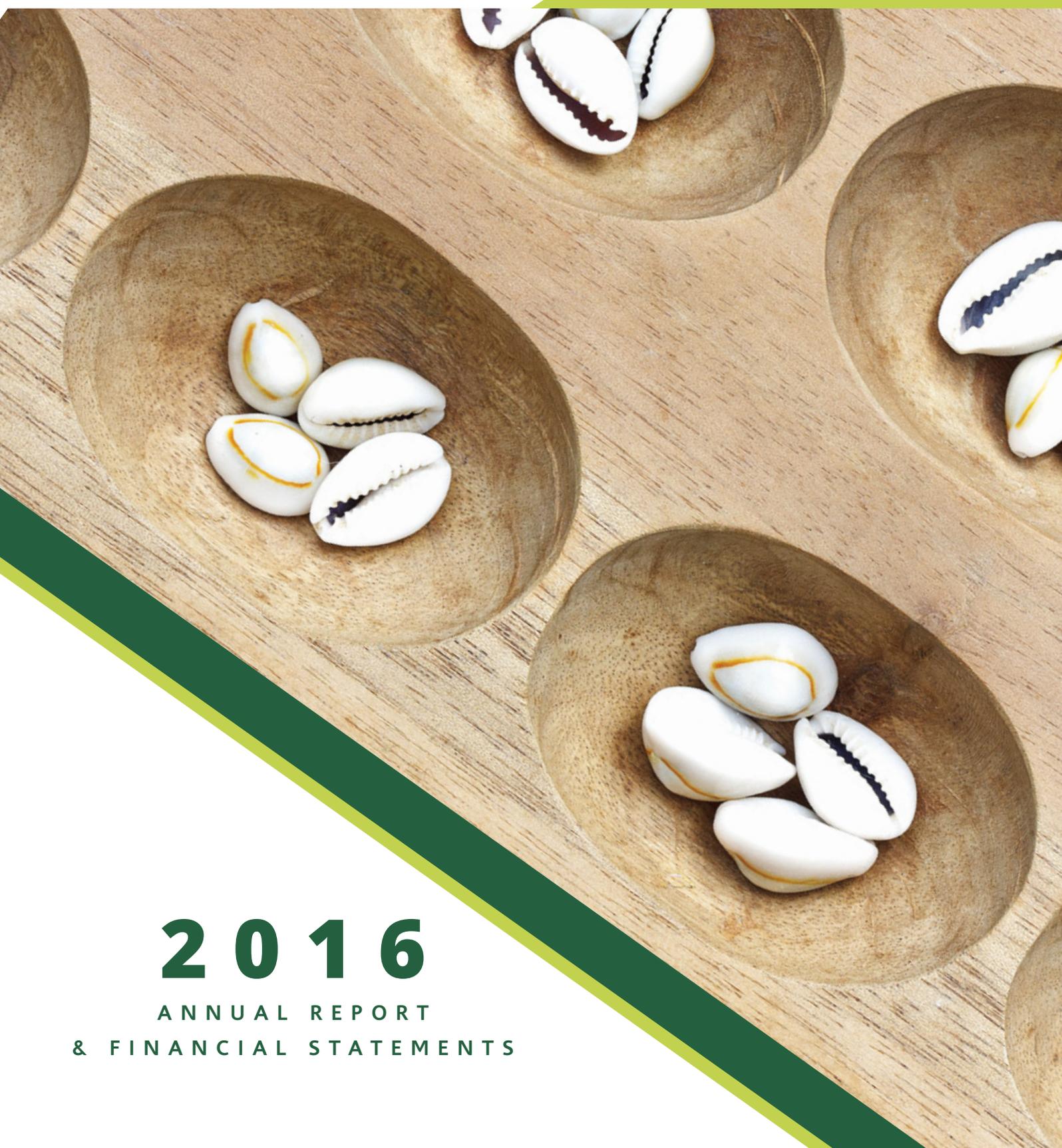




A GUARANTEE FOR AFRICAN GROWTH



2016

ANNUAL REPORT
& FINANCIAL STATEMENTS

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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

CORPORATE INFORMATION

1. CORPORATE INFORMATION

Important facts about AGF

The African Guarantee Fund (AGF) was established in 2011 as a non-bank financial institution and officially launched in 2012. This was a joint initiative of the Danish government/DANIDA, the Spanish Government/AECID, the African Development Bank, and later joined by the French Government/AFD and the Nordic Development Fund.

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 (SMEs) 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

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

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Mauritius

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Gikomba Branch
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Intermediaries I
London Offshore Corporate
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United Kingdom



OUR SHAREHOLDERS



The Danish International Development Agency



GOBIERNO DE ESPAÑA

MINISTERIO DE ASUNTOS EXTERIORES Y DE COOPERACIÓN



The Spanish Agency for International Development Cooperation



African Development Bank



French Development Agency



Nordic Development Fund

CORPORATE INFORMATION

THE HUMAN RESOURCE ENGINE PROPELLING AGF

BOARD OF DIRECTORS

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



Morten CHRISTIANSEN
Director
Representing
DANIDA



Stefan NALLETAMBY
Director
Representing
AfDB



Bruno DEPRINCE
Director
Representing AFD



Pasi Sakari HELLMAN
Director
Representing NDF



Andrew E. TEMU
Independent
Director



Baba ISSAH
Independent
Director



Anouchka CHUMMUN
Resident
Director



Riad AUBDOOL
Resident
Director

CORPORATE INFORMATION

MANAGEMENT TEAM



**Felix
ADAHI BIKPO**
Chief Executive Officer



**Jules
NGANKAM**
Chief Financial Officer



**Adidja
ZANOVI**
Chief Internal Controller



**David
EKABOUMA**
Head, Business
Development



**Josphat
NGARUIYA**
Head, Human Resources



**Joshua
OBENGELE**
Acting Risk Manager



**Emmanuel
RUTSIMBA**
Head, Monitoring &
Evaluation



**Franck
ADJAGBA**
MD, Gari Fund



**Yves
BOUDOT**
CEO Advisor

CORPORATE INFORMATION

OUR TEAM



AGF Group staff from the Kenya, Mauritius and Togo offices during the annual retreat

CORPORATE INFORMATION

AGF is an equal opportunity employer and opportunities in recruitment, selection, training, development and promotion are based on merit.

AGF recognises that its staff members are its most important resource and are key to the achievement of AGF's objectives. The achievement of AGF's strategic objectives is dependent on having the right number of staff, with the right knowledge, skills and competencies deployed in the right roles.

AGF recruits and aims to retain qualified and competent staff who are dedicated to the values and objectives of AGF and to their professional and career progression.

Our values

AGF is guided by the following core values:

- **Integrity:** in our transactions and relationships with our clients and with each other, we are honest, trustworthy, reliable, transparent and accountable;
- **Creativity:** we embrace new ideas and respond swiftly to changes in our environments;
- **Unity of purpose:** we dedicate ourselves to pursuing the agreed common goals;
- **Right first time:** we deliver on our commitments accurately and promptly and
- **Customer first:** we meet our internal and external customers' expectations.

It is the duty of every staff member to live out our values on a day-to-day basis. AGF operates a zero tolerance policy on any issues that compromise the integrity of our staff or the organisation.

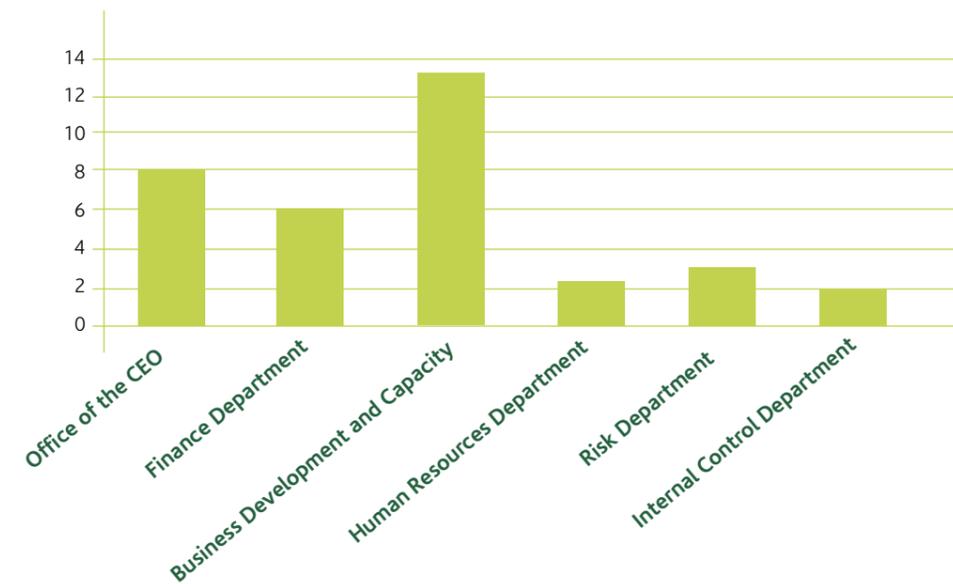
AGF Group Workforce Demographics

The total workforce for the AGF Group is 40 staff which consists of 23 males and 17 females distributed across six departments in our three office locations in Kenya, Mauritius and Togo.

AGF female members of staff from the Kenya office celebrating International Women's Day

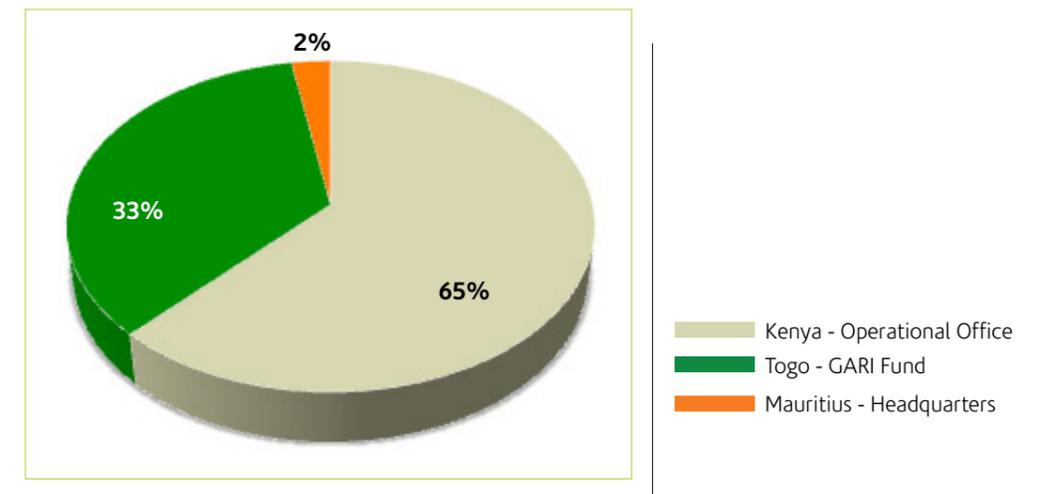


AGF Group Staff Distribution by Department



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 three countries as follows:

AGF GROUP STAFF DISTRIBUTION



CORPORATE INFORMATION

WORKFORCE DIVERSITY

AGF is a multi-cultural environment that brings together people of diverse backgrounds and talents. We believe the term “diversity” for us incorporates all the characteristics that make us both alike and unique – our backgrounds, cultures, nationalities, lifestyles, identities, points of view, approaches to solving problems, ways of working, and views of personal and career success.

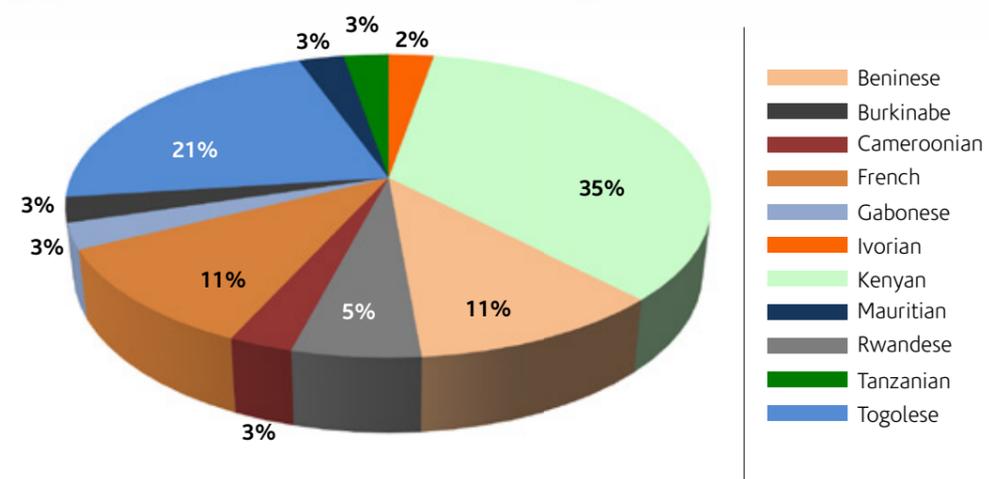
Our commitment to diversity is a business imperative tied directly to the nature of our organisation, our work and our future success. Diversity enhances our overall business performance as it enables us to gain global market understanding, attract and retain the best talent, and serve clients through the most effective solutions. AGF does not discriminate on the basis of age, sex, disability, gender or religion.

AGF is an equal opportunity employer that encourages the employment and promotion of suitably qualified and experienced women and especially for senior posts. While AGF strives to achieve gender balance in staffing its operations, this will be at all times done competitively, fairly, transparency and on the basis of merit.

The group enjoys a great diversity of culture by engaging staff of different nationalities to its team. Currently AGF has 12 nationalities well distributed in its countries of operations.



WORKFORCE DIVERSITY BY NATIONALITY



Staff diversity with a unity of purpose

Dear Shareholders,

It gives me a great pleasure to welcome you all to the African Guarantee Fund's Annual General Meeting and we are pleased to report that 2016 was yet another year of good achievement for your company.

Overview of the Economic Environment

In a challenging economic environment and at a time when we are celebrating our 5th anniversary, we were able to deliver satisfactory financial results as well as strengthen our market position and set up the foundation for future success.

Before I talk about the achievements of AGF, please let me briefly describe the economic environment. The world output growth has been hesitant and has finally closed to 3.1% as a result of a weaker prospect in China and other emerging markets, coupled with low commodity prices.

In Africa, the economic activity has weakened markedly. After a decade of high growth rate exceeding 5% on average per year, growth in Africa slowed down in 2015 and 2016 to 3% on average. Low commodity prices, tightening global financial conditions, and drought in parts of the continent continued to weigh down growth this year.

Insecurity and terrorism, social and political turmoil have also had some negative impact on the African economy. The negative effects of climate change like drought and epidemic diseases like Ebola have extremely decreased economic activities and also led to displacements within certain parts of Africa. Further, the impact and influence of China will continue to have some negative effects on the African economy in the few years to come.

Despite that and going forward, the outlook of the African economy is projected to improve with positive growth in output. Africa's economic recovery is expected to be driven by a gradual improvement in the continent's largest economies and commodity prices stabilization.

A good performance is expected in 2020, but at 3.2% a year, growth will be below the level needed to propel average incomes and living standards rapidly. Indeed, by 2020, GDP per head at purchasing power parity exchange rates will have barely improved from 2015 levels in many countries. A possible global recovery at the turn of the next decade driven by domestic demand will certainly boost African economic growth, but with probably less intense scale than during the previous decade.

In this environment, the role of AGF becomes more than crucial. Since AGF was founded, our purpose has been

clear. We are here to help the private sector, mainly the SMEs, to really play the role of engine of sustainable growth and to be a source of employment, skills and wealth creation. In turn, this will help to reduce poverty throughout the continent. We are confident that properly funded SMEs can help drive the economies of African countries to greater heights.

Notwithstanding the above economic challenges, the year 2016 was another good year for the AGF where the financial position and performance of your institution continued to improve.

2016 was the end of AGF's first five-year strategic plan (2012 -2016) and I am glad to report that we achieved significant success in implementing this strategic plan.

Business Performance

In a little less than 5 years of operations, AGF has developed a portfolio of guarantee lending of USD 460 M in 38 countries in Africa and we are still counting. In terms of geographical distribution of the guarantee exposure as at the end of 2016, 55% of the total exposure was in the West African Economic and Monetary Union (WAEMU), the East African region at 13% followed closely by the West African Monetary Zone (WAMZ) at 13%. Central Africa had 10% of the exposure, 9% in the Southern Africa, and the balance in North Africa.

Furthermore, one of the most significant achievements during 2015 was the acquisition of the GARI Fund. This is in line with the strategy approved by the Board of Directors in the five-year strategic plan. The acquisition was an opportunity to increase our capital base, with AFD increasing the capital of AGF by 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. The initial capital injected was 50 M USD by:

- Denmark (DANIDA): USD 20 M
- Spain (AECID): USD 20 M
- AfDB: USD 10 M

During the period under review, 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 were able to raise USD 37 M of additional capital split as follows:

- Denmark (DANIDA): USD 16 M
- Agence Française de Développement (AFD): USD 14 M
- Nordic Development Fund (NDF): USD 07 M

This represents 74% increase of our capital base. In addition, AGF received a re-guarantee line for USD 50 M from the Swedish Government via SIDA.

MESSAGE FROM THE CEO

Social Impact

Partner Financial Institutions (PFIs) are critical channels for us to reach our primary target – the SMEs. Their numbers and subsidiaries have been growing and stand respectively at 73 PFIs and 117 subsidiaries as at December 2016.

We have facilitated 4,000 SMEs to access loans, helping them to create more than 35,000 additional jobs.

At AGF, we encourage active participation of women and youth in ownership and management of SMEs. As at the end of 2016, 30% of the SMEs that we have supported were owned or led by women, while 60% were owned or led by youth. AGF is committed to achieve its social, economic, and environmental goals and we are gradually succeeding. The average loan tenor to SMEs has grown to 36 months by December 2016.

AGF believes that access to long-term financing by SMEs promotes investments and provides potential for SMEs to create more jobs and to support existing ones.

Risk Management

Sound rules and effective risk management are essential to contain losses and preserve the equity base. As initially planned, a Risk Management procedure has been set up 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 of 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:

- Financing selection;
- Amount of exposure;
- Tenure and price of facility;
- Frequency or intensity of monitoring;
- Analysis of migration of deteriorating financing and more accurate computation of future loan loss provision; and
- Deciding the level of approving authority of financing.

As a result, by the end of 2016, the Non-performing loan of the company was below 2% as compared to the 3% average set in the five year plan.

Control Environment

The Audit function is an essential part of good corporate governance. AGF's internal auditors, during the period under review:

- i) Ensured that the company has systems and processes in place to identify and manage significant business risks; and
- ii) Reviewed the effectiveness of the company's policies, application of these policies and make recommendations to the Management and the Board of Directors.

In addition, on the request of the Board of Directors, our external auditors, E&Y, reviewed the design of the internal control procedures in selected processes. The key objective of the internal control review was to establish improvement avenues which will help AGF to improve on the design of its procedures and controls. The areas in scope included the following:

- Governance framework;
- Business development;
- Risk management; and
- Finance, Procurement & Administrative services.

The review has revealed that overall, the control environment at AGF is acceptable and set out various avenues of improvements in the guarantee business and in the back office operations. Management action plans have also been designed in collaboration with E&Y

Human Resources

AGF has developed, at the end of the period under review, its ability to attract and retain high profile and quality talents. To this end, the company has built an environment that fosters a sense of inclusion among staff, keeping them motivated and empowered. We utilize a hybrid approach to talent acquisition, comprising an external recruitment of key talent and creating internal capacity development. We establish and maintain organizational structure and desirable working relationships among all the members of the Institution. We attain an effective utilization of Human Resources in the achievement of AGF's goals.

Corporate Governance

In line with your commitment to building a leading institution, AGF adheres to high corporate governance principles. The corporate governance framework of AGF has been set and it defines the overall relationship between the Board of Directors, the Management, the Shareholders and various stakeholders. It describes the mechanism through which the Board of Directors are able to direct, monitor and supervise the conduct and

operations of AGF and its management in a manner that ensures appropriate levels of authority, stewardship, leadership, direction and control.

The Board has delegated some of its responsibilities to 5 Board Committees:

- The Investment Committee, which is in fact the Guarantee Committee;
- The Treasury Management Committee;
- The Audit and Risk Committee;
- The Capacity Development Committee; and
- The Human Resources Committee.

Finance

Notwithstanding the generally still difficult economic environment, AGF has achieved major improvements in its financial performances, as demonstrated in the 2016 financial results.

In 2016, AGF recorded a profit of USD 3.7 M, for the second consecutive year. We are increasing our capacity to contain losses and maintain an adequate equity base vis-a-vis its expected liabilities, by keeping our financial performances up year by year. This is in line with our strategy to build a financially sustainable institution without losing sight of our mission: the promotion of economic development

The key drivers of net earnings growth remained the same as last year:

- 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
- Integration of the GARI Fund.

Looking Ahead

Africa's economic recovery is expected to strengthen by 2018, driven by a gradual improvement in the region's largest economies and commodity prices stabilization. As we look ahead, we face some daunting new challenges. Climate change, the quick pace of technological change and innovation are revolutionizing our industry in ways we can only speculate about now—ways that affect banks, their customers and society at large. Governments and businesses are under more pressure than ever to assure that no one is left behind by climate change, technology, globalization and economic growth.

We, in the financial community—banks, non-bank FI, DFI, regulators, supervisors, policymakers - have a

shared responsibility to foster sustainable and inclusive growth. The achievements so far are encouraging and confirm that this project was a good initiative from its founding shareholders. The Shareholders of our Institution felt that there was value in committing resources and effort in such an enterprise, and no amount of sacrifice could override the importance of the mission because hanging in the balance was the sustainable development of our continent, employment of our youth and the reduction of poverty. For the SMEs to really play their role as the engine of the growth, among other barriers, access to finance remains the strongest obstacle. According to analysts, the financing gap for SMEs on the continent is close to USD 155 billion.

The objective of the strategic plan 2017 – 2021 is to contribute to reducing this funding gap by 1%.

Our strategy for this is simple. We should:

- Ease the access of USD 1.6 billion of financing at an average tenor of 5 years;
- Support 10,000 SMEs per annum; and
- Create roughly 30,000 jobs per annum.

Raising additional capital will be a critical success factor in order to achieve this strategy.

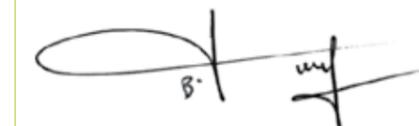
In conclusion, I would like to take this opportunity to thank once again the Board of Directors for fostering a culture of good governance culture across the Group and for their continuing guidance and support.

I would like to recognize and thank all my colleagues at AGF for their hard work, commitment and dedication.

Please allow me to also thank all our PFIs for their trust and commitment.

And finally, I would like to salute AGF's Shareholders. You are giving us, as Africans, another great opportunity to efficiently contribute to the future of our beloved continent.

Thank you.



Felix A. Bikpo

Chief Executive Officer



**STATEMENT OF CORPORATE
GOVERNANCE**

STATEMENT OF CORPORATE GOVERNANCE

One of the African Guarantee Fund's (AGF) core values is effective corporate governance. The Board of Directors (the 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 counselling 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 everywhere we operate.

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

BOARD OF DIRECTORS

Board Composition

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

- Banking, Finance, Risk Management, Accounting, Legal, Business Management, Information Technology and Investment Management; and
- Entrepreneurship, knowledge of target market/sector and socio-economic perspective and business development (including SMEs in Africa).

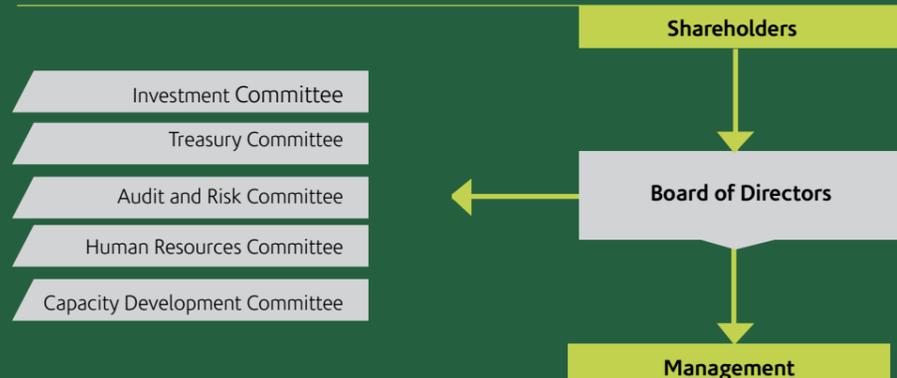
The Company Secretary is present in all meetings and is responsible for ensuring that all the board procedures are followed and plays an active role in the improvement and monitoring of corporate governance.

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 facilitates effective contribution of directors and constructive relations between the CEO and 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 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.

AGF GOVERNANCE STRUCTURE



Delegated Authority

The Board has approved the delegation of certain authorities to the board committees and to 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 Management. It is also responsible for approving acceptable risk thresholds. It also approves guarantee applications above the limit set for Management and up to the limit delegated to it by the Board.

The Treasury Management Committee

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

The Risk and 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.

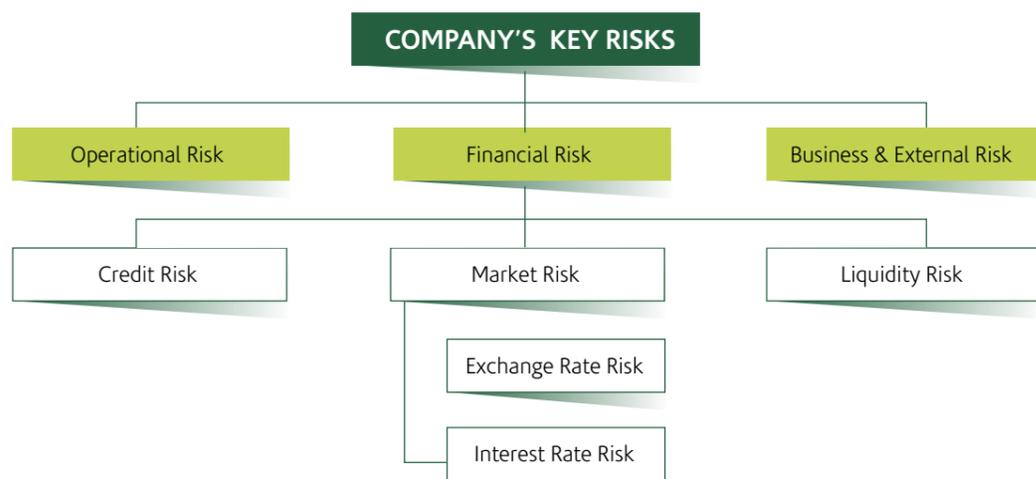
The Board may from time to time establish any other committees or ad hoc committees to delegate specific functions as it considers necessary or expedient.



**RISK MANAGEMENT
FRAMEWORK**

MANAGEMENT OF THE COMPANY'S KEY RISKS

The Company's activities expose it to a variety of financial, operational and business risks. The Company's overall risk management includes risk identification, assessment and measurement, and its objective is to minimize the negative effects risks can have on its reputation, capital and financial results.



Credit Risk

The credit risk is the core risk in the company's business activity. 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:

- Financing selection,
- Amount of exposure,
- Tenure and price of facility,
- Frequency or intensity of monitoring,
- Analysis of migration of deteriorating financing and more accurate computation of future loan loss provision,
- Deciding the level of approving authority of financing.

The risks related to the creditworthiness of the underlying transaction are taken into account in the pricing of the guarantee risk premium.

The risk management continues to be optimal in order to limit the potential loss. The Fund's risk management strategy has achieved a diversified set of risks through:

- A diversified portfolio;
- Periodic and regular monitoring of the portfolio;
- Adequate market research, including excellent risk and opportunity analysis.

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.

Liquidity and Market Risk

The ability to meet guarantee claim obligations is essential for the company's businesses. AGF's strategy here is to earn the maximum risk-adjusted return on its capital that is compatible with keeping the capital intact in the medium and long term and being able to

RISK MANAGEMENT

settle all obligations, in different currencies, in full and as they fall due. We are achieving that by establishing a treasury portfolio characterized by:

- Limited risk;
- Broadly diversified with a focus on low cost investments.;
- Ensuring necessary access to liquidity at all times;
- Providing maximum expected returns for the level of risk taken at all times;

AGF has achieved a positive liquidity gap throughout the year (i.e the cash inflows are sufficient to cover the company's potential liabilities).

Operational Risk

Operational Risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Company's Operational Risk Management is governed by the ERM framework as well as operational risk policies and procedures. In line with best practices, the Company has adopted the following tools for the management of operational risk:

- Risk control Self-Assessment
- Control Self-Assessment Questionnaire (SAQ)
- Key Risk Indicators

The Company manages operational risk by having policies, procedures, risk management tools and risk awareness programs.

Enterprise Risk Management

AGF has adopted a proactive approach in committing resources and energy to implement Enterprise Risk Management. A proactive Enterprise Risk Management (ERM) Framework is important to create and protect stakeholders' value with full integration of risk management in the organization's governance structure as well as the decision making process.

The following objectives are the guiding principles relating to ERM implementation throughout the Group:

- To ensure that all risks faced are identified, monitored, and adequately managed.
- To provide the Board and Management with an enterprise-wide view of the organization's risks with their likelihood and impact, enabling the Group to take strategic actions to mitigate potential losses.
- To provide the Board and Management with an enterprise-wide view of inter-relationships between risks, controls and the manner in which reducing one risk exposure may increase or impact another.
- To provide for a means of prioritizing the myriad of risk management and control initiatives.
- To ensure that risk management is embedded and consistently practiced at all levels within the Institution with the aim of facilitating a reasonably accurate perception of acceptable risks.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Board of Directors (Board)

The Board has the ultimate responsibility for ERM matters. Through its oversight role, the Board is responsible for ensuring that all risks within the Corporation are managed, and at the same time, optimize shareholder and stakeholder value. The Board's key risk responsibilities include approving the Corporation's ERM Framework related policies; ensuring that Management takes the necessary steps to identify, measure, monitor and control the risks; and being the final point of escalation for key risk management issues.

The Board should also establish the Board Risk Management Committee (BRMC) to support its oversight functions.

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.

Chief Executive Officer (CEO)

The CEO sets the tone at the top to maintain a positive and open environment for all risk management activities; shapes the principals and values of the risk management program; maintains oversight and provides leadership to the Board Risk Management Committee; appraises themselves with enterprise risk by meeting periodically with key functional managers to review their responsibilities.

Board Risk Management Committee (BRMC)

The BRMC is a committee comprising Directors responsible for oversight of the Company's risk exposure. The BRMC supports the Board in identifying, assessing, managing and controlling the risks in areas such as credit, market, liquidity, operational, legal, and other risks to ensure that the risk management

process is in place and functioning. In order to maintain a consistency in the actual governance structure, the role of the BRMC will be assigned to the existing Audit committee. The BRMC is also responsible of policy and standard setting; accountability setting; Enterprise Risk management; reporting; management discussion and analysis report.

Board Sub Committees

Board level sub-committees comprise Directors responsible for oversight of the strategic risk exposure.

Management Level Committees

Management Level Committees comprise senior management responsible for supporting the BRMC in the implementation of an effective ERM framework and ensuring ERM is embedded in the Company.

Three management committees should be established for this purpose, namely:

- **Credit Risk Management Committee (CRMC)** - oversees credit risk and market risk related matters. The committee will be hosted and under the responsibility of the Risk management department.
- **Operational Risk Management Committee (ORMC)** - oversees operational risk, compliance risk and strategic risk related matters. The committee will be under the responsibility of Finance, Human Resources, Business Development, Capacity Development, Monitoring & Evaluation departments.
- **Asset Liability Management Committee (ALCO)**-evaluates, monitors and approves practices relating to risk due to imbalances in the capital structure and liquidity risk related matters.

Head of Department

Ensure timely completion and reporting of risk remediation activities to the Risk Committee; continuously monitor and report status on risk; communicate any locally developed risk management best practices to the Risk Committee; perform periodic self-assessment of the key controls and validation procedures.

Risk Owner

Risk Owner responsibilities is to ensure day-to-day performance of controls to address risk levels; report any identified deviations or changes to the risk level to the Risk Sponsor.





SOCIAL IMPACTS ASSOCIATED
WITH AGF GUARANTEES



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.

Growth in Partnership with Financial Institutions

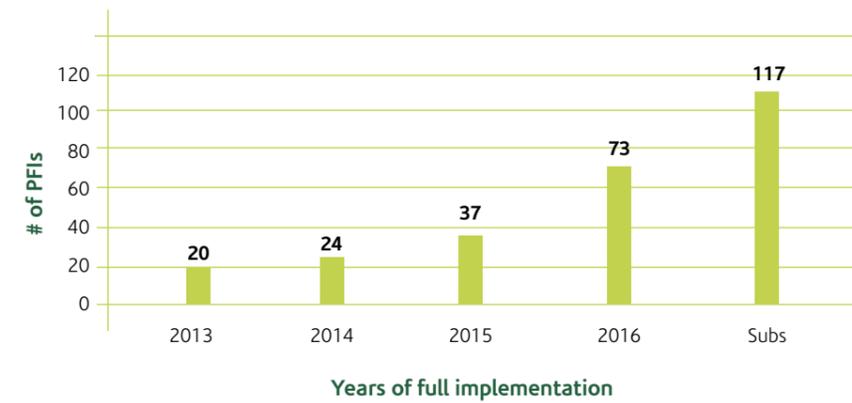
With a combined total of 73 PFIs and their 117 subsidiaries implementing AGF guarantee products, increasing number of SMEs are gradually able to access investment financing through AGF guarantee facilities. In order to reach a target of 50,000 SMEs by 2021 (AGF Strategic Plan 2017-2021), AGF plans to increase the number of PFIs utilizing AGF guarantee products annually. This plan will be realized by increasing our country presence from the current 38 countries to at least 52 countries by 2021.

While recognizing and appreciating the critical role of AGF's risk-sharing guarantee facility, the Chief Executive Officer (CEO) of one of the beneficiary PFIs noted, "AGF guarantee provided us with confidence to reach-out to more SMEs, and faster than we could have

ever done, because we knew that we had a fall-back, in case of client default. However, we soon realized that SME business is good, and the stereotype we had about them has gone. We would like AGF to continue providing the partial guarantee, because with it, we are able to extend loans to more SMEs, as we build our capacities to grow and maintain the SME business segment, even after AGF."

AGF guarantees to PFIs serve two major purposes: 1) to increase PFIs' comfort or to allay their fears in lending to SMEs, who otherwise are regarded as a risky segment; and 2) to enable participating Financial Institutions to transform their short-term deposits into long-term financing to SMEs.

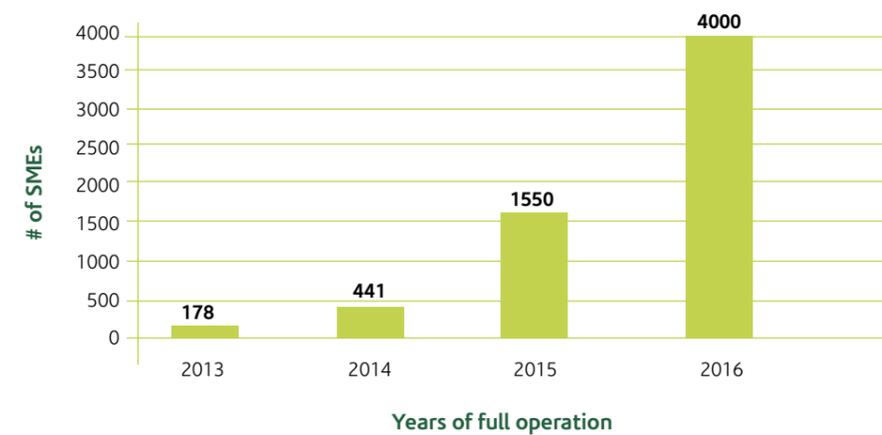
Number of PFIs and Subsidiaries Implementing AGF Guarantee Facilities



Growth in the Number of SMEs Accessing Loans From Our Partner Financial Institutions

Participating SMEs are increasingly accessing medium to long-term investment loans through AGF guarantee facilities.

Number of SMEs Accessing Loans Guaranteed by AGF



As at 31 December, 2016, a total of 4,000 SMEs had been documented as accessing finance from the PFIs benefiting from AGF guarantee products. While the number has grown steadily since 2013, AGF targets to reach 50,000 SMEs by 2021.

IMPACT STORIES CORNER

“THE VOICES BEHIND THE NUMBERS”

Below are a selection of some impact stories associated with the AGF guarantee. Our determination is to ensure that hundreds more of SMEs in Africa are able to tell such impact stories.



Mr. Nana Adam, CEO, Société Générale de Sécurité (SGS), Burkina Faso.

Société Générale de Sécurité, Burkina Faso

Nana Adama describes his previous life as follows: “When I was young, I was a street fighter. I fought very often to defend victims of injustice, regardless of whether I knew them or not. My reputation won me an opportunity to join the national army, even though I was illiterate. After a few years of service, I resigned from the army. To earn a living, I was employed as security guard in a then very popular night club in Ouagadougou. I had a special outfit on which I marked PSB (Private Security Brigade). My first clients believed that I actually had a ‘brigade’ yet I was the only employee of this ‘business’. I recruited young people every time a client asked me to manage his security. This informal project, with no legal existence, has evolved into today’s Société Générale

de Sécurité (SGS), and we are now a multi-project company.” From a lone employee, SGS currently employs about 2,500 staff, and has long-term contracts with big corporate and public institutions. In the early stages, Nana Adama secured working capital from Coris Bank, (one of the AGF guarantee beneficiaries) and this greatly enabled his company to grow into what it is today. The support has enabled Adama to diversify his business and he has created a chain of other businesses, notably: a micro-finance from where SGS employees are paid and can borrow, a food chain where SGS employees buy subsidized products, a motorcycle distribution company, and a real estate construction company”.



Claude Masumbuko Muyumbu, Managing Director, Mas Newtwork, Democratic Republic of Congo.

Mas Networks, DRC

Claude Masumbuko Muyumbu is the Managing Director of Mas Networks, a company in DRC specialized in the deployment of computer networks, telecommunication outsourcing, management consulting and governance. Thanks to this initiative, the company has employed Congolese and other African engineers in a sector hitherto dominated by international companies and their foreign subcontractors. After a rather difficult start-up phase, and a couple of times being turned away by banks approached for loans, Claude managed to secure a first loan from Eobank - DRC, for his business. Since then, the bank has consistently extended loans to boost Mas Networks, which currently runs an annual turn-over above USD 700 million. The company has

expanded from 5 sales agents to 15 permanent sales agents in Kinshasa (the capital), and 45 technical staff recruited, trained and based in the provinces to serve clients’ needs. Mas Network partners with two major equipment providers in the DRC and 3 of the country’s top 5 telecom operators.

Besides offering opportunities for professional integration and growth for young engineers and technicians trained in Congolese universities, Mas Network also provides internships for young graduates who need practical experience in the field of telecommunications. International companies can now rely on local expertise.



Ideal Foods, Zimbabwe

Ideal Foods Zimbabwe, is a company that processes soya beans into protein-laden soya chunks for human consumption. The company was started in 2014 by three men who, for many years had worked in a similar enterprise, and desired to establish a joint business of their own.

After pooling their savings together, the three entrepreneurs were able to acquire basic machinery to process the soya, and also rent premises for an initial period of six months. Unfortunately, they could not acquire a loan to finance their business operations despite having been regular clients of different banks as they lacked sufficient collateral.

At a time when the three investors were considering selling off the machinery they had acquired, share the proceeds and part ways, one of the banks that had

previously denied them a loan returned with a changed mind. UNTU, a micro-finance bank, which, upon getting a guarantee from AGF decided to finance the new company.

The results speak for themselves. With just an initial staff of 3 people (the owners) operating 5 hours a day, the company now employs about 29 staff. The company revenue has also more than tripled within less than 4 years of full operation. The company has also opened distribution centres in three other towns in Zimbabwe. As part of its Corporate Social Responsibility program, the company regularly supplies soya chunks to orphanage homes, and to other vulnerable people in the neighborhoods of the factory. The company plans to expand its production in the next five years, and open up new factories.



Afro-Solar Company, Tanzania

In 2014, after many years working for a German solar products company based in Tanzania, Ambrose Shayo saw an opportunity to start Afro-Solar, a solar product and installation business. Afro-Solar started small and partnered with the German company to sell their products in Tanzania. When Afro-Solar secured a tender to install solar systems in 3 hospitals and 6 schools in Tanzania, the company did not have sufficient working capital.

The SME then managed to secure a loan from CRDB, an AGF Partner Financial Institution. The loan enabled the company to accomplish the project, but it has also enabled it to expand its operations to other towns in Tanzania. Afro-Solar currently employs 14 full-time staff, but the numbers can rise to 50 (part-time) depending on the volume of the business. "Without the loan from CRDB, we would not have accomplished the big project of installing solar systems in the schools and

hospitals, and probably we would still be a small and informal business operating behind the streets," says Ambrose.

Social and environmental impacts from such a business are plenty. These include: reduction in the use of diesel generators by the schools and hospitals, clean and more reliable green energy supply, and improved security in towns due to better street lighting.

Many similar stories are told by SMEs in other parts of Africa. However, above all, behind these impacts, there is a silent guarantee to PFIs, which cushions partially their risks, and enables them to finance SMEs who would otherwise not qualify under conventional commercial terms. In turn, more jobs are created for the youth and women, improve livelihoods, and contribute to economic growth in those countries.

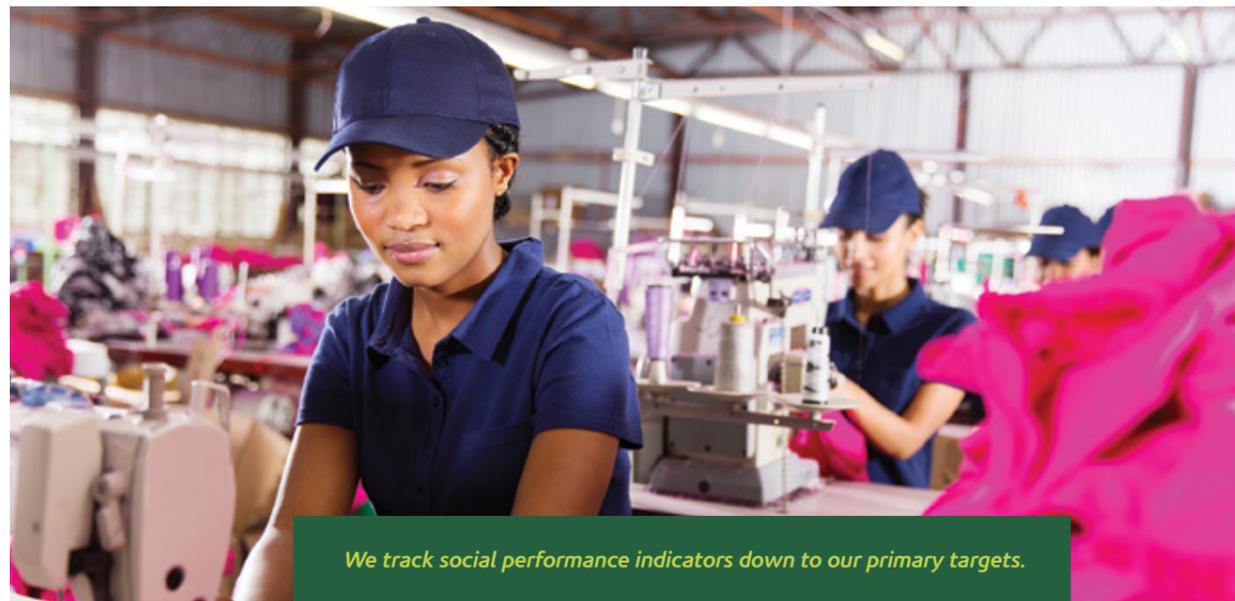
Growth of the Guarantee and Loan Tenor

By December, 2016, USD 458 million worth of guarantees had been signed with PFIs, which effectively made available an estimated USD 900 million of financing to SMEs. Out of this, USD 380 million in loans had been disbursed to SMEs at the end of 2016. Both guarantee and loan tenor to PFIs and SMEs respectively,

are critically essential to yield economic and social impacts. 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.



The average loan tenor to SMEs has grown from less than 24 months in 2014 to 36 months by December 2016. Furthermore, AGF guarantee tenor to PFIs has also increased from 24 months in 2014 to more than 60 months by 2016. AGF believes that SMEs access to long-term financing promotes investments and acts as a catalyst for SMEs to grow, create more jobs, and, or sustain the existing labor force.



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 over 4,000 SMEs who have accessed guaranteed loans from the PFIs. The aim is to illustrate the impact changes which essentially arise from the efforts that AGF and its partners have collectively contributed.

Impact in Job Creation for Youth and Women

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.

environmental effects of our investments, and adopt evidence-based policy actions as we strive to be the lead non-financial institution in Africa focusing on SME development.

Up until the year 2016, AGF estimates that the number of additional jobs directly created by the participating SMEs is 35,350. This implies that, on average, each of the supported 4,000 SMEs has generated 9 additional jobs. Additionally, an estimated 48,000 jobs have been sustained as a result of SMEs accessing financing for their businesses. Our strategic objective target is to contribute to additional 150,000 jobs by 2021.

Unemployment in Sub-Saharan Africa is among the highest in the world and disproportionately affects youth and women. Tackling this challenge is critical to long-term development and economic growth on the continent. We track social, economic, and



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

While jobs are directly created by SMEs, many more 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 significant social-economic impacts at the base of the pyramid through increased incomes and multiplier effects on the livelihoods of many households.

Number of Additional Jobs Created





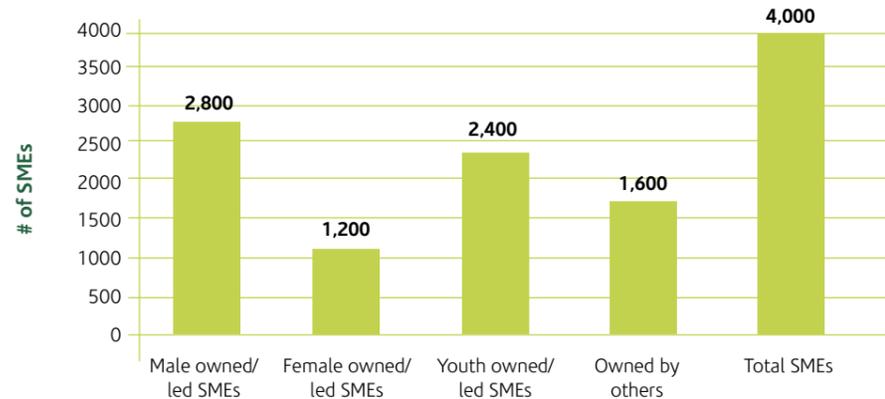
AGF encourages active participation of women and youth in ownership and management of SMEs

Access to SME Financing - A Catalyst to Female Entrepreneurship

AGF promotes the involvement of women and youth in SME business, and the measure seeks to track whether this objective is being achieved. Data from our baseline study in 2016 indicated that on average, 70% (2,800) of SMEs are either owned or managed by male, while the remaining 3% (1,200) are owned or managed by female.

In terms of age-group, about 60% (equivalent to 2,400) of the current enrolled 4,000 SMEs are either owned or managed by youths, while 40% (equivalent to 1,600) are owned or managed by non-youths. This scenario paints a positive picture which reflects the active involvement of youths in SMEs, thereby creating jobs for themselves and other unemployed youths.

SME Ownership and Leadership



In 2016, AGF partnered with the Human Needs Project, a better-livelihoods initiative serving the slum of Kibera in Nairobi.

Photo courtesy of the Human Needs Project

AGF Corporate Social Responsibility

AGF seeks to be a reputable and responsible company that meets the highest standards of ethics and professionalism. It values partnerships with other players in the effort to create a conducive environment to spur SME growth in Africa. Particular areas of focus for CSR include promoting the wellbeing of communities, preserving the environment and respect to human rights.



AGF PERFORMANCE HIGHLIGHTS
AS AT DECEMBER 2016

25 28 31 34 37

40

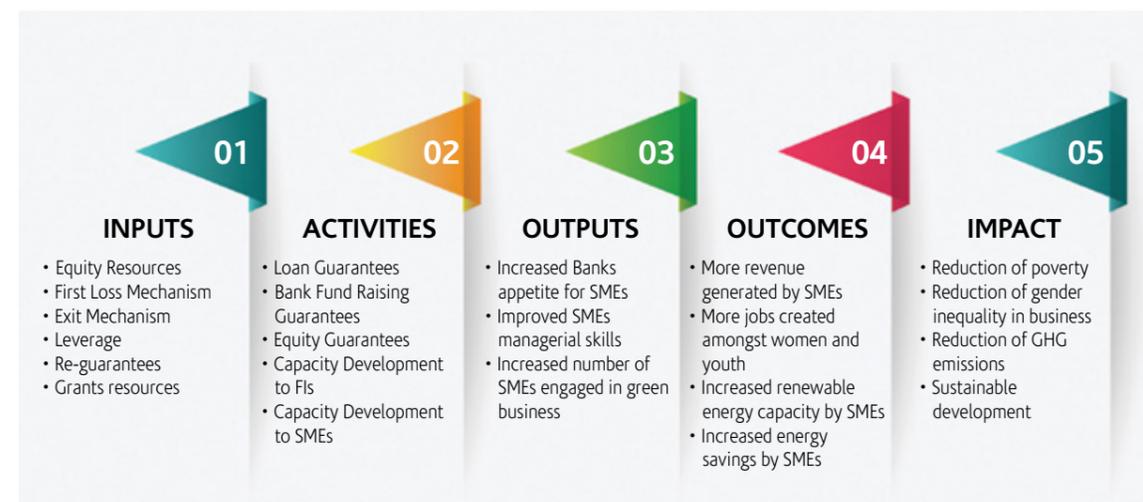
AGF Performance Highlights

OUR RESULTS AT A GLANCE – DECEMBER 2016

38 Countries where AGF guarantee products are implemented	73 PFIs and 117 Subsidiaries implementing AGF guarantee products	4,000 SMEs accessing guarantee loans
USD 458M Guarantees issued	USD 900M Available financing for SMEs	USD 380M Loans disbursed to SMEs
35,350 Estimated # of additional jobs created	48,000 Estimated # of jobs maintained	60% of SMEs owned by youths
30% Female ownership of SMEs	63 Months guarantee tenor to PFIs, and 36 Months loan Tenor to SMEs	437 PFIs staff trained

AGF PERFORMANCE HIGHLIGHTS AS AT 31 DECEMBER 2016

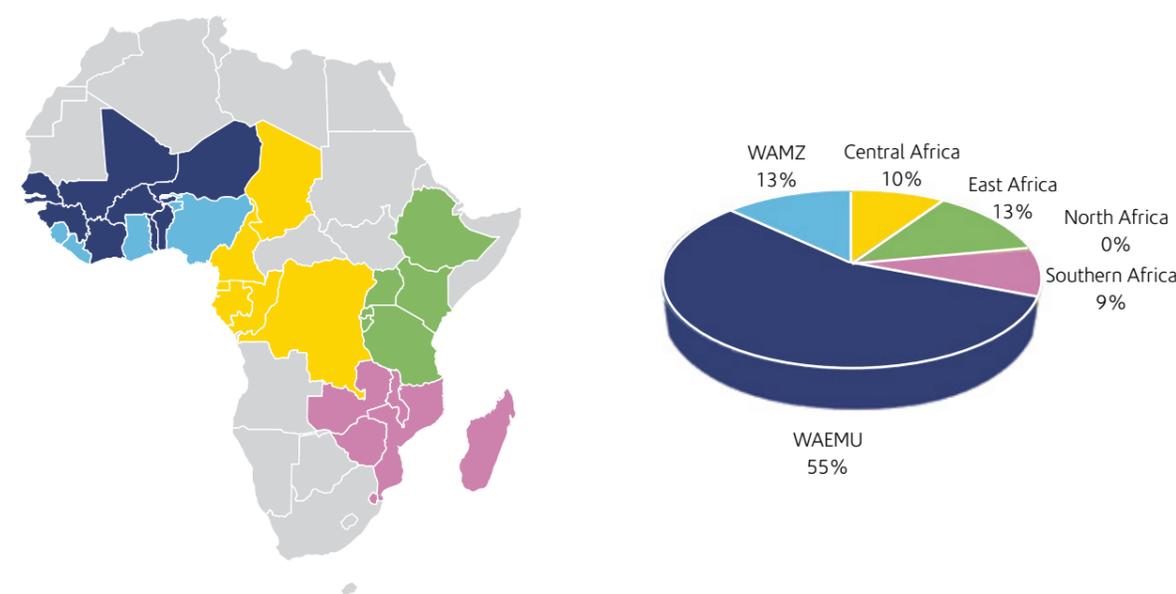
The AGF results chain below illustrates how inputs (resources) are crucial for the activities we implement, and the outputs (products and services) we generate, and how these gradually yield to our desired outcomes (changes), and contribute to the overarching goals (impacts) in the countries where we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



Guarantee Activity

As at 31st December 2016, AGF had signed 190 guarantee agreements. Cumulatively since inception, the total volume of guarantee agreements signed as at the end of 2016 was USD 458 million. A portion of this was reguaranteed to the tune of USD 75 million by our partners SIDA, DCA, ATI and ARIZ.

A volume of USD 458 million of guarantees had been signed by the end of 2016. This has been leveraged by the banks by making available to SMEs up to USD 900 million of financing. Out of this, USD 380 million had already been disbursed to SMEs.

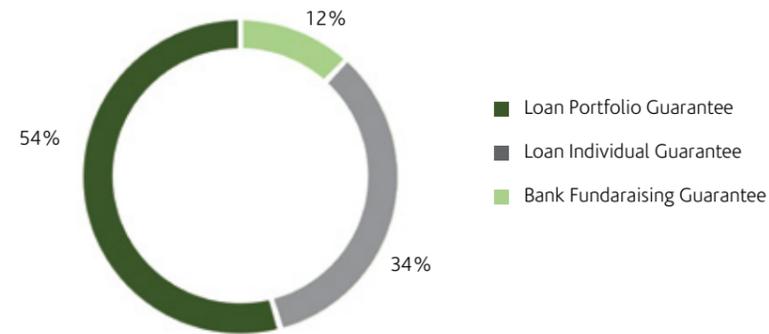


AGF PERFORMANCE HIGHLIGHTS AS AT 31 DECEMBER 2016

Guarantee Activity

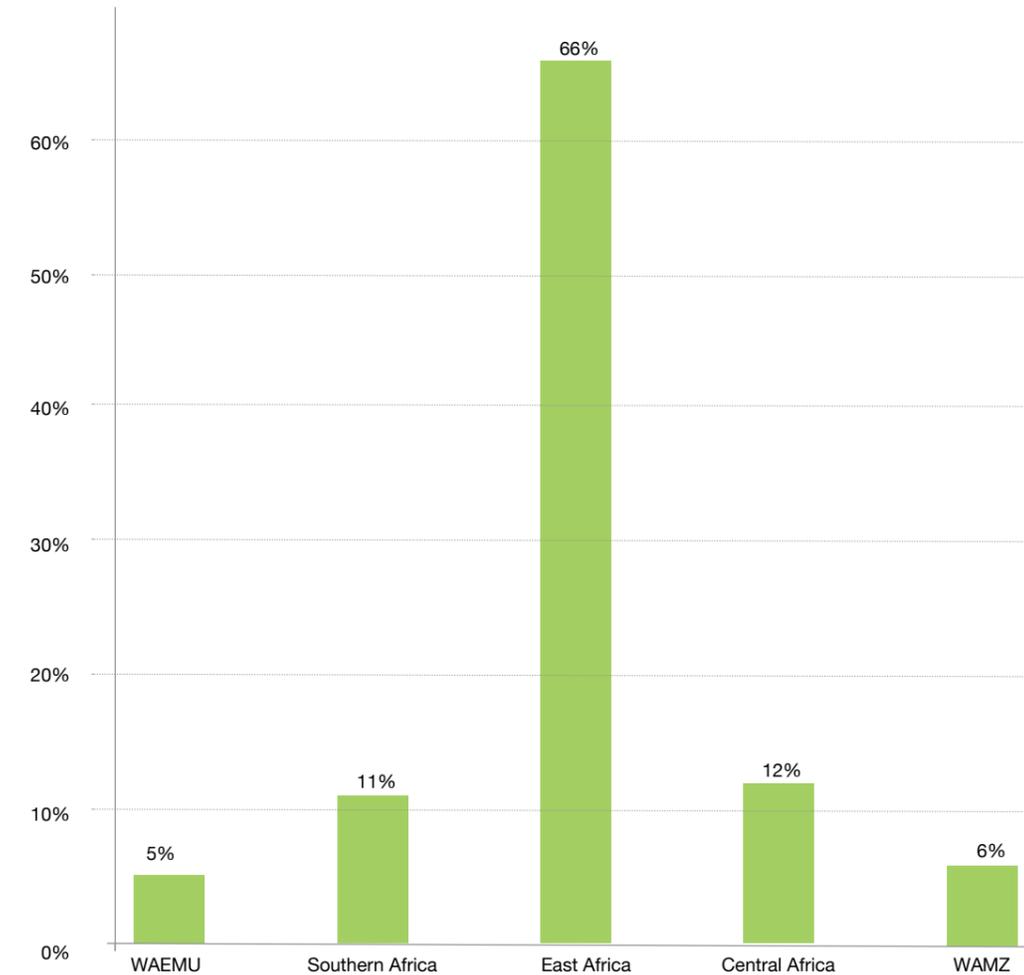
In terms of geographical distribution of the guarantee exposure as at end of 2016, 55% of the total exposure was in the West African Economic and Monetary Union (WAEMU) due to the acquisition of GARI fund which was focused on West Africa. The East African region and the West African Monetary Zone (WAMZ) followed both with an exposure of 13% each.

In terms of product distribution, AGF's Loan Portfolio Guarantee was still the most popular product in 2016. The table below shows the cumulative guarantee portfolio for AGF by product:



Capacity Development Support

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.



As at 31 December, 2016, the East Africa region had utilized the largest portion of the Capacity Development resources.



AGF PERFORMANCE HIGHLIGHTS AS AT 31 DECEMBER 2016

Treasury Management

Treasury assets stood at USD 81.63 million and generated a return of 4.09%.

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.

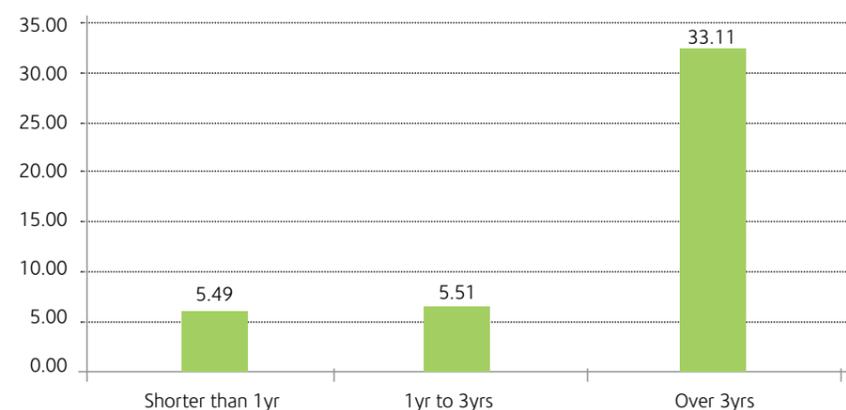
Treasury Assets

	Amount	Percentage	Return
Earning assets - Bonds	44,112,871	54%	2.90%
Earning assets - Fixed Deposits	35,456,036	43%	5.80%
Non-Earning Assets	2,062,348	3%	
Total	81,631,255	100%	4.09%

Bond Portfolio Breakdown

By Ratings	Book Value	Percentage
AAA	3,176,695	7%
AA+	6,008,825	14%
AA	8,121,874	18%
AA-	5,048,609	11%
A	5,826,619	13%
A-	2,483,281	6%
BBB	11,426,103	26%
BBB-	1,177,597	3%
Not Rated	843,268	2%
Total	44,112,871	100%

The average rating of the bond portfolio is A.



Financial Performance

Statement of Comprehensive Income

(in USD thousands)	2016	2015	2014	2013	2012
Operating Income	13,378	9,085	5,381	1,979	58
Operating Expenses	(9,571)	(6,400)	(6,205)	(3,279)	(2,736)
Grant	-	-	-	-	2,303
Provision for Guarantees	(363)	(847)	(136)	(203)	-
Profit for the period	3,444	1,838	(959)	(1,503)	(375)
Exceptional Item	206	1,754	-	-	-
Other comprehensive income	(1,579)	(157)	-	-	-
Total comprehensive profit for the period	2,071	3,435	(959)	(1,503)	(375)

Overview

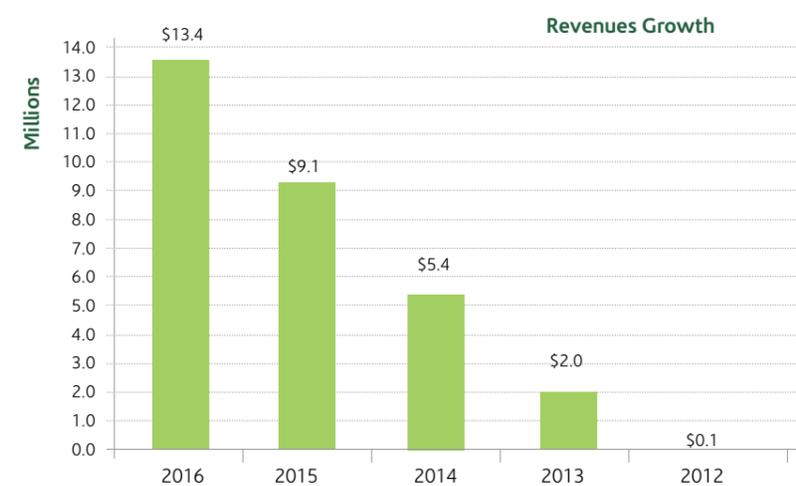
Total income for the period amounted to USD 13.38 million compared to USD 9.09 million the previous year, up 47%. This increase was driven by the growth of the treasury activity by 114% and provisions write back of USD 2 million. During the same period, our expenses increased by 37%, mainly due to Integration costs and the increase of the staff due the higher volume of activity.

Income Review

Total income excluding grants

Statement of Comprehensive Income

(in USD thousands)	2016	2015	2014	2013	2012
Guarantee business	7,039	7,240	3,731	614	10
Treasury management	3,471	1,622	1,442	1,038	47
CD administration	254	212	189	139	-
Foreign exchange gain	470	-	-	189	-
Other income	128	11	20	-	-
Provisions written-back	2,016				
Total Income	13,378	9,085	5,381	1,979	58

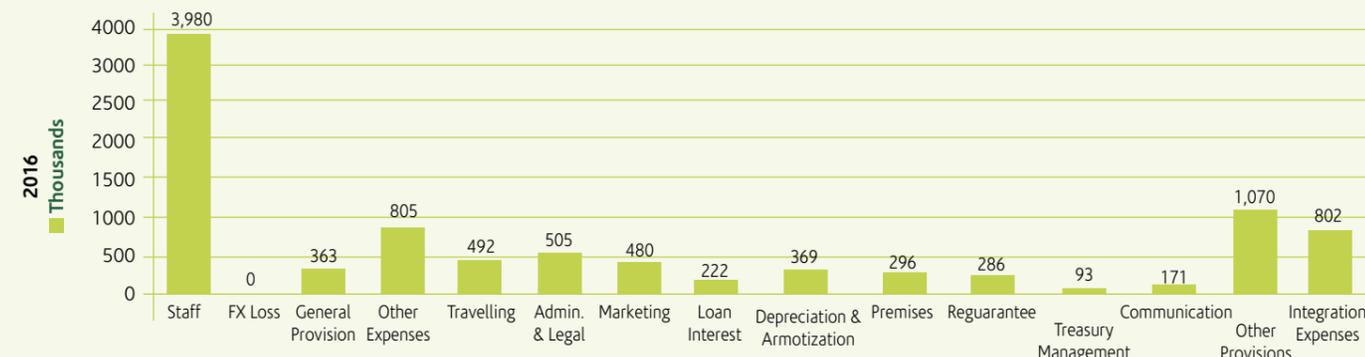




(1) Guarantee business - 53%	52.61%
(2) Treasury management - 26%	25.95%
(3) CD administration - 2%	1.90%
(4) Other income - 4%	4.47%
(5) Write Back - 15%	15.07%

Expenses					
Expenses	2016	Percentage	2015	Percentage	2014
Staff	3,980	55%	2,433	34%	2,185
FX Loss	0	0%	892	12%	1,418
General provision	363	5%	847	12%	136
Other Expenses	805	11%	580	8%	493
Travelling	492	7%	499	7%	339
Admin & Legal	505	7%	423	6%	537
Marketing	480	7%	334	5%	434
Loan Interest	222	3%	318	4%	0
Depreciation & Armotization	369	5%	316	4%	237
Premises	296	4%	222	3%	233
Reguarantee	286	4%	135	2%	128
Treasury management	93	1%	110	2%	115
Communication	171	2%	109	2%	84
Other Provisions	1,070	15%	29		
Integration Expenses	802	11%			
	9,934		7,247		6,340
			37%		14%

Expenses	Variance from	Variences from
	2015 to 2016	2014 to 2015
Staff	1,548	248
Other Provisions	1,070	0
Integration Expenses	802	0
Other Expenses	225	87
Reguarantee	151	7
Marketing	145	-100
Admin & Legal	82	-114
Premises	73	-11
Communication	62	25
Depreciation & Armotization	53	79
Travelling	-7	159
Treasury management	-17	-5
Loan Interest	-96	318
General provision	-484	711
FX Loss	-892	-526
	2,687	907





CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 December, 2016

Corporate Information

DIRECTORS	DATE OF APPOINTMENT	DATE OF RESIGNATION
Juneid Kodabux	28-Mar-11	22-Jun-16
Baba Abdullah Issah	15-Jun-11	-
Andrew E. Temu	15-Jun-11	-
Fakr-ud-deen Ali Peerbux	22-Mar-12	30-Jun-15
Bio Tchane Abdoulaye	28-Jun-13	24-Feb-16
Luis Manuel Barranco Duque	4-Mar-14	5-Aug-15
Morten Christiansen	7-Apr-14	-
Lilian Wanjiru Macharia	2-Jun-15	10-Aug-14
Riad Abdool	30-Jun-15	-
Stefan Nalletamby	4-Jan-16	-
Pasi Sakari Hellman	21-Jun-16	-
Yves Boudot	21-Jun-16	31-Jul-16
Anouchka Cheysta Chummun	22-Jun-16	-
Bruno Raymond Andre Deprince	28-Oct-16	-

MANAGEMENT

MANAGEMENT	POSITION
Felix A. Bikpo	Chief Executive Officer
Jules Ngankam	Chief Finance Officer
David Ekabouma	Business Development Head
Joshua Obengele	Acting Risk Manager
Josphat Ngaruiya	Human Resource Head
Adidja Zanouvi	Chief Internal Controller (as from March 2016)
Emmanuel Rutsimba	Head of Monitoring and Evaluation
Franck Adjagba	Managing Director, Gari Fund

ADMINISTRATOR & SECRETARY

Rogers Capital Fund Services Ltd
St Louis Business Centre
Cnr Desroches & St Louis Streets
Port Louis
Republic of Mauritius

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Lome
Togo

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Ebene
Republic of Mauritius

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68-68A, Cybercity
Ebene
Mauritius

KENYA

CFC Stanbic Bank

International Life House Branch
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Nairobi
Kenya

Ecobank

Gikomba Branch
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Kenya

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Intermediaries I
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United Kingdom

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 financial statements of AFRICAN GUARANTEE FUND for Small and Medium-sized Enterprises Ltd (the "Company") and its subsidiary (altogether referred to as the "Group") for the year ended 31 December 2016.

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 year is as shown in the statements of profit or loss and statements of comprehensive income on pages 8 and 9.

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

DIRECTORS

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Group's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statements of financial position as at 31 December 2016, and the statements of profit or loss, the statements of comprehensive income, the statements of changes in net assets attributable to shareholders and the statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and Companies Act 2001.

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

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

AUDITORS

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

Certificate from the Secretary

Rogers Capital

CORPORATE • TECHNOLOGY • FINANCIAL

Rogers Capital Fund Services Ltd. BRN No C10012347
St. Louis Business Centre, Cnr Desroches & St. Louis, Mauritius.
T: (230) 203 1100 F: (230) 203 1150 W: www.rogerscapital.mu

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 2016.



Rogers Capital Fund Services Ltd
CORPORATE SECRETARY

Date: 20 APRIL, 2017



Independent Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of African Guarantee Fund for Small and Medium-Sized Enterprises Ltd (the "Company") and its subsidiary (the "Group") on pages 8 to 58 which comprise the statements of financial position as at 31 December 2016, and the statements of profit or loss, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Group and the Company as at 31 December 2016, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

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

Other Information

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the

disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the information of the entities or business activities within the Group and the Company to express an opinion on the financial statements of the Group and the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matter

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS Companies Act 2001

We have no relationship with or interests in the Group and Company other than in our capacity as auditors and dealings in the ordinary course of business.

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

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



ERNST & YOUNG
Ebène, Mauritius

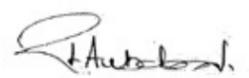
Date: 31 May, 2017



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

Statements of Profit or Loss For the year ended 31 December 2016

	Notes	Group		Company	
		2016 USD	2015 USD	2016 USD	2015 USD
Income					
<i>Income from guarantees:</i>					
Utilization fees		1,521,795	656,563	1,095,870	649,852
Assessment and commission fees		3,193,383	1,698,761	1,832,419	1,652,178
Income from investments	9	3,471,488	1,621,663	1,364,012	1,552,939
Administrative income		254,298	212,495	254,298	191,372
Fair valuation gain on derivative contracts	8(b)	2,323,496	4,884,252	2,323,496	4,765,044
Net foreign exchange differences		469,611	-	457,840	-
Other income	10	127,867	10,775	-	-
Provisions written-back	18	2,015,795	-	-	-
		13,377,733	9,084,509	7,327,935	8,811,385
Expenses					
Administrative and legal fees	12	(505,077)	(423,118)	(345,982)	(419,917)
Communication expenses	12	(171,284)	(108,896)	(127,594)	(107,421)
Depreciation of property and equipment	14	(242,933)	(237,094)	(219,603)	(236,573)
Amortization of intangible assets	15	(126,072)	(78,964)	(117,376)	(78,887)
Marketing expenses	12	(479,582)	(334,468)	(461,132)	(333,236)
Other expenses	12	(805,216)	(579,633)	(448,138)	(575,100)
Premises expenses	12	(295,878)	(222,424)	(223,382)	(221,097)
Staff expenses	11	(3,980,142)	(2,432,595)	(2,962,879)	(2,409,095)
Travelling expenses		(491,727)	(498,542)	(422,918)	(494,837)
Treasury management fees		(92,652)	(109,572)	(89,242)	(106,718)
Other provisions		(1,070,186)	(29,933)	(356,181)	-
Guarantee expenses		(286,008)	(134,828)	(286,008)	(134,828)
Provision for guarantees	18	(362,848)	(846,883)	(104,924)	(733,410)
Net foreign exchange differences		-	(891,883)	-	(885,736)
Interest on loans and borrowings		(221,709)	(317,963)	(352,940)	(317,963)
Integration expenses		(802,232)	-	-	-
		(9,933,546)	(7,246,796)	(6,518,299)	(7,054,818)
Profit before tax and exceptional item		3,444,187	1,837,713	809,636	1,756,567
Exceptional item	23	206,114	1,753,894	-	-
Profit before tax		3,650,301	3,591,607	809,636	1,756,567
Taxation	13	-	-	-	-
Increase in net assets attributable to shareholders		3,650,301	3,591,607	809,636	1,756,567
Increase in net assets attributable to shareholders attributable to:					
- Owners of the Company		3,098,076	3,575,832	809,636	1,756,567
- Non-Controlling Interest		552,225	15,775	-	-
		3,650,301	3,591,607	809,636	1,756,567



Director



Director

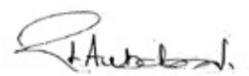
Statements of Comprehensive Income For the year ended 31 December 2016

	Notes	Group		Company	
		2016 USD	2015 USD	2016 USD	2015 USD
Increase in net assets attributable to shareholders		3,650,301	3,591,607	809,636	1,756,567
Other comprehensive loss					
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Exchange differences on translation of foreign subsidiary		(1,579,647)	(156,809)	-	-
Total comprehensive income for the year		2,070,654	3,434,798	809,636	1,756,567
Total comprehensive income attributable to:					
- Owners of the Company		1,825,512	3,449,507	809,636	1,756,567
- Non-Controlling Interest		245,142	(14,709)	-	-
		2,070,654	3,434,798	809,636	1,756,567

Statements of Financial Position For the year ended 31 December 2016

	Notes	Group		Company	
		2016 USD	2015 USD	2016 USD	2015 USD
Assets					
Cash and cash equivalents		3,079,607	21,114,510	2,723,038	10,605,334
Held-to-maturity financial assets	8(a)	44,112,871	48,205,068	43,269,604	47,125,527
Other financial instruments	8(c)	34,438,777	32,536,000	1,000,000	-
Receivables and deposits	16	8,401,624	6,191,270	5,248,222	3,120,270
Prepayments		324,073	387,075	324,073	387,075
Investments in subsidiary		-	-	31,887,765	31,887,765
Intangible assets	15	1,519,774	650,207	1,503,368	639,633
Property and equipment	14	963,932	1,091,399	943,792	1,050,335
Derivative contracts	8(b)	12,526,678	10,203,182	9,179,678	6,856,182
Total assets		105,367,336	120,378,711	96,044,963	101,672,121
Liabilities					
Other provisions	19	1,040,039	1,040,039	-	-
Provisions for guarantees	18	4,884,416	7,986,940	271,254	692,984
Trade and other payables	17	642,149	552,327	602,720	518,424
Loans and borrowings	24	-	21,000,731	8,147,706	21,000,731
Other liabilities	17	823,841	583,574	138,314	41,209
Total liabilities		7,390,445	31,163,611	9,159,994	22,253,348
Net assets attributable to shareholders		97,976,891	89,215,100	86,919,546	79,418,773
Represented by:					
Stated capital	21	87,191,140	80,500,003	87,191,140	80,500,003
Retained earnings		3,836,111	738,035	(271,594)	(1,081,230)
Foreign currency translations reserve		(1,398,889)	(126,325)	-	-
Net assets attributable to shareholders		89,628,362	81,111,713	86,919,546	79,418,773
Total non-controlling interests		8,348,529	8,103,387	-	-
Net assets attributable to shareholders		97,976,891	89,215,100	86,919,546	79,418,773

The financial statements were approved and authorised for issue by the Board of Directors on **20 April 2017** and were signed on its behalf by:



Director



Director

Statements of Changes in Net Assets attributable to Shareholders For the year ended 31 December 2016

	Group					
	State Capital USD	Retained Earnings USD	Foreign Currency Earnings USD	Total USD	Controlling Interest USD	Non Total equity USD
At 1 January 2015	66,500,003	(2,837,797)	-	63,662,206	-	63,662,206
Increase in net assets attributable to shareholders from operations	-	3,575,832	-	3,575,832	15,775	3,591,607
Other comprehensive loss			(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 subsidiary	-	-	-	-	8,118,096	8,118,096
At 31 December 2015	80,500,003	738,035	(126,325)	81,111,713	8,103,387	89,215,100
At 1 January 2016	80,500,003	738,035	(126,325)	81,111,713	8,103,387	89,215,100
Increase in net assets attributable to shareholders from operations	-	3,098,076	-	3,098,076	552,225	3,650,301
Other comprehensive loss	-	-	(1,272,564)	(1,272,564)	(307,083)	(1,579,647)
Total comprehensive income for the year	-	3,098,076	(1,272,564)	1,825,512	245,142	2,070,654
Issue of shares	6,691,137	-	-	6,691,137	-	6,691,137
At 31 December 2016	87,191,140	3,836,111	(1,398,889)	89,628,362	8,348,529	97,976,891

Statements of Changes in Net Assets Attributable to Shareholders For the year ended 31 December 2016

	Issued Capital	Company Accumulated losses	Total USD
At 1 January 2015	66,500,003	(2,837,797)	63,662,206
Issue of shares	14,000,000	-	14,000,000
Increase in net assets attributable to shareholders from operations for the year	-	1,756,567	1,756,567
At 31 December 2015	80,500,003	(1,081,230)	79,418,773
At 1 January 2016	80,500,003	(1,081,230)	79,418,773
Issue of shares	6,691,137	-	6,691,137
Increase in net assets attributable to shareholders from operations for the year	-	809,636	809,636
At 31 December 2016	87,191,940	(271,594)	86,919,546

Statements of Cash Flows For the year ended 31 December 2016

Notes	2016 USD	Group 2015 USD	2016 USD	Company 2015 USD
Operating activities				
Profit before tax	3,650,301	3,591,607	809,636	1,756,567
<i>Adjustment to reconcile profit before tax to net cash flows:</i>				
<i>Non cash item:</i>				
Depreciation of property and equipment	14 242,933	237,094	219,603	236,573
Amortization of intangible assets	15 126,072	78,964	117,376	78,887
Income from investments	(3,471,488)	(1,621,663)	(1,276,833)	(1,552,939)
Net foreign exchange differences	(469,611)	891,883	(457,840)	885,736
Fair valuation gain on derivative contracts	8(b) (2,323,496)	(4,884,252)	(2,323,496)	(4,765,044)
<i>Movement in working capital:</i>				
Receivables and deposits	(2,210,354)	(1,463,819)	2,127,952	(1,463,819)
Prepayments	63,002	(292,500)	63,002	(292,500)
Other liabilities	240,267	13,410	97,105	13,410
Trade and other payables	89,822	267,865	84,296	267,865
Provision for guarantees	(3,102,524)	737,451	(421,730)	421,932
Net cash flows used in operating activities	(7,165,076)	(2,443,960)	(5,216,833)	(4,413,332)
Investing activities				
Acquisition of property and equipment	14 (115,466)	(165,917)	(113,060)	(124,332)
Acquisition of intangible assets	15 (995,639)	(311,604)	(981,111)	(300,953)
Acquisition of held-to-maturity financial assets	(7,884,921)	(10,998,283)	(7,884,921)	(10,604,015)
Proceeds on maturity of held-to-maturity financial assets	11,416,230	15,865,000	11,409,456	15,865,000
Net movement in other financial instruments	(1,902,777)	-	(1,000,000)	-
Acquisition of a subsidiary net of cash acquired	-	(23,059,515)	-	(31,887,765)
Interest on investments received	4,501,987	3,182,122	2,066,061	3,182,122
Net cash flows generated from/(used in) investing activities	5,019,414	(15,488,197)	3,496,425	(23,869,943)
Financing activities				
Proceeds from issue of ordinary share capital to shareholders	6,691,137	14,000,000	6,691,137	14,000,000
Proceeds from loan received from subsidiary	-	-	8,147,706	-
(Repayment of)/proceeds from bank loan	(21,000,731)	21,000,731	(21,000,731)	21,000,731
Net cash flows (used in)/generated from financing activities	(14,309,594)	35,000,731	(6,161,888)	35,000,731
(Decrease)/increase in cash and cash equivalents	(16,455,256)	17,068,574	(7,882,296)	6,717,456
Foreign currency translation	(1,579,647)	158,058	-	-
Opening balance	21,114,510	3,887,878	10,605,334	3,887,878
Closing balance	3,079,607	21,114,510	2,723,038	10,605,334

Notes to the Financial Statements For the year ended 31 December 2016

1. GENERAL INFORMATION

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

The registered office is located at C/o Rogers Capital Fund Services Ltd, 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 2016 were authorised for issue in accordance with a resolution of the directors on the date stamped on page 10.

2. BASIS OF PREPARATION

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

Statement of compliance

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

Basis of measurement

The financial statements have been prepared under the historical cost basis except for the derivative 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 2016.

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the

Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

Use of estimates and judgements

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has

not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes for accounting standards and interpretations relevant to the Group's operations are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which

Notes to the Financial Statements For the year ended 31 December 2016

Effective for accounting period beginning on or after

3.1 New and amended standards and interpretations (continued)

the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).

The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

This amendment is applied retrospectively. These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and OCI. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group.

The following standards are effective for annual periods beginning on or after 1 January 2016 but are not relevant to the Group's operations:

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements

3.2 Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

- IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition	1 January 2018
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	Effective date deferred indefinitely
- IFRS 15 Revenue from Contracts with Customers	1 January 2018
- IFRS 16 Leases	1 January 2019
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
- Disclosure initiative (Amendments to IAS 7)	1 January 2017
- Clarification to IFRS 15 'Revenue from contracts with customers'	1 January 2018
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018

Where the standards and interpretations may have an impact at a future date, they have been discussed below:

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, amortised 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 amortised 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 recognise 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 recognised.

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

Notes to the Financial Statements For the year ended 31 December 2016

3.2 Standards issued but not yet effective (continued)

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 impact of the new standard is currently being assessed by the directors.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) - effective date deferred indefinitely

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 recognised 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.

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
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

The Company is still assessing the impact of this new standard, but it is not expected to have a significant effect on financial performance. There may be an impact on the level of disclosure provided.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) - effective 1 January 2017

Amendments to IAS 12 Income Taxes have been made to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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

Disclosure Initiative (amendments to IAS 7) - effective 1 January 2017

Amendments to IAS 7 Statement of Cash Flows were made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Clarifications to IFRS 15 'Revenue from Contracts with Customers' - effective 1 January 2018

IASB amended IFRS 15 'Revenue from Contracts with Customers' to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

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. The Company 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:

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

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

Transactions and balances

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

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

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

Notes to the Financial Statements For the year ended 31 December 2016

Foreign currency (cont...)

Transactions and balances (Continued)

The following table summarizes the currencies translation rates into the USD as of December 31, 2016 and 2015 and the average rates for the year ended December 31, 2016 and 2015.

Country	Currency	2016		2015	
		Closing rate	Average rate	Closing rate	Average rate
Togo	XOF	0.00159	0.00167	0.001626	0.00168
Kenya	Kshs	0.0098	0.0099	0.0098	0.0102

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.

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.

Investment in subsidiary

Subsidiary undertakings are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over their operations. Control is achieved where the Company has the power to govern the financial and operating policies of an investee generally accompany a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date such control ceases.

Investment in subsidiary is shown at cost. Where an indication of impairment exists, the recoverable amount of investment is assessed. Where the carrying amount is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is charged to profit or loss. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

Cash and cash equivalents

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

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, held-to-maturity investments or as derivatives. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded

at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Loans and receivables
- Financial assets at fair value through profit or loss
- Held-to-maturity investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from

Notes to the Financial Statements For the year ended 31 December 2016

Financial assets - initial recognition and subsequent measurement (cont...) Subsequent measurement (Continued)

impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 16.

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 subsequently measured at amortized cost.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an

associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 5
- Financial assets Note 6
- Trade receivables Note 16

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an

impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is

included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 24.

Financial guarantee contracts

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

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

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

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

Contracts that do not meet the criteria to be classified as financial guarantees are designated as credit derivatives and are measured in accordance with accounting policies for "Financial instruments – initial recognition and measurement".

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at 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 by the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Group's management determines the policies and procedures for recurring fair value measurement, such as Derivatives.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Fair value measurement Note 7.

Property and equipment

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

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

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

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

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

	Years
Office, furniture and office equipment	3 to 10
Computer and accessories	3 to 5
Motor vehicles	3 to 5

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

Intangible assets

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

Expenditure subsequently incurred on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if necessary.

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

	Years
Software	1 to 5
Website	5

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. Intangible assets that are subject to amortization and other non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and

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

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

Leased assets

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

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

Tax

Direct taxation

Direct taxation includes current and deferred tax. Current tax represents the expected tax payable on taxable income

Notes to the Financial Statements For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred tax is 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.

Employee benefits

Post-employment benefits - defined contribution plans

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

Post-employment benefits - defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The cost of providing defined benefit plans is determined using the projected unit credit method. Re-measurements, comprising 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.

Re-measurements are not classified to profit or loss in subsequent periods.

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

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

Net interest is calculated by applying the discount rate to the net defined liability or asset. The Group recognizes the changes in the net defined benefit obligation under 'Pension provisions' in the consolidated statement of comprehensive income. 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.

Stated capital

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

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

Some financial instruments include a contractual obligation for the issuing entity to deliver to another entity a pro rata share of its net assets only on liquidation. The obligation arises because liquidation either is certain to occur and outside the control of the entity (for example, a limited life entity) or is uncertain to occur but is at the option of the instrument holder.

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

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

For an instrument to be classified as an equity instrument, in addition to the instrument having all the above features, the issuer must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity (excluding any effects of such instrument or contract); and
- The effect of substantially restricting or fixing the residual return to the instrument holders.

The Company continuously assesses the classification of the redeemable participating shares. If the redeemable participating shares meet all the features or meet all the conditions set out, to be classified as equity, the Company will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of reclassification. If the redeemable participating shares subsequently cease to have all the features, or meet the conditions set out, to be classified as equity, the Company will reclassify them as financial liabilities and measure them at fair value at the date of the reclassification, with any differences from the previous carrying amount recognised in equity.

Revenue recognition

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.

Notes to the Financial Statements For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

Determination of fair value of derivative contracts

Fair valuation of derivative contracts is a key source of estimation uncertainty at the reporting date that has a significant risk of causing a material adjustment in the carrying value of the derivatives.

Where the fair value of derivative contracts cannot be derived from active markets, they are determined using valuation techniques such as the discounted cash flow model. Management uses its judgement to select the appropriate valuation methodology to assess the fair value of derivative contracts. The judgements include considerations of inputs such as average annual growth rate in utilization, default rate, recovery rate and discount rate. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

In determining the fair value of investments, the Group adheres to the valuation guidelines issued by the International Private Equity and Venture Capital Board.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

Credit risk is the risk of a financial loss to the Group and/or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities (primarily for other receivables) and from its financing activities, including cash at bank and other financial instruments.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as mean of mitigating the risk of financial loss from defaults. Cash at banks are maintained with financial institutions having strong credit ratings.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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				
	2016		2015		2016		2015		
	Balance USD	Rating Short Term	Rating Long Term	Balance USD	Rating Short Term	Rating Long Term	Balance USD	Rating Short Term	Rating Long Term
Barclays Bank Mauritius*	148,523	A-2	BBB	46,888	A-2	BBB	46,888	A-2	BBB
Barclays Bank London*	500,533	B	BB-	4,235,990	B	BB-	4,235,990	B	BB
CFC Stanbic**	54,710	A1	AA-	186,545	A1	AA-	186,545	A1	AA
Commercial Bank of Africa***	238	B	B	238	B	B	238	B	B
Ecobank**	1,737,066	N/A	N/A	5,977,113	N/A	N/A	5,977,113	N/A	N/A
BCEAO Lomé (XOF)	-	N/A	N/A	2,296,755	N/A	N/A	-	N/A	N/A
BCEAO Siège (EURO)	14,451	N/A	N/A	7,762,295	N/A	N/A	-	N/A	N/A
BTCI	29,082	N/A	N/A	29,464	N/A	N/A	-	N/A	N/A
ECOBANK TOGO	23,446	N/A	N/A	58,588	N/A	N/A	-	N/A	N/A
BATG	80,282	N/A	N/A	61,832	N/A	N/A	-	N/A	N/A
BOA TOGO	17,063	N/A	N/A	91,059	N/A	N/A	-	N/A	N/A
BACI	192,225	N/A	N/A	209,136	N/A	N/A	-	N/A	N/A
Total	2,797,619			20,955,903			2,441,070		10,446,774

(*) Rating by Standard & Poors, (**) Fitch National rating, (***) Rating by GCR

Amounts of USD 281,988 and USD 281,968 for the Group and the Company respectively representing cash in hand was not included in the table (2015: USD 158,607 and USD 158,560 respectively).

Held-to-maturity financial assets, other financial instruments and receivables

Rating*	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
AAA	3,176,695	3,212,791	3,176,695	3,212,791
AA+	6,008,825	6,074,293	6,008,825	6,074,293
AA	8,121,874	8,355,618	8,121,874	8,355,618
AA-	5,048,609	5,053,961	5,048,609	5,053,961
A	5,826,619	2,587,005	5,826,619	2,587,005
A-	2,483,281	7,013,747	2,483,281	7,013,747
BBB	11,426,103	14,828,112	11,426,103	14,828,112
BBB-	1,177,597	-	1,177,597	-
B	1,000,000	-	1,000,000	-
Not Rated	45,763,276	60,921,321	7,971,261	13,725,604
	90,032,879	108,046,848	52,240,864	60,851,131

*Source: Bloomberg

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.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Receivables

Rating 30-50: 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.

	Group			Company		
	Book Value 2016	Percentage	Book Value 2015	Percentage	Book Value 2016	Percentage
Africa	55,013,237	61.10%	67,536,455	62.50%	17,221,222	32.97%
Europe	18,826,134	20.91%	27,453,091	25.41%	18,826,134	36.04%
America	4,809,079	5.34%	4,828,206	4.47%	4,809,079	9.20%
Middle East	4,436,750	4.93%	4,501,931	4.17%	4,436,750	8.49%
Asia	6,947,679	7.72%	3,727,165	3.45%	6,947,679	13.30%
Total	90,032,879	100%	108,046,848	100%	52,240,864	100%
					60,851,131	100%

Market risk

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

Interest rate risk

The Group and the Company is not 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 2016 and 2015 the Group and the Company's net exposure to foreign exchange risk was as follows:

	Group				
	USD 2016	EURO 2016	KES 2016	XOF 2016	Total USD 2016
Assets	55,904,396	3,710,630	26,063,954	26,727,839,934	102,559,557
Liabilities	-	-	-	922,006,289	1,465,990
Closing rate	1	1.0517	0.0098	0.00159	
Net exposure in USD	55,904,396	3,710,630	255,427	41,031,275	101,093,567
			Group		
	USD 2015	EURO 2015	KES 2015	XOF 2015	Total USD 2015
Assets	66,189,549	6,847,651	26,857,699	27,382,319,182	118,250,030
Liabilities	22,136,632	-	-	-	22,136,632
Closing rate	1	1.0862	0.0098	0.00162	
Net exposure in USD	44,052,917	7,437,919	263,205	44,359,357	96,113,398
			Company		
	USD 2016	EURO 2016	KES 2016	XOF 2016	Total USD 2016
Assets	57,228,069	3,710,630	26,063,954	-	61,385,965
Liabilities	8,888,740	-	-	-	8,888,740
Closing rate	1	1.0517	0.0098	0.00159	
Net exposure in USD	48,339,329	3,902,469	255,427	-	52,497,225
			Company		
	USD 2015	EURO 2015	KES 2015	XOF 2015	Total USD 2015
Assets	35,568,480	6,847,651	26,857,699	-	67,707,313
Liabilities	21,000,731	-	-	-	21,560,364
Closing rate	1	1.0862	0.0098	-	
Net exposure in USD	14,567,749	7,437,919	263,205	-	46,146,949

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (Continued)

Foreign exchange risk (Continued)

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.

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.

Group							
As at 31		1 to 3	3 to 6	6 to 12	1 to 8	Undetermined	Total
December 2016	On demand	months	months	months	years	USD	USD
	USD	USD	USD	USD	USD		
Cash and cash equivalents	2,562,881	516,726	-	-	-	-	3,079,607
Held-to-maturity financial assets	-	1,351,793	4,775,821	802,277	40,595,898	-	47,525,789
Other financial assets	5,074,582	-	317,495	3,698,706	25,347,994	-	34,438,777
Receivables and deposits	6,394,609	107,580	210,559	1,352,847	336,029	-	8,401,624
Derivative contracts	-	-	-	-	-	12,526,678	12,526,678
Total financial assets	14,032,072	1,976,099	5,303,875	5,853,830	66,279,921	12,526,678	105,972,475
Trade and other payables	642,149	-	-	-	-	-	642,149
Other liabilities	823,841	-	-	-	-	-	823,841
Total financial liabilities	1,465,990	-	-	-	-	-	1,465,990

Liquidity risk (Continued)

Group							
As at 31		1 to 3	3 to 6	6 to 12	1 to 8	Undetermined	Total
December 2015	On demand	months	months	months	years	USD	USD
	USD	USD	USD	USD	USD		
Cash and cash equivalents	17,270,252	3,000,000	844,258	-	-	-	21,114,510
Held-to-maturity financial assets	-	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
Derivative contracts	-	-	-	-	-	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
Loans and borrowings	-	-	21,113,384	-	-	-	21,113,384
Trade and other payables	552,327	-	-	-	-	-	552,327
Other liabilities	583,574	-	-	-	-	-	583,574
Total financial liabilities	1,135,901	-	21,113,384	-	-	-	22,249,285

Company							
As at 31		1 to 3	3 to 6	6 to 12	1 to 8	Undetermined	Total
December 2016	On demand	months	months	months	years	USD	USD
	USD	USD	USD	USD	USD		
Cash and cash equivalents	2,206,335	516,703	-	-	-	-	2,723,038
Held-to-maturity financial assets	-	1,351,793	4,775,821	802,277	40,595,898	-	47,525,789
Other financial assets	-	-	-	1,000,000	-	-	1,000,000
Receivables and deposits	3,241,207	107,580	210,559	1,352,847	336,029	-	5,248,222
Derivative contracts	-	-	-	-	-	9,179,678	9,179,678
Total financial assets	5,447,542	1,976,076	4,986,380	3,155,124	40,931,927	9,179,678	65,676,727
Loans and borrowings	-	-	-	-	8,147,706	-	8,147,706
Trade and other payables	873,974	-	-	-	-	-	873,974
Other liabilities	138,314	-	-	-	-	-	138,314
Total financial liabilities	1,012,288	-	-	-	8,147,706	-	9,159,994

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (Continued)

As at 31 December 2015	Company						Total USD
	On demand USD	1 to 3 months USD	3 to 6 months USD	6 to 12 months USD	1 to 8 years USD	Undetermined USD	
Cash and cash equivalents	6,761,076	3,000,000	844,258	-	-	-	10,605,334
Held-to-maturity financial assets	-	5,043,157	319,071	7,327,683	38,902,766	-	51,592,677
Receivables and deposits	1,654,225	275,692	425,924	680,679	83,750	-	3,120,270
Derivative contracts	-	-	-	-	-	6,856,182	6,856,182
Total financial assets	8,415,301	8,318,849	1,589,253	8,008,362	38,986,516	6,856,182	72,174,463
Loans and borrowings	-	-	21,000,731	-	-	-	21,000,731
Trade and other payables	518,424	-	-	-	-	-	518,424
Other liabilities	41,209	-	-	-	-	-	41,209
Total financial liabilities	559,633	-	21,000,731	-	-	-	21,560,364

Operational risk

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. This responsibility is supported by the development of overall Group's standards for the management of operational risk in the following areas:

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

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

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

	Group			Company		
	2016 Group 2016 Carrying amount	Fair value USD	2015 Group 2015 Carrying amount	Fair value USD	2016 Company 2016 Carrying amount	Fair value USD
Held-to-maturity financial Assets						
General Electric Capital	881,530	883,220	914,407	929,660	881,530	914,407
Belgium Kingdom	3,685,124	3,840,283	3,853,687	4,075,422	3,685,124	3,853,687
Croatia 2017	4,499,987	4,547,813	4,624,442	4,823,438	4,499,987	4,624,442
Republic of Slovenia 2016	-	-	4,494,173	4,518,708	-	4,494,173
African export- import bank 2016	-	-	6,639,767	6,741,563	-	6,639,767
Bk Nederlandse Gemeenten	2,526,392	2,776,750	2,564,709	2,878,250	2,526,392	2,564,709
European investment bank	2,529,914	2,761,200	2,565,338	2,854,800	2,529,914	2,565,338
Caisse d'Amort Dette Soc	2,600,903	2,792,700	2,595,178	2,844,900	2,600,903	2,595,178
Bank of China Hong Kong	5,826,619	6,437,008	2,587,005	2,986,903	5,826,619	2,587,005
South Africa	4,077,551	4,567,275	2,515,781	2,906,675	4,077,551	2,515,781
Poland	2,483,281	2,818,131	2,519,574	2,935,494	2,483,281	2,519,574
African Development Bank	646,781	663,910	647,453	674,366	646,781	647,453
Kingdom of Morocco	1,042,195	1,255,000	1,048,123	1,297,500	1,042,195	1,048,123
State of Qatar	4,436,750	4,990,000	4,501,931	5,170,000	4,436,750	4,501,931
Republic of Chile	3,927,549	4,540,000	3,913,799	4,630,000	3,927,549	3,913,799
Export-import Bank Korea	1,121,060	1,275,000	1,140,160	1,325,000	1,121,060	1,140,160
African export- import bank 2019	1,177,597	1,256,750	-	-	1,177,597	-
Banque Ouest Africaine de Développement	1,806,371	2,120,750	132,800	132,800	1,806,371	-
Banque Ouest Africaine de Développement	126,998	92,661	-	-	-	-
Société immobilière et financière de la côte africaine	198,434	320,273	249,000	249,000	-	-
Etat du Togo	-	-	31,125	31,125	-	-
Banque d'investissement et de Développement de la CEDEAO	47,641	254,194	175,688	175,688	-	-
Banque d'investissement et de Développement de la CEDEAO	59,594	77,025	-	-	-	-
Caisse Autonome d'Amortissement Benin	-	-	41,500	41,500	-	-
Caisse Régionale Refinancement Hypothécaire	168,637	251,657	197,108	197,108	-	-
Shelter Afrique	131,443	179,137	152,720	152,720	-	-
Etat du Sénégal	110,520	126,204	99,600	99,600	-	-
Total	44,112,871	48,826,941	48,205,068	52,672,220	43,269,604	47,125,527
						51,592,679

7. FAIR VALUE MEASUREMENTS (continued)

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

Recurring fair value measurement of derivative contracts

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Opening Balance	10,203,182	2,091,138	6,856,182	2,091,138
Movement during the year	2,323,496	4,884,252	2,323,496	4,765,044
Acquisition of "Fonds Gari"	-	3,227,792	-	-
	12,526,678	10,203,182	9,179,678	6,856,182

The derivative contracts have been fair valued based on the Discounted Cash Flow ("DCF") methodology at year end and is classified under Level 3 of the fair value hierarchy (2015: same).

The DCF methodology derives the value of an instrument by calculating the present value of expected cash flow or future earnings. Under the DCF methodology, the cash flow projections on a free cash flow basis have been used, including the appropriate discount rate.

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.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements during the year.

At 31 December 2016, the nominal amount of credit derivatives amounted to USD 12,526,678 (2015: USD 10,203,182). The fair value of receivables and deposits, trade and other payables and other liabilities are disclosed in Note 16 and Note 17 respectively.

8.(a) HELD TO MATURITY FINANCIAL ASSETS

	Group			
	Purchase value (including commission) USD	Maturity Date	Coupon Rate	Book Value USD
2016				
General Electric Capital	1,010,523	15-Feb-17	40%	881,530
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	3,685,124
Croatia 2017	4,978,724	27-Apr-17	6.25%	4,499,987
Bank Nederlandse Gemeenten	2,598,433	16-Feb-21	4.38%	2,526,392
European Investment Bank	2,596,771	16-Feb-21	4.00%	2,529,914
Caisse d'amortissement de la dettesociale	2,593,450	17-Apr-20	2.00%	2,600,903
Bank of China Hong Kong	5,870,582	11-Feb-20	5.55%	5,826,619
South Africa	4,218,660	9-Mar-20	5.50%	4,077,551
Poland	2,602,338	21-Apr-21	5.13%	2,483,281
African Development Bank	650,073	2-Oct-18	1.63%	646,781
Morocco	1,058,175	11-Dec-22	4.25%	1,042,195
Export-Import Bank Korea	1,137,097	11-Apr-22	5.00%	1,121,060
Chile	3,903,335	30-Oct-22	2.25%	3,927,549
Qatar	4,490,130	20-Jan-22	4.50%	4,436,750
African Export-Import Bank 2019	1,165,359	29-Jul-19	4.75%	1,177,597
Banque Ouest Africaine de Développement	1,824,269	6-May-21	5.50%	1,806,371
Banque Ouest Africaine de Développement	126,998	26-Dec-21	5.95%	126,998
SIFCA	238,121	8-Aug-21	6.90%	198,434
Banque d'investissement et de Développement de la CEDEAO	238,121	5-Oct-17	6.75%	47,641
Banque d'investissement et de Développement de la CEDEAO	79,374	28-Mar-21	6.50%	59,594
Caisse Régionale Refinancement Hypothécaire	238,121	17-Jan-24	6.10%	168,637
Shelter Afrique	146,048	2-Mar-21	6.60%	131,443
Etat du Sénégal	110,520	27-Nov-21	6.50%	110,520
Total	46,923,705			44,112,871

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

	Group			
	Purchase value (including commission)	Maturity Date	Coupon Rate	Book Value
2015	USD			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

2016

General Electric Capital	1,010,523	15-Feb-17	5.40%	881,530
Belgium Kingdom	5,048,483	28-Sep-19	3.00%	3,685,124
Croatia 2017	4,978,724	27-Apr-17	6.25%	4,499,987
Bank Nederlandse Gemeenten	2,598,433	16-Feb-21	4.38%	2,526,392
European Investment Bank	2,596,771	16-Feb-21	4.00%	2,529,914
Caisse d'amortissement de la dette sociale	2,593,450	17-Apr-20	2.00%	2,600,903
Bank of China Hong Kong	5,870,582	11-Feb-20	5.55%	5,826,619
South Africa	4,218,660	9-Mar-20	5.50%	4,077,551
Poland	2,602,338	21-Apr-21	5.13%	2,483,281
African Development Bank	650,073	2-Oct-18	1.63%	646,781
Morocco	1,058,175	11-Dec-22	4.25%	1,042,195
Export-Import Bank Korea	1,137,097	11-Apr-22	5.00%	1,121,060
Chile	3,903,335	30-Oct-22	2.25%	3,927,549
Qatar	4,490,130	20-Jan-22	4.50%	4,436,750
African Export-Import Bank 2019	1,165,359	29-Jul-19	4.75%	1,177,597
BOAD	1,824,269	6-May-21	5.50%	1,806,371

Total**45,746,402****43,269,604**

Company

2015

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.(b) DERIVATIVE CONTRACTS

Fair value of contracts: USD 12,526,678 and USD 9,179,678 for the Group and Company respectively (2015: USD 10,203,182 and USD 6,856,182 respectively).

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

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:

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:

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:

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:

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:

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:

Group		Company	
2016 USD	2015 USD	2016 USD	2015 USD
303,333	204,650	303,333	204,650
N/A	101,454	N/A	-
565,020	1,275,996	565,020	481,814
5,507	18,225	5,507	18,225
N/A	25,359	N/A	-
238,287	230,750	238,287	157,917

Opening Balance
Movement during the year
GARI Fund guarantees fair value

Group		Company	
2016 USD	2015 USD	2016 USD	2015 USD
10,203,182	2,091,138	6,856,182	2,091,138
2,323,496	4,884,252	2,323,496	4,765,044
-	3,227,792	-	-
12,526,678	10,203,182	9,179,678	6,856,182

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 2016		
	Annual rates	Terms	Amount (USD)
BOA BENIN	6.40%	09/08/16 - 08/08/19	1,825,595
BOA BENIN	7.00%	29/01/16 - 29/12/19	3,174,948
BOA SENEGAL	6.00%	17/06/15 - 16/06/18	2,381,211
BANQUE ATLANTIQUE TOGO	6.54%	15/06/15 - 15/06/18	1,587,474
CORIS BURKINA FASO	6.50%	01/08/16 - 31/07/19	1,904,969
CORIS BANK BURKINA FASO	6.50%	30/12/13 - 30/12/16	2,381,211
BSIC TOGO	7.00%	26/01/10 - 27/01/19	3,174,948
BSIC TOGO	7.00%	12/02/16 - 11/02/19	396,868
BSIC TOGO	6.00%	08/06/15 - 07/06/18	793,737
ORABANK TOGO	5.95%	28/04/15 - 27/04/18	793,737
DIAMOND TOGO	6.70%	16/06/15 - 14/06/18	2,381,211
BOA TOGO	5.00%	11/06/14 - 10/06/17	317,495
CORIS BANK COTE D'IVOIRE	6.00%	08/06/16 - 07/06/20	3,968,685
ORABANK COTE D'IVOIRE	6.00%	08/06/16 - 07/06/20	3,174,948
UTB	5.75%	28/10/16 - 20/10/17	2,698,706
Ecobank Kenya Limited	3.00%	09/11/16 - 09/11/17	1,000,000
BCEAO Lomé (FCFA)	0.001%	on call	2,365,198
Others	N/A	N/A	117,836
Total			34,438,777

Bank	Group 2015		
	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	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
DIAMOND 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

Company 2016		
Annual rates	Terms	Amount (USD)
3.00%	09/11/16 - 09/11/17	1,000,000

Ecobank Kenya Limited

9. INCOME FROM INVESTMENTS

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Income from held-to-maturity financial assets	1,276,833	1,332,581	1,276,833	1,329,667
Interest received on fixed-term deposits in Kenya	83,469	214,574	83,469	214,574
Interest received on term deposits in London	3,710	8,698	3,710	8,698
Interests income on Central Bank account Togo	4,709	897	-	-
Interests income on current account Togo	8,242	310	-	-
Interests income on term Deposits Togo	2,094,525	64,603	-	-
	3,471,488	1,621,663	1,364,012	1,552,939

10. OTHER INCOME

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Commissions related to previous year	127,867	5,989	-	-
Net foreign exchange differences	-	1,130	-	-
Reversal of Provision	-	3,656	-	-
	127,867	10,775	-	-

11. STAFF EXPENSES

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Wages and salaries	3,828,501	2,310,960	2,811,238	2,288,623
Defined contribution pension cost	150,451	119,854	150,451	119,854
Social security contributions and similar taxes	1,190	1,781	1,190	618
	3,980,142	2,432,595	2,962,879	2,409,095

12. EXPENSES BY NATURE

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Administrative expenses	50,380	51,223	50,380	51,223
Board expenses	300,555	219,425	205,135	216,584
Legal and tax advisory fees	154,142	152,470	90,467	152,110
Administrative and legal fees	505,077	423,118	345,982	419,917
Telephone	119,312	91,077	105,570	90,707
Courier and postage	15,103	6,812	10,145	6,435
Others	36,869	11,007	11,879	10,279
Communication expenses	171,284	108,896	127,594	107,421
SME Championship sponsorship	212,767	222,775	194,317	222,775
Sponsorship	182,960	69,564	211,018	69,455
Adverts and Marketing Materials	83,855	42,129	55,797	41,066
Marketing expenses	479,582	334,468	461,132	333,236

12. EXPENSES BY NATURE

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Rent	191,438	125,941	125,739	124,715
Service charges	28,498	30,196	28,498	30,196
Security and maintenance	44,995	35,438	40,610	35,337
Parking and electricity	22,607	24,719	22,607	24,719
Insurance	8,340	6,130	5,928	6,130
Premises expenses	295,878	222,424	223,382	221,097
Staff recruitment	37,428	45,088	37,428	45,088
Staff training	12,330	6,781	8,405	6,781
Consultancy	163,239	42,149	157,525	41,129
Audit fees	92,381	47,873	67,626	46,989
Office supplies	57,332	38,334	41,253	38,234
Computer maintenance cost	13,190	46,404	13,190	45,158
Bank charges	190,463	56,041	15,812	56,041
Legal and marketing expenses - Gari Fund	-	237,524	-	237,524
Acquisition	-	237,524	-	237,524
Sundry expenses	238,853	59,439	106,899	58,156
Other expenses	805,216	579,633	448,138	575,100

13. TAXATION

Mauritius:

The Company, being the holder of a Category 1, Global Business Licence, is liable to income tax in Mauritius on its taxable profit arising from its world-wide income at the rate of 15%. The Company's foreign sourced income is eligible for a foreign tax credit which is computed as the lower of the Mauritian tax and the foreign tax on the respective foreign sourced income. The foreign tax for a GBL1 company is based on either the foreign tax charged by the foreign country or a presumed amount of foreign tax: the presumed amount of foreign tax is based on 80% of the Mauritian tax on the relevant foreign sourced income. In computing its total foreign tax credit, the Company is allowed to pool all its foreign sourced income. Capital gains are outside the scope of the Mauritian tax net while trading profits made by the Company from the sale of shares are exempt from tax.

Togo:

The Company has an agreement with the government of Togo dated 1st April 2004, of which Article 6.1 indicates that the organization's assets, revenues and operation transactions are exempt of all taxes. The unused tax losses not recognized in the books at 31 December 2016 for the Group and the Company amounted to USD 5,702,214 (Company 2015: USD 4,161,827). 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	Year	Group		Company	
		2016 USD	2015 USD	2016 USD	2015 USD
2012	2017	475,931	475,931	475,931	475,931
2013	2018	1,488,855	1,488,855	1,488,855	1,488,855
2014	2019	1,035,462	1,035,462	1,035,462	1,035,462
2015	2020	1,161,579	1,161,579	1,161,579	1,161,579
2016	2021	1,540,387	-	1,540,387	-
		5,702,214	4,161,827	5,702,214	4,161,827

14. PROPERTY AND EQUIPMENT

	Group					Total USD
	Office equipment USD	Fittings USD	Furniture USD	Computer equipment USD	Motor vehicles USD	
COST						
At 1 January 2015	154,943	1,022,659	284,242	125,624	129,546	1,717,014
Acquisition of GARI	-	1,428	544	4,099	29,060	41,064
Additions	32,384	-	-	8,338	-	128,532
At 31 December 2015	187,327	1,024,087	284,786	138,061	158,606	1,886,610
At 1 January 2016	187,327	1,024,087	284,786	138,061	158,606	1,886,610
Acquisition of GARI	-	-	-	-	-	-
Additions	1,150	87,810	4,372	8,202	-	115,466
At 31 December 2016	188,477	1,111,897	289,158	146,263	158,606	2,002,076
DEPRECIATION						
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)
At 1 January 2016	(81,068)	(391,091)	(117,781)	(91,634)	(113,637)	(795,211)
Charge for the year	(23,501)	(138,611)	(36,440)	(21,458)	(22,923)	(242,933)
At 31 December 2016	(104,569)	(529,702)	(154,221)	(113,092)	(136,560)	(1,038,144)
NET BOOK VALUE						
At 31 December 2016	83,908	582,195	134,937	33,171	22,046	963,932
At 31 December 2015	109,259	632,996	167,005	46,427	44,969	1,091,399
At 1 January 2015	96,782	759,994	201,992	60,083	40,046	1,158,897
At 1 January 2016	154,943	1,022,659	284,242	125,624	129,546	1,717,014
Additions	31,867	-	-	8,338	-	128,015
At 31 December 2015	186,810	1,022,659	284,242	133,962	129,546	1,845,029
At 1 January 2016	186,810	1,022,659	284,242	133,962	129,546	1,845,029
Additions	1,150	87,810	4,372	5,797	-	113,060
At 31 December 2016	187,960	1,110,469	288,614	139,759	129,546	1,958,089
DEPRECIATION						
At 1 January 2015	(58,165)	(262,665)	(82,250)	(65,541)	(89,500)	(558,121)
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)	(794,694)
At 1 January 2016	(80,551)	(391,091)	(117,781)	(91,634)	(113,637)	(794,694)
Charge for the year	(23,501)	(137,568)	(35,940)	(14,958)	(7,636)	(219,603)
At 31 December 2016	(104,052)	(528,659)	(153,721)	(106,592)	(121,273)	(1,014,297)
NET BOOK VALUE						
At 31 December 2016	83,908	581,810	134,893	33,167	8,273	943,792
At 31 December 2015	106,263	631,568	166,461	42,328	15,909	1,050,335
At 1 January 2015	96,778	759,994	201,992	60,083	40,046	1,158,893

15. INTANGIBLE ASSETS

COST

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	362,558	37,765	345,000	745,323
At 1 January 2016	362,558	37,765	345,000	745,323
Reclassification from work in progress	443,700	14,528	537,411	995,639
Additions	-	-	-	-
Acquisition of Gari SA	-	-	-	-
At 31 December 2016	806,258	52,293	882,411	1,740,962

AMORTISATION

At 1 January 2015	(6,630)	(9,522)	-	(16,152)
Charge for the year	(67,311)	(11,653)	-	(78,964)
At 31 December 2015	(73,941)	(21,175)	-	(95,116)
At 1 January 2016	(73,941)	(21,175)	-	(95,116)
Charge for the year	(115,820)	(10,252)	-	(126,072)
At 31 December 2016	(189,761)	(31,427)	-	(221,188)

NET BOOK VALUE

At 31 December 2016	616,497	20,866	882,411	1,519,774
At 31 December 2015	288,617	16,590	345,000	650,207
At 1 January 2015	9,175	17,592	390,800	417,567

COST

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
At 31 December 2015	362,558	27,114	345,000	734,672
Reclassification from work in progress	345,000	-	(345,000)	-
Additions	98,700	-	882,411	981,111
At 31 December 2016	806,258	27,114	882,411	1,715,783

AMORTISATION

At 31 December 2015	(6,630)	(9,522)	-	(16,152)
Charge for the year	(67,311)	(11,576)	-	(78,887)
At 31 December 2016	(73,941)	(21,098)	-	(95,039)
Charge for the year	(115,820)	(1,556)	-	(117,376)
At 31 December 2016	(189,761)	(22,654)	-	(212,415)

NET BOOK VALUE

At 31 December 2016	616,497	4,460	882,411	1,503,368
At 31 December 2015	288,617	6,016	345,000	639,633
At 1 January 2015	9,175	17,592	390,800	417,567

	Group			
	Software USD	Website USD	Assets under work in progress USD	Total USD
COST				
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
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COST				
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
At 31 December 2015	362,558	27,114	345,000	734,672
Reclassification from work in progress	345,000	-	(345,000)	-
Additions	98,700	-	882,411	981,111
At 31 December 2016	806,258	27,114	882,411	1,715,783
AMORTISATION				
At 31 December 2015	(6,630)	(9,522)	-	(16,152)
Charge for the year	(67,311)	(11,576)	-	(78,887)
At 31 December 2016	(73,941)	(21,098)	-	(95,039)
Charge for the year	(115,820)	(1,556)	-	(117,376)
At 31 December 2016	(189,761)	(22,654)	-	(212,415)
NET BOOK VALUE				
At 31 December 2016	616,497	4,460	882,411	1,503,368
At 31 December 2015	288,617	6,016	345,000	639,633
At 1 January 2015	9,175	17,592	390,800	417,567

16. RECEIVABLES AND DEPOSITS

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Other receivables	8,348,124	6,146,769	5,194,722	3,075,769
Deposits	53,500	44,501	53,500	44,501
	8,401,624	6,191,270	5,248,222	3,120,270

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		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Trade payables	318,143	397,741	278,714	363,838
Accrued payables	324,006	154,586	324,006	154,586
	642,149	552,327	602,720	518,424

The carrying values of trade payables and accruals approximate their values at 31 December 2016 and 2015. Trade payables are interest free and are repayable on demand.

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
VAT payable	835	1,182	835	1,182
Withholding tax	72,491	14,679	72,491	14,679
Pending account and accrued liabilities	-	490,504	-	-
Sundry liabilities	750,515	77,209	64,988	25,348
	823,841	583,574	138,314	41,209

18. 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 financial guarantees as at 31 December 2016 stood at USD 411,179,639 for the Group (2015: USD 310,759,681) and USD 228,137,409 for the Company (2015: USD 144,732,075).

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Opening Balance	7,986,940	271,052	692,984	271,052
Net claims	(1,449,577)	(311,478)	(526,654)	(311,478)
Addition during the year	362,848	846,883	104,924	733,410
Provision written back	(2,015,795)	-	-	-
Acquisition of subsidiary	-	7,180,483	-	-
Closing Balance	4,884,416	7,986,940	271,254	692,984

19. OTHER PROVISIONS

At 1 January 2016 and 31 December 2016

Group			
Pensions USD	Litigations and other provisions USD	Others USD	Total USD
168,878	835,454	35,707	1,040,039

At 1 January 2015

Acquisition of Fonds Gari

Exchange rate movement

At 31 December 2015

Group			
Pensions USD	Litigations and other provisions USD	Others USD	Total USD
-	-	-	-
186,582	835,454	39,712	1,061,748
(17,704)	-	(4,005)	(21,709)
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. The defined benefit plans are unfunded. Refer to Note 20 for additional details.

(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.

20. DEFINED BENEFIT PLAN

Group

Post-employment benefits assumptions

Through the subsidiary "Fonds GARI", the Group has "long-term employee benefits under an unfunded 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 statements of profit or loss for the year ended 31 December 2016 amounted to USD 11,000. As of 31 December 2016, the total provision amounted to USD 168,878 (2015: USD 168,878). The cost has been determined using actuarial method based on the assumptions below

	2016 USD	2015 USD
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	Group			
	Variation	2016 Impact on the net defined benefit obligation USD'000	Variation	2015 Impact on the net defined benefit obligation USD'000
Future salary increase	1%	19	1%	19
	-1%	-17	-1%	-17
Discount rate	1%	-16	1%	-16
	-1%	18	-1%	18
Turnover	1%	-17	1%	-17
	-1%	20	-1%	20

21. STATED CAPITAL

Group and Company 2016		
	Number	USD
Class B shares	2,400	24,000,000
Class C shares	6,304	63,191,137
Class D shares	3	3
	8,707	87,191,140
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

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 US\$ 1 for each Share held.

22. RELATED PARTY DISCLOSURES

During the year ended 31 December 2016 and 2015, the Company transacted with related entities. Details of the nature, volume of transactions and the balances with the related entities are as follows:

Balances	Relationship	Nature of transactions	Group		Company	
			2016 USD	2015 USD	2016 USD	2015 USD
Directors of the Company	Directors	Remuneration and allowances	205,135	216,584	205,135	216,584
Capacity Development Trust	Common directorship	Administration fees	254,298	191,372	254,298	191,372
Rogers Capital Fund Services Ltd	Administrator and Secretary fees	Administration and Secretarial	42,500	42,500	42,500	42,500
			501,933	450,456	501,933	450,456

22. RELATED PARTY DISCLOSURES (continued)

Balances	Relationship	Nature of transactions	Group		Company	
			2016 USD	2015 USD	2016 USD	2015 USD
Directors of the Company	Directors	Remuneration and allowances	205,135	216,584	205,135	216,584
Capacity Development Trust	Common directorship	Administration fees	303,867	375,855	303,867	375,855
Rogers Capital Fund Services Ltd	Administrator and Secretary fees	Administration and Secretarial	42,500	42,500	42,500	42,500
			551,502	634,939	551,502	634,939

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 (UMOAWAMU). 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.

As of December 31, 2016, the provisional amount of Goodwill stood at USD 1,695,111 (2015: USD 1,695,111). The relative fair values of identifiable assets and liabilities as of the same date (acquisition date) were the following:

	2015	
	FV recognized on acquisition Date	Carrying Value
	USD	USD
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 Provision 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)	

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

During the financial year ended 31 December 2016, other liabilities relating to the restructuring of the subsidiary was reassessed and a reversal of USD 206,114 from the initially estimated liability was recorded in the statement of profit or loss.

24. LOANS AND BORROWINGS

During the year, the Company received an amount of EUR 7.6m (or USD 8.1m) from its subsidiary, "Fonds GARI". This amount represents an unsecured fixed deposit bearing interest 2.5% per annum, repayable within two years. The Company repaid a USD 21,000,000 one-year loan facility from Barclays PLC which had

25. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Financial guarantees (live)	416,652,333	361,379,883	233,610,103	195,352,277
Financial guarantees re-guaranteed	(5,472,694)	(50,620,202)	(5,472,694)	(50,620,202)
	411,179,639	310,759,681	228,137,409	144,732,075

Custodian fees

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

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

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Custody fees	92,652	106,717	89,242	106,717

Operating lease commitments

African Guarantee Fund's branch in Nairobi's lease relating to office space 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 leave payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016 USD	2015 USD	2016 USD	2015 USD
Properties				
Within 1 year	71,620	124,543	71,620	124,543
After 1 year but within 5 years	37,681	62,272	37,681	62,272
	109,301	186,815	109,301	186,815

26. EVENTS AFTER THE REPORTING DATE

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



THE GARI FUND IS NOW A MEMBER OF THE AFRICAN GUARANTEE FUND

Every day in Africa, thousands of SMEs are positively transforming people's lives. Operating in a range of sectors including agriculture, renewable energy, retail and infrastructure, these enterprises require financing.

The African Guarantee Fund shares the risks associated with financing SMEs by Financial Institutions and strengthens their capacity to manage their SME portfolios in order to contribute effectively this sector.

Since acquiring the Gari Fund in December 2015, AGF continues to consolidate its presence in West Africa, becoming even closer to its partners.



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