SHELTER AFRIQUE
Financing Affordable Housing for Africa

2023 Annual Report

Shelter Afrique:
Financing Affordable Housing For Africa

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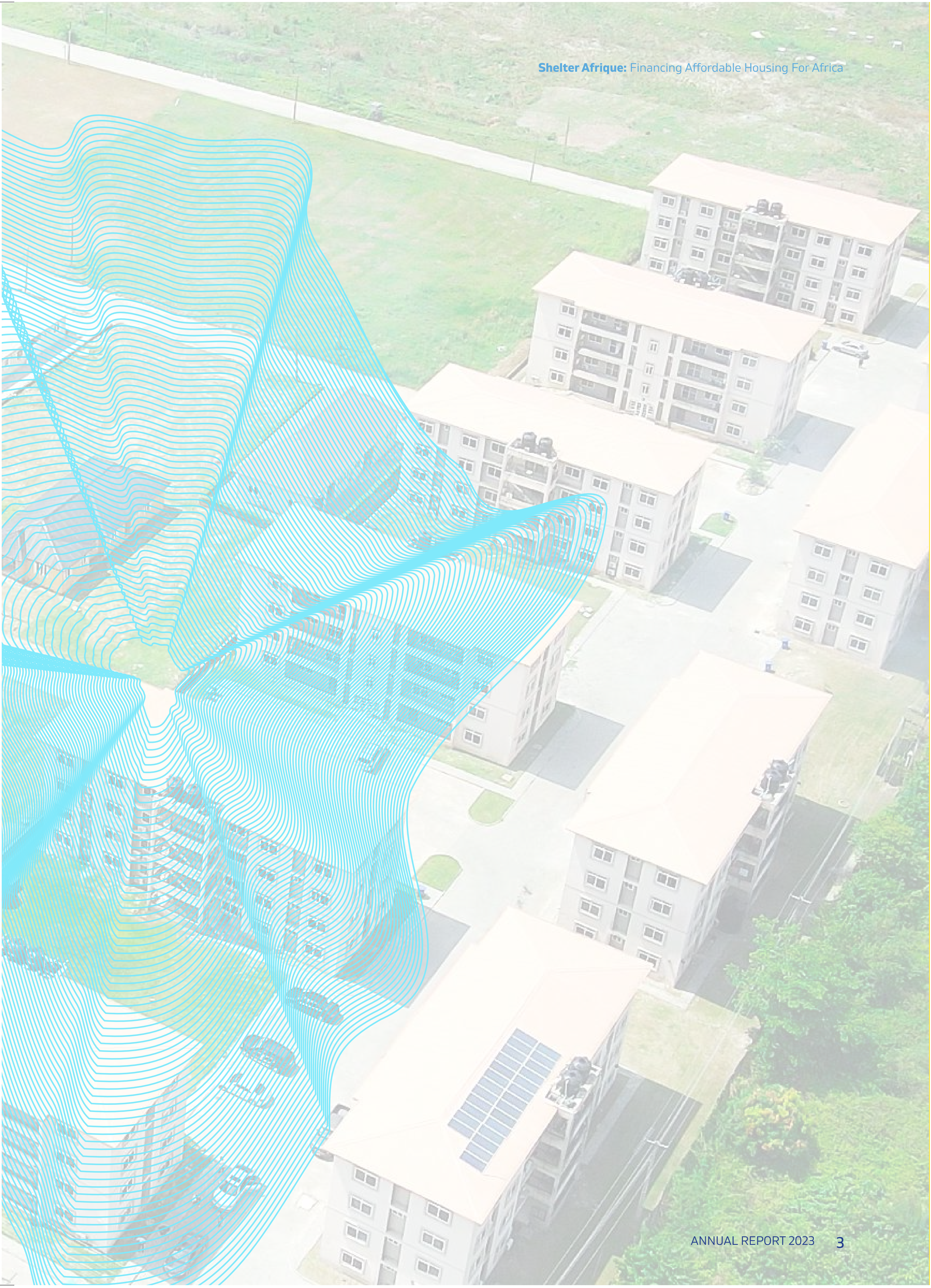

