Interest received on term deposits in London	8,698	8,698	4,657
Interests income on Central Bank account Togo	897	-	-
Interests income on current account Togo	310	-	-
Interests income on term Deposits Togo	64,603	-	-
	1,621,663	1,552,939	1,441,610

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

10. OTHER INCOME

	GROUP 2015	COMPANY 2015	COMPANY 2014
	USD		USD
Commissions related to previous year	5,989	-	-
Net foreign exchange differences	1,130	-	-
Reversal of Provision	3,656	-	-
Gain on sale of property and equipment	-	-	19,614
	10,775	-	19,614

11. STAFF EXPENSES

Staff costs comprise:

	GROUP 2015	COMPANY 2015	COMPANY 2014
	USD		USD
Wages and salaries	2,310,960	2,288,623	2,059,352
Defined contribution pension cost	119,854	119,854	125,027
Social security contributions and similar taxes	1,781	618	592
	2,432,595	2,409,095	2,184,971

12. EXPENSES BY NATURE

	GROUP 2015	COMPANY 2015	COMPANY 2014
	USD	USD	USD
Administrative expenses	51,223	51,223	48,750
Board expenses	219,425	216,584	230,347
Legal and tax advisory fees	152,470	152,110	258,389
Administrative and legal fees	423,118	419,917	537,486
Telephone	91,077	90,707	69,057
Courier and postage	6,812	6,435	3,947
Others	11,007	10,279	11,080
Communication expenses	108,896	107,421	84,084
SME Championship sponsorship	222,775	222,775	271,433
Conference and Sponsorship	69,564	69,455	90,567
Adverts	42,129	41,006	72,467
Marketing expenses	334,468	333,236	434,467
Rent	125,941	124,715	133,194
Service charges	30,196	30,196	33,262
Security and maintenance	35,438	35,337	36,344
Parking and electricity	24,719	24,719	23,672
Insurance	6,130	6,130	6,923
Premises expenses	222,424	221,097	233,395
Staff recruitment	45,088	45,088	27,964
Staff training	6,781	6,781	9,115
Consultancy	42,149	41,129	19,707
Audit fees	47,873	46,989	73,600
Office supplies	38,334	38,234	28,981
Computer maintenance cost	46,404	45,158	22,534
Bank charges	56,041	56,041	10,075
Legal and marketing expenses – Gari Fund Acquisition	237,524	237,524	227,946
Gain or loss on disposal of assets	-	-	2,408
Sundry expenses	59,439	58,156	70,760
Other expenses	579,633	575,100	493,090

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

13. TAX EXPENSES

The Company being the holder of a Mauritian Category 1, Global Business License, 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.

The unused tax losses not recognized in the books at 31 December 2015 for the Group and the Company amount to 3,373,443 (Company 2014: 1,998,908). Deferred tax asset has not been recognized in respect of tax losses carried forward as the Directors consider that it is not probable that future taxable profits will be available against which the unused tax losses can be utilized.

Year of Assessment	Expiry Year	GROUP 2015	COMPANY 2015	COMPANY 2014
		USD	USD	USD
2012	2017	499,514	499,514	499,514
2013	2018	1,499,394	1,499,394	1,499,394
2014	2019	-	-	-
2015	2020	1,374,535	1,374,535	-
		3,373,443	3,373,443	1,998,908

14. PROPERTY AND EQUIPMENT

	GROUP						Total
	Office equipment	Fittings	Furniture	Computer equipment	Motor vehicles	Assets under construction	
	USD	USD	USD	USD	USD	USD	USD
At 1 January 2015	154,943	1,022,659	284,242	125,624	129,546	-	1,717,014
Acquisition of GARI	0	1,428	544	4,099	29,060	5,934	41,064
Additions	32,384	-	-	8,338	-	87,810	128,532
At 31 December 2015	187,327	1,024,087	284,786	138,061	158,606	93,744	1,886,610
DEPRECIATION	Office equipment	Fittings	Furniture	Computer equipment	Motor vehicles	Assets under construction	Total
	USD	USD	USD	USD	USD	USD	USD
At 1 January 2015	(58,161)	(262,665)	(82,250)	(65,541)	(89,500)	-	(558,117)
Charge for the year	(22,907)	(128,426)	(35,531)	(26,093)	(24,137)	-	(237,094)
At 31 December 2015	(81,068)	(391,091)	(117,781)	(91,634)	(113,637)	-	(795,211)
NET BOOK VALUE							
At 31 December 2015	109,259	632,996	167,005	46,427	44,969	93,744	1,091,399

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

14. PROPERTY AND EQUIPMENT (continued)

COST	COMPANY						Total USD
	Office equipment USD	Fittings USD	Furniture USD	Computer equipment USD	Motor vehicles USD	Assets under construction USD	
At 1 January 2014	154,832	687,100	277,274	101,433	99,000	317,966	1,637,605
Reclassification from work in progress	-	317,966	-	-	-	(317,966)	-
Additions	111	17,593	6,968	30,098	30,546	-	85,316
Disposals	-	-	-	(5,907)	-	-	(5,907)
At 31 December 2014	154,943	1,022,659	284,242	125,624	129,546	-	1,717,014
At 1 January 2015	154,943	1,022,659	284,242	125,624	129,546	-	1,717,014
Additions	31,863	-	-	8,338	-	87,810	128,011
At 31 December 2015	186,806	1,022,659	284,242	133,962	129,546	87,810	1,845,025
DEPRECIATION							
At 1 January 2014	(38,708)	(150,272)	(46,865)	(38,493)	(57,750)	-	(332,088)
Charge for the year	(19,453)	(112,393)	(35,385)	(30,547)	(31,750)	-	(229,528)
Disposal Adjustment	-	-	-	7,182	-	-	7,182
At 31 December 2014	(58,161)	(262,665)	(82,250)	(65,541)	(89,500)	-	(558,117)
Charge for the year	(22,386)	(128,426)	(35,531)	(26,093)	(24,137)	-	(236,573)
At 31 December 2015	(80,547)	(391,091)	(117,781)	(91,634)	(113,637)	-	(794,690)
NET BOOK VALUE							
At 31 December 2015	106,259	631,568	166,461	42,328	15,909	87,810	1,050,335
At 31 December 2014	96,782	759,994	201,992	63,766	40,046	-	1,162,580

15. INTANGIBLE ASSETS

COST

	Software USD	Website USD	Assets under work in progress USD	Total USD
At 1 January 2015	15,805	27,114	390,800	433,719
Reclassification from work in progress	335,800	-	(335,800)	-
Additions	10,953	-	290,000	300,953
Acquisition of Gari SA	-	10,651	-	10,651

At 31 December 2015 AMORTISATION

	Software USD	Website USD	Assets under work in progress USD	Total USD
At 1 January 2015	(6,630)	(9,522)	-	(16,152)
Charge for the year	(67,311)	(11,653)	-	(78,964)

At 31 December 2015 NET BOOK VALUE At 31 December 2015

GROUP			
Software USD	Website USD	Assets under work in progress USD	Total USD
362,558	37,765	345,000	745,323
(73,941)	(21,175)	-	(95,116)
288,617	16,590	345,000	650,207

COST

	Software USD	Website USD	Assets under work in progress USD	Total USD
At 1 January 2014	15,301	27,114	287,600	330,015
Additions	504	-	103,200	103,704
At 31 December 2014	15,805	27,114	390,800	433,719
Reclassification from work in progress	335,800	-	(335,800)	-
Additions	10,953	-	290,000	300,953

At 31 December 2015 AMORTISATION

	Software USD	Website USD	Assets under work in progress USD	Total USD
At 31 December 2014	(3,152)	(5,032)	-	(8,184)
Charge for the year	(3,478)	(4,490)	-	(7,968)

	Software USD	Website USD	Assets under work in progress USD	Total USD
At 31 December 2014	(6,630)	(9,522)	-	(16,152)
Charge for the year	(67,311)	(11,576)	-	(78,887)

	Software USD	Website USD	Assets under work in progress USD	Total USD
At 31 December 2015	(73,941)	(21,098)	-	(95,039)

At 31 December 2015 NET BOOK VALUE At 31 December 2014

COMPANY			
Software USD	Website USD	Assets under work in progress USD	Total USD
362,558	27,114	345,000	734,672
(3,152)	(5,032)	-	(8,184)
(3,478)	(4,490)	-	(7,968)
(6,630)	(9,522)	-	(16,152)
(67,311)	(11,576)	-	(78,887)
(73,941)	(21,098)	-	(95,039)
288,617	6,016	345,000	639,633
9,175	17,592	390,800	417,567

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

16. RECEIVABLES AND DEPOSITS

	GROUP 2015	COMPANY 2015	COMPANY 2014
	USD	USD	USD
Other receivables	6,146,769	3,075,769	1,613,278
Deposits	44,501	44,501	43,173
	6,191,270	3,120,270	1,656,451

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

Other receivables are interest free and are repayable on demand.

17. TRADE, OTHER PAYABLES AND OTHER LIABILITIES

	GROUP 2015	COMPANY 2015	COMPANY 2014
	USD	USD	USD
Trade payables	397,741	363,838	48,113
Accrued payables	154,586	154,586	202,446
	552,327	518,424	250,559

Book values of trade payables and accruals approximate their fair value at 31 December 2015 and 2014.

Trade payables are interest free and are repayable on demand.

	GROUP 2015	COMPANY 2015	COMPANY 2014
	USD	USD	USD
OTHER LIABILITIES			
VAT payable	1,182	1,182	1,800
Withholding tax	14,679	14,679	5,514
Pending account and accrued liabilities	490,504	-	-
Sundry liabilities	77,209	25,348	20,485
	583,574	41,209	27,799

18. GENERAL PROVISION FOR GUARANTEES

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

The volume of its financial guarantee as of 31 December 2015 stands at, group: USD 310,759,681 and company: USD 144,732,075 (2014: USD 106,684,687).

	GROUP 2015	COMPANY 2015	COMPANY 2014
	USD	USD	USD
Opening Balance	271,052	271,052	203,000
Claims less Recovery	(311,478)	(311,478)	(67,696)
New Provision	846,883	733,410	135,748
Gari Fund Provision	7,180,483	-	-
Closing Balance	7,986,940	692,984	271,052

"An additional provision of USD 2,082,402 has been made to GARI Fund provision to reflect the post-acquisition GARI Fund portfolio review."

19. PROVISIONS

	GROUP			
	Pensions	Litigations and other provisions	Others	Total
	USD	USD	USD	USD
At 1 January 2015	-	-	-	-
Acquisition of Fonds Gari	186,582	835,454	39,712	1,061,748
Arising during the year	-	-	-	-
Exchange rate movement	(17,704)	-	(4,005)	(21,709)
At 31 December	168,878	835,454	35,707	1,040,039

(i) **Pensions:** This caption includes provisions and liabilities relating to employee benefits under defined benefit plans (Note 20).

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

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

20. DEFINED BENEFIT PLAN

Group:-

Post-employment benefits assumptions

Through the subsidiary "Fonds GARI", the Group has "long-term employee benefits under a defined benefit plan" related to compensation when employees retire from work. This compensation depends on the number of years spent by employees in the company. The annual expenses booked in the consolidated comprehensive income for the year ended as December 31, 2015 amounted to 11 KUSD. As of December 31, 2015, the total provision amounted to USD 168,878. The cost has been determined using actuarial method based on the assumptions below:

	2015	2014
Retirement limit	60 years	60 years
Employee turnover	1% - 2%	1% - 2%
Future salary increase	2%	2%
Rate of compensation (see table below)		
Discount rate applied (Interest rate of Governments Bonds of Togo)	6,5%	6,5%

Subsidiary	Percentage to apply to the average monthly salary		
	< 5 years	6-10 years	> 10 years
Togo	30%	35%	40%

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

Assumptions	2015		2014	
	Variation	Impact on the net defined benefit obligation (USD'000)	Variation	Impact on the net defined benefit obligation (USD'000)
Future salary increase	1%	19	1%	18
	-1%	-17	-1%	-16
Discount rate	1%	-16	1%	-20
	-1%	18	-1%	24
Turnover	1%	-17	1%	-25
	-1%	20	-1%	20

21. SHARE CAPITAL

	Group and Company	
	2015	
	Number	USD
Class B shares	2,400	24,000,000
Class C Shares	5,650	56,500,000
Class D shares	3	3
	8,053	80,500,003
	Company	
	2014	
	Number	USD
Class B shares	1,000	10,000,000
Class C shares	5,650	56,500,000
Class D shares	3	3
	6,653	66,500,003

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

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

Class A Share, Class B Share and Class C Share

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

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

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

Class D Share

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 USUSD 1 for each Share held.

Notes to the Financial Statements for the year ended 31 December 2015 (continued)

22. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2014, the Company transacted with related entities. Details of the nature, volume of transactions and the balances with the related entities are as follows:

Description of transaction	GROUP 2015	COMPANY 2015	Company 2014
	USD	USD	USD
Remuneration and sitting allowance of Board Members	82,882	82,882	51,265
Reimbursement of travel expenses of Board Members	74,188	74,188	59,168
Capacity building's administration fees – Grant Fund	191,372	191,372	252,896
	348,442	348,442	363,329

23. BUSINESS COMBINATION, GOODWILL AND NON-CONTROLLING INTEREST

On 18 December 2015, the acquisition of a financial institution, "Fonds GARI" was completed, following the General Meeting of shareholders. "Fonds GARI" was incorporated in July 3, 1995, as a financial institution, subject to the provisions of the existing banking law in the West African Monetary Union (UMOA/WAMU). Its main objective was issuance of guarantees to facilitate the financing of SMEs installed in member countries of the Economic Community of West African States (CEDEAO/ECOWAS). Its headquarters is in Togo.

The value of the share capital as at 31 December 2015 was at USD 23.9 Million. The founding shareholders are AFD (27.01%), the BEI (Banque Europeene d'Investissement) 19.3%, DEG (Deutsche Investitions – und Entwicklungsgesellschaft mbH) 18.53% and the Swiss Cooperation (SECO) 15.72% for a total percentage of 80.56%. BOAD (Banque Ouest Africaine de Developpement) itself owns 11.6%, with the balance distributed among various small shareholders. Following the Acquisition, African Guarantee Fund now owns 80.56% of "Fonds Gari". The remaining 7.84% is owned by individual shareholders.

For consolidation purpose, the subsidiary "Fonds GARI" was fully consolidated at the effective control date which is December 18, 2015.

23. BUSINESS COMBINATION, GOODWILL AND NON-CONTROLLING INTEREST (continued)

As of December 31, 2015, the provisional amount of Goodwill is stated at USD (1,695,111). The relative fair values of identifiable assets and liabilities as of the same date (acquisition date) were the following:

Currency: USD	FV recognized on acquisition Date	Carrying Value
Cash and balances with central banks	10,509,176	10,509,176
Financial investments – held-to-maturity	1,079,541	1,079,541
Other financial investments	32,536,000	32,536,000
Receivables	3,071,000	3,071,000
Property and equipment	41,064	41,064
Intangible assets	10,574	10,574
Financial Guarantees	3,227,792	3,347,000
Assets Acquired	50,475,147	50,594,355
Current tax & social liabilities	33,903	33,903
Other liabilities	542,365	542,365
General Provison for guarantees	7,099,085	7,293,956
Provisions	1,040,039	1,040,039
Liabilities Acquired	8,715,392	8,910,263
Net assets acquired	41,759,755	
80.56% of net assets acquired	33,641,659	
Non-controlling interest	8,118,096	
Purchase Price	31,887,765	
Goodwill	(1,753,894)	

24. BORROWED FUNDS

The company received a USD 21,000,000 one-year loan facility from Barclays PLC to assist with the purchase of 80.56% of ordinary shares of the Guarantee Fund for private Investment in West Africa (GARI SA). The quarterly interest payable on the facility stands at 3 months USD Libor + 1.65%.

25. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	GROUP 2015	COMPANY 2015	Company 2014
	USD	USD	USD
Financial guarantees (live)	361,379,883	195,352,277	150,959,687
Financial guarantees re-guaranteed	(50,620,202)	(50,620,202)	(44,275,000)
	310,759,681	144,732,075	106,684,687

Notes to the Financial Statements

for the year ended 31 December 2015 (continued)

25. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Custodian fees

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

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

Custody fees

GROUP 2015	COMPANY 2015	COMPANY 2014
USD	USD	USD
106,717	106,717	114,249

Operating lease commitments

African Guarantee Fund's branch in Nairobi's lease is for a period of six years. They all are tenant repairing with upward rent reviews every 2 years. GARI fund has no leases payable.

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

	GROUP 2015	COMPANY 2015	Company 2014
	USD	USD	USD
Properties			
Within 1 year	124,543	124,543	143,160
After 1 year but within 5 years	62,272	62,272	305,656
	186,815	186,815	448,816

26. EVENTS AFTER THE REPORTING DATE

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



Business is just like an
African board game,
and the win is determined
by the strategy one puts
into play...