SHELTER AFRIQUE
Financing Affordable Housing for Africa

LETTER OF TRANSMITTAL

The Chairperson
General Meeting of Shareholders
Shelter-Afrique
9th May 2023

Dear Mr. Chairman,

In accordance with Regulation 9 of the General Regulations of Shelter-Afrique, I have the privilege, representing the Board of Directors, to submit the Annual Report and Audited Financial Statements of the Institution for the period from January 1 to December 31, 2023.

The report comprehensively outlines the Institution 's activities and provides an analysis of the international and African economic environments in which it operated during the period.

Please accept, Mr. Chairman, the assurance of my highest consideration.

Dr. Chii Akporji
CHAIRPERSON OF THE BOARD OF DIRECTORS

Shelter Afrique is the only pan-African finance institution that exclusively supports the development of housing and urban development in Africa.

A partnership of 44 African Governments, the African Development Bank (AfDB) and the Africa Reinsurance Corporation (Africa-Re), Shelter Afrique builds strategic partnerships and offers a host of products and related services to support the efficient delivery of affordable housing and commercial real estate.

As the Company for Housing and Habitat in Africa, our work has a direct and positive impact on the lives of many by meeting the needs of the continent's rapidly growing urban population.

Vision

A decent and affordable home for all in Africa.

Mission

To be the pre-eminent provider of financial, advisory and research solutions geared towards addressing the housing crisis in Africa by using public-private partnerships to achieve sustainable development impact.

Values

- Accountability
- Customer Centricity
- Teamwork
- Integrity
- Innovation

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3

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Strategic Goals

SG1: Enhance Housing Development Impact and Shareholder Value

By provision of affordable housing finance solutions and technical assistance, SHAF aims to enable the delivery of 15,000 units focusing on the social and affordable housing segments.

SG2: Achieve Financial Sustainability

The company will generate and maintain robust positive financial returns and position by posting and monitoring key performance indicators on liquidity, profitability, asset, quality, efficiency and productivity.

SG3: Improving Organizational Sustainability

The adoption and entrenchment of the Best Corporate Governance Standards, ethical business practices and climate friendly investments that shape strategic decision making.

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BOARD CHAIRPERSON'S REPORT

CHAIRPERSONS'S STATEMENT
Esteemed Shareholders,

On behalf of the Board of Directors, I am delighted to present the Annual Report for Shelter Afrique for the Financial Year ending 31st December 2023.

In the year 2023, the global economy faced challenges stemming from the pandemic, conflicts, and a cost-of-living crisis. Despite these hurdles, the economy has shown resilience, albeit with slow and uneven growth. While global activity has improved, inflation, both headline and core, remains a concern. The IMF's baseline forecast predicts a slowdown in global growth and a gradual decline in inflation, though a full recovery appears elusive, particularly for emerging markets and developing economies.

Though the acute stress in the global banking system has lessened, concerns linger, especially regarding the impact of tightening financial conditions. Central banks' policy tightening to combat inflation has led to higher borrowing costs, affecting economic activity. Additionally, fiscal consolidation has constrained public finances, further impacting credit availability. Shelter Afrique has operated in this challenging environment, facing high borrowing costs and subdued loan disbursements.

Mortgage borrowers have faced increased repayment burdens, resulting in a slowdown in housing activity and declining home prices globally. Despite these challenges, Shelter Afrique remains committed to addressing the housing deficit in Africa and contributing to the continent's recovery and long-term infrastructure development.

Performance Highlights

Despite challenges, Shelter Afrique has made significant strides. The transformational initiatives undertaken by Management have led to improved financial performance, with a break-even financial position achieved in 2023. The institution's name change to Shelter Afrique Development Bank and the approval of new statutes pave the way for future growth.

Shelter Afrique remains focused on providing funding solutions for affordable housing in Africa. Operational highlights include an operating profit and break-even comprehensive income, demonstrating progress toward financial sustainability.

Future Outlook

Shelter Afrique remains committed to its strategic goals, focusing on loan asset growth, financial resource mobilization, corporate governance, risk management, and staff recruitment. Despite fiscal constraints, shareholder support remains strong, enabling the institution to continue its mandate.

Appreciation

We extend our gratitude to shareholders for their unwavering support and to clients for their partnership. Special thanks to the board and management for their dedication and stewardship. We also acknowledge the contributions of our AGM Bureau and look forward to continued collaboration in 2024.

DR. CHII P. AKPORJI
CHAIRPERSON OF THE BOARD OF DIRECTORS

BOARD OF Directors

Director Dr Chii P. Akporji

Chairperson of the Board of Directors, Shelter Afrique
Representing the African Development Bank (AFDB)

Director
Mr. Ahmed Belayat
Board Vice-Chairpersor
iRepresenting Group 4

Director
Mr. Kiiza E. Bichetero
Representing the Africa Reinsurance Corporation

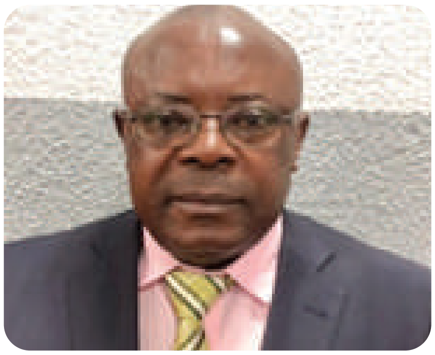
Director
Mr. Charles M. Hinga
Representing Group 1

Director
Mr. Edward Kyazze
Representing Group 2

Director Dr.
Mr. Ouadja Kossi Gbati
Representing Group 3

SHELTER AFRIQUE
Financing Affordable Housing for Africa

BOARD OF Directors



Director
Mr. TCHELU M. Laurent
Representing Group 5

Director
Ms. Eucharia ALOZIE
Representing Group 6

Director
Mr. Issa Seydou Sissoko
Representing Group 7

Director
Mr. Babatunde A. Sanda
Independent Director

Director
Mr. Lionel Zinsou
Independent Director

OUR CORPORATE GOVERNANCE STATEMENT.

Corporate Governance is the primary responsibility of the Board of Directors, which should ensure that the organization has in place a robust governance strategy that promotes a highly transparent governance culture, as well as creates long-term value for stakeholders.

Overview

The Board has adopted the King IV Code of Governance, South Africa as the benchmark for the implementation of good governance practices in the organization among other best practices.

Board Meetings and Retreats
Board of Directors

The Company is governed by a Board of Directors, each appointed by the shareholders of the Company for a term of three (3) years renewable once. The Board is responsible for providing the Company's strategic direction in line with the mandate given by the Shareholders. It also formulates Company policies, sets the risk appetite, and ensures that the business objectives are achieved within a controlled environment. The Board is accountable to the shareholders for the Company's performance and is collectively responsible for the company's long-term success.

During the reporting period, the Board made critical resolutions aimed at improving the governance of the Company and its performance. Notable resolutions included:

a) Approval of: (i) the increment of the retirement age from sixty (60) years to sixty-five (65) years; (ii) the increment of the voluntary retirement age from Fifty-Five (55) to Sixty (60) years; and (iii) The effective date of the policy change as 1^{st} April 2023.
b) To invest in Commercial Papers up to a total maximum not exceeding 8% of the Shareholders' funds and tenor to be advised as per the risk appetite. The Commercial Papers to be the investment of last resort having considered existing investment products in the current Policy i.e. funds placement with approved commercial banks, Government treasury bills, and bonds.
c) Approved the proposed amendments to the General By-laws.
d) Confirmed the appointment of the Managing Director effective 10^{th} July 2023.
e) Approved the concept of warehousing and the adoption of the good-bad book approach.
f) A Special Purpose Vehicle (SPV) shall be created to house the outstanding NPL balances as of 30th September 2023, with provision for the inclusion of any additional accruals between the indicated period and year-end.
g) The transfer of the NPL files, amounting to USD 138.1 million as of 30th September 2023, will be accommodated in the SPV to be established. This total represents 100% of the total outstanding NPL balance as of 30th September 2023.
h) Approved restructuring of 6 identified files with duly signed settlement sell and/or consent judgements.
i) On 19 December 2023, the Board of Directors re-elected Dr. Patience Chika Akporji as Board Chairperson and elected Mr. Ahmed Belayat as Vice-chairperson of the Board of Directors for 1 year renewable.

Board Charter

The Board Charter sets out the Board's functions and powers and is complementary to the provisions governing the Board of Directors as set out in the Statutes and the General By-Laws of Shelter Afrique as well as the resolutions of the General Meeting. The Charter regulates the Board and Committee composition, provides for positions such as the Chairperson, the Vice-Chairperson, and the Company Secretary makes provision for the duties and responsibilities of the Board of Directors, and stipulates the methodology and terms for performance evaluation for the Board.

The Charter also guides Directors induction, development, and training as well as decision-making within the Board. Matters related to conflicts of interest and related party transactions are also covered in detail with clear guidance on how these should be dealt with. The Shareholders approved the Board Charter and changes to it at a General Meeting. In 2023, there were no proposed changes to the Board Charter that were recommended to the General Meeting for approval.

Board Composition

Shelter Afrique's Board comprises 7 (seven) Class 'A' Directors representing 44 African member countries, 2 (two) Class 'B' Directors representing 2 (two) Institutions, and 2 (two) Independent Directors. All Directors are non-executive. The Directors have diverse skills and expertise and are drawn from various sectors critical to delivering our mandate to our key stakeholders. The names and biographical details of each Director, including their main associations outside Shelter Afrique, are available on the Company's website www.shelterafrique.org.

Roles & Responsibilities

The Board is responsible for the conduct of the company's general operations and, for this purpose, exercises all powers provided for it in the Statutes, By-Laws, and the authorities delegated to it by the General Meeting.
The Board's responsibilities include but are not limited to: -

- Oversight and supervision of the general business of the Company.
- Ensuring that the Vision, Mission, and Core Values of the Company are in line with shareholders' needs and that the organization's culture is established and embedded.
- Approving the Company's Strategy, financial, and business objectives and ensuring that it has oversight and is kept current on the progress of achieving those objectives.
- Setting the Risk Appetite of the Company and assessing performance relative to the Company's Risk appetite.
- Responsible for the effective operation of The Company by appointing, and evaluating the performance of Senior Management, including compensation and succession planning.

Board Committees

The Board has 4 (four) substantive committees, namely the Audit, and Risk Committee (ARC), the Finance, Credit & Investments Committee (FCIC), the Human Resources, Governance and Nominations (HRGN) Committee, and the Strategy, Business Conduct and Ethics Committee (SBCE). The Board committees were established to enable the Board to fulfill its oversight responsibilities relating to the mid to long-term strategy for the Company, risks and opportunities relating to such strategy, and strategic decisions regarding investments, expansion, acquisitions, and divestitures by the Company. For the Board to discharge its mandate effectively, matters are discussed in detail in the committees before resolution by the Board. These committees assist the board in ensuring that proper policies, strategies, internal controls, and structures are in place to achieve the Company's objectives and obligations to its stakeholders. All the committees have specific terms of reference and hold meetings quarterly or as frequently as necessary.
The Board may delegate some of its powers to any committee and may appoint any other committee, including *ad hoc* committees, as and when it is deemed necessary.

On 19th December 2023, there was a change in the Board Chairmanship and Dr. Patience Chika Akporji was elected to become the new Board Chair, and Mr. Ahmed Belayat was elected to serve as Vice-Chair for one (1) year renewable based on performance.

Managing Director

The Managing Director is the legal representative of the Company and is also the Chief Executive, who is required to conduct, under the general directives of the Board, the current business of the Company.

The Managing Director is also responsible for the organization, appointment, and dismissal of other officers of the Company per the regulations adopted by the Board. He/She also shall report to the Board on the appointment and dismissal of officers, which exercise should give paramount importance to securing the highest standards of efficiency, technical competence, and integrity and recruit them, among nationals of Member countries, ensuring as wide a geographical basis as possible.

Company Secretary

The Company Secretary serves as Secretary to the Board and the General Meeting. The Company Secretary also is required by statute to keep the summary records of the proceedings of the Board and the General Meeting and full records of their decisions and recommendations.
The Company Secretary has charge of the corporate books and records of the Company and in general, performs all duties incidental to his/her office, and is responsible to the Managing Director.

Board Operations

The Board Charter regulates board operations. On an annual basis, the Board sets an Annual Work Plan with a progressive agenda to guide its objectives. A schedule of calendar dates for Board meetings to be held in the following year is also fixed in advance by the Board.

Director Independence

The Board continuously ensures that every director can act independently. On an annual basis, Directors are assessed against set guidelines to ensure that they always remain independent. The Board Charter requires that an annual assessment of the directors' independence be conducted and this was done by all directors who filled in and signed the Annual Independence Assurance.

Conflicts of Interest and Related Matters

Board members and Management are prohibited from entering into related party transactions, which by nature raise conflicts of interest or potential conflicts of interest that have a direct or indirect financial benefit. Any conflicts of interest must be disclosed to the Board of Directors and the Board Charter sets out clear guidelines for dealing with this at the Board level. Board members do not participate in any discussion or decision-making regarding a matter in which he/she has a conflict of interest.

Directors' Remuneration

The aggregate emoluments paid to Directors for services rendered during the financial year are disclosed in the financial statements for the year ended 31 December 2023. The Directors' Remuneration was reduced as per the resolution of the 37th AGM held on 20th July 2018 as further endorsed by the resolution of the 42nd AGM held on 11th May 2023, and this was implemented.

Induction Program, Training, and Education

Upon his/her election, each Board Member participates in an induction programme covering the Board's duties and responsibilities and the individual directors' role on the Board. The induction also covers the Company's strategy, financial and legal affairs, policies, and operations as well as general and specific aspects of the Company's business. The Board of Directors also annually reviews and identifies areas where Board Members require further training or continuous education. The Board approved the Director Development Plan for 2022, and the same was implemented albeit partially due to the company's cost rationalization policy deemed necessary considering the Covid-19 pandemic. Directors also attended a Board Retreat and team building program, training on Public-Private Partnerships, and training on Mastering Board Leadership.

Performance Evaluation for the Board

On an annual basis, the Board carries out a performance evaluation to assess its performance against set targets. It also carries out assessments for its committees, individual directors, the Managing Director, and the Company Secretary. Results of the evaluations are collated and transformed into an action plan to guide Board improvement initiatives. The Board Evaluation for 2023 is ongoing and it is being conducted by the Institute of Directors South Africa.

42nd Annual General Meeting

The 42nd Annual General Meeting of Shelter Afrique and attendant events were held in a hybrid format, both virtual and physical. This meeting was hosted by the Federal Republic of Nigeria, from 8th to 12th May 2023 in Abuja, Nigeria.

The 42nd Annual General Meeting was officiated by Honourable Daniel Garwe, Minister of National Housing and Social Amenities, Republic of Zimbabwe, Republic of Zimbabwe – outgoing Chairperson of the 41st AGM Bureau. Subsequently, there was a change of guard in the AGM Bureau following the election of Honourable Babatunde Fashola, SAN, Federal Minister for Works and Housing of Nigeria, Federal Republic of Nigeria, as the Chairman of the 42nd AGM Bureau. Other elected members were the 1st Vice President of the Bureau, Honourable Dr. Nsabimana Ernest, Minister of Infrastructure of Rwanda, and the 2nd Vice President of the Bureau, Honourable Tarek Belabiri, Minister of Housing, Urban Planning, and Urban Affairs, People's Democratic Republic of Algeria.

- The general nature of the business transacted included:
- Election of the Chairman and two Vice-Chairmen of the 42nd Annual General Meeting.
- Presentation by the Board Chairman.
- Presentation and adoption of the Annual Report, Audited Accounts for the year 2022.
- Presentation of the Directors' Annual Remuneration.
- Report and approval of the Remuneration Policy for 2022/2023.
- Election of Directors
- Presentation of Special Business relating to the Review of the Statutes.

The meeting was quorate with 24 members attending, namely the African Development Bank (AfDB), African Reinsurance Corporation (Africa-Re), Algeria, Burkina Faso, Cameroon, Chad, Cote d'Ivoire, Democratic Republic of Congo (DRC), Republic of Congo, Guinea *(for the first time in many years)*, Gabon, Ghana, Kenya, Mali, Morocco, Namibia, Niger, Nigeria, Rwanda, Tanzania, Togo, Uganda, Zambia, and Zimbabwe and passed the following resolutions:

AGENDA ITEM		PROPOSED RESOLUTION	*C/L
1.	Agenda.	**Ordinary Resolution:** To consider and approve the Agenda for the 42nd Annual General Meeting.	**C**
2.	Election of the 42nd AGM Bureau.	**Ordinary Resolution** To appoint the Chairman and two (2) Vice Chairmen of the 42nd Annual General Meeting.	**C**
3.	Minutes of the 41st AGM held in Victoria Falls, Zimbabwe, 28th July 2022.	**Ordinary Resolution** To review and adopt the Minutes of the 41st AGM held in Victoria Falls, Zimbabwe on 28th July 2023.	**C**
4.	Annual Report and Accounts for the period ending 31st December 2022.	**Ordinary Resolution** To consider and adopt the Annual Report and Accounts for the period ending 31st December 2022.	**C**
5.	Appointment of Directors and Alternate Directors representing Groups 2, 4, 5,6, and 7, the African Development Bank and an Independent Director	**Ordinary Resolution** To consider and approve the appointment of Directors and Alternate Directors representing Groups 2, 4, 5,6, and 7, the African Development Bank and an Independent Director.	**C**
6.	Annual Remuneration Report for 2023/2024.	**Ordinary Resolution** To consider the Remuneration Report for 2021/2022 and approve the Policy for Remuneration of Directors and Senior Executives for 2023/2024.	**C**
7.	Appointment and remuneration of External Auditors.	**Ordinary Resolution** To consider and approve: • The re-appointment of PricewaterhouseCoopers as external auditors for the Company for 2023. • The remuneration of the External Auditors for 2023.	**C**
8.	Review of SHAF Statutes	**Special Resolution** To consider and approve proposed amendments to the Statutes of Shelter Afrique, which, once approved, will be known as the Agreement establishing Shelter Afrique Development Bank. The meeting resolved that the review exercise must be completed by 30th June 2023.	**C**
9.	Date and Venue for the 43rd and 44th Annual General Meeting.	**Ordinary Resolution** • To receive confirmation from the Republic of Rwanda that it will host the 43rd Annual General Meeting (AGM) and mandate the Board of Directors to set the date for the 43rd AGM. • To receive confirmation from the Republic of Algeria that it will host the 44th Annual General Meeting (AGM).	**C**

Key legend
*C/L- Carried/Lost

3rd Extraordinary General Meeting (EGM)

The Board may, whenever it thinks fit, convene an Extraordinary General Meeting.
On 5th October 2023, the 3rd Extraordinary General Meeting of Shelter Afrique was held with the main agenda item of Review of the Statutes.

The EGM was attended by 28 (Twenty-eight) Members holding more than 60% of the total shareholding, either represented in person or by proxy namely: the African Development Bank (AfDB), African Reinsurance Corporation (Africa-Re), Algeria, Benin, Burkina Faso, Cameroon, Chad, Cote d'Ivoire, Democratic Republic of Congo (DRC), Republic of Congo, Guinea Conakry, Gabon, Ghana, Kenya, Lesotho, Mali, Mauritania, Morocco, Namibia, Niger, Nigeria, Rwanda, Sierra Leone, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.
The EGM resolved as follows:

Having previously received and reviewed the proposed Agreement Establishing Shelter Afrique Development Bank (hereinafter called "the **Proposed Agreement**"), and having participated in prior consultations and extensive discussions in respect of the Proposed Agreement amongst themselves and with Shelter Afrique's Management and external Legal Consultant, the Shareholders at the Extraordinary General Meeting:

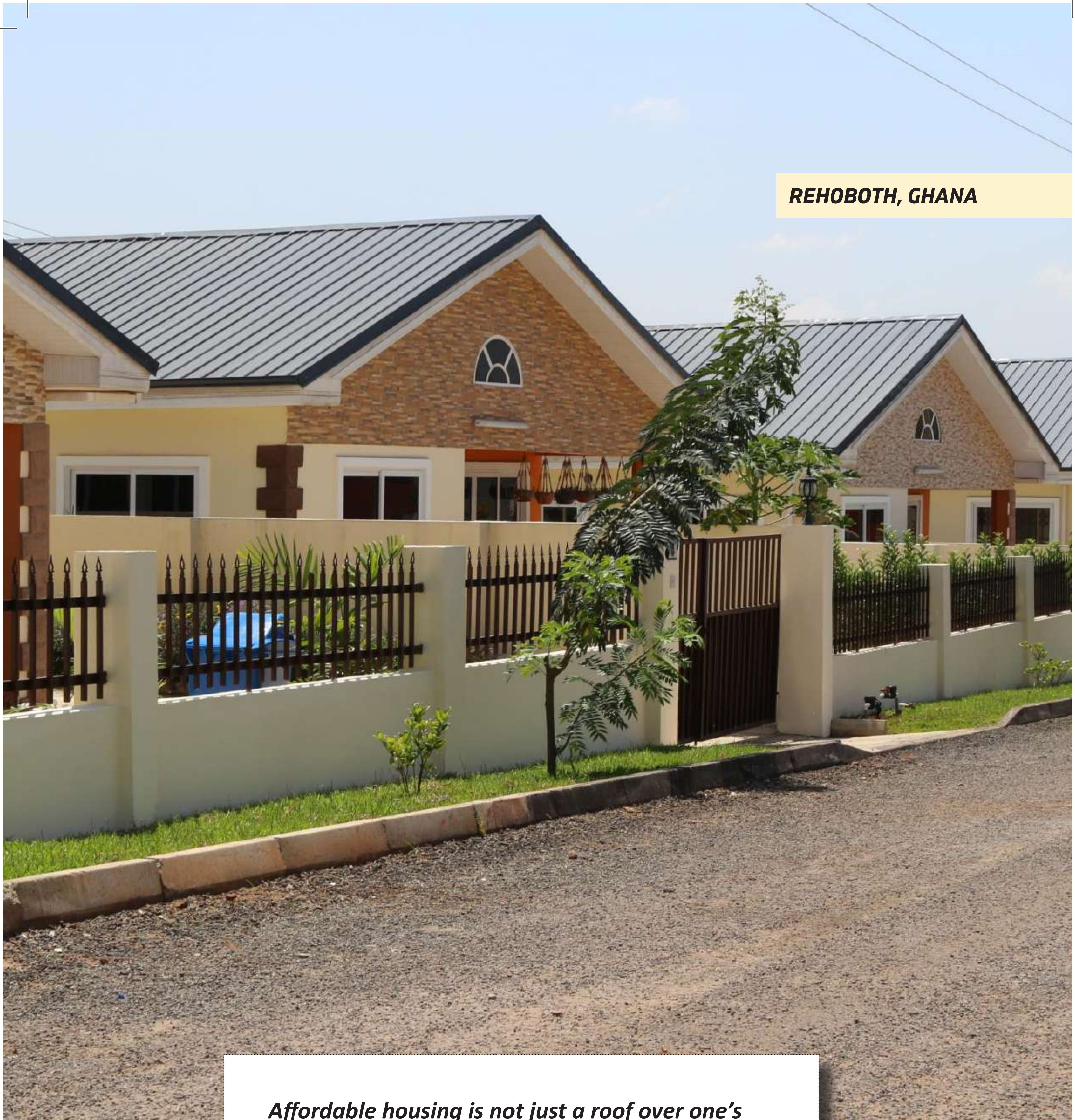
(1) Approved the Proposed Agreement after extensive discussions resulting in an agreement reached on the resolution of the following specific outstanding topics:
   a. Authority required for appointment and removal of the Managing Director.
   b. Distribution of capital among classes of shares.
   c. Structure of the Board of Directors.
   d. Relocation of the Headquarters.

(2) Approved the following modifications to the provisions of the Proposed Agreement relevant to such outstanding topics:

   a. Appointment and removal of the Managing Director. The final Agreement Establishing Shelter Afrique Development Bank (hereinafter called "the **Final Agreement**") will provide that the appointment, suspension, and removal of the Managing Director will require a vote of no less than two-thirds of the Board of Directors, with the Board's recommendation to be submitted to the General Meeting for approval.
   b. Distribution of capital. The Final Agreement will provide that the distribution of authorized share capital will be as follows:
   - Class A Shares: at least forty-five percent (45%).
   - Class B Shares: up to thirty percent (30%).
   - Class C Shares: up to twenty-five percent (25%).

   c. Structure of the Board of Directors. The structure established in the Proposed Agreement, which provides for at least four (4) seats for Class A, up to three (3) seats for Class B, up to three (3) seats for Class C, and two (2) Independent Directors, was approved without modification.
   d. Relocation of Headquarters. The provision for the relocation of the Headquarters established in the Proposed Agreement, which permits relocation of the Headquarters outside of Nairobi and/or outside the Republic of Kenya upon approval by Shareholders representing not less than seventy-five percent (75%) of the total voting power of all Shareholders, was approved without change. It was acknowledged that the existing Headquarters Agreement with the Government of Kenya as the Headquarters Country affirms SHAFDB's right to relocate the Headquarters, and it was agreed that the revised Headquarters Agreement to be negotiated with the Government of Kenya in connection with the Final Agreement will reaffirm such right and clarify the details thereof.

(3) Directed the Company Secretary to:
   a. Make or cause to be made changes to the Proposed Agreement to implement the modifications and principles approved in these Resolutions as reflected above, as well as any other changes as may be necessary or appropriate to correct any typographical, grammatical, or other drafting mistakes and to correct or clarify any internal ambiguities or inconsistencies, including, but not limited to, changes to the provisions related to the requirements regarding the nationality of the Directors in order to reflect the Shareholders' decision to promote diversity of nationality amongst the Board Members.
   b. Prepare the Final Agreement incorporating all of the above changes, which Final Agreement will be deemed to have been approved and adopted pursuant to these Resolutions.
   c. Directed the Board of Directors and Shelter Afrique's Management to take the necessary or appropriate steps to expedite the execution, deposit, and ratification of the Final Agreement.



REHOBOTH, GHANA

Affordable housing is not just a roof over one's head, but a foundation for sustainable communities. In Africa, it represents a vital step towards economic stability and social equity, made possible through dynamic partnerships and innovative finance solutions."

MESSAGE OF THE MANAGING DIRECTOR

Dear Stakeholders,

As we reflect on the past year, Shelter Afrique has embarked on a journey of renewal and strategic planning, heralding what we refer to as a "New Dawn."

Our comprehensive review process led to the implementation of a new strategy, recognizing the imperative for a product-driven approach that informs our organizational structure. At the Extraordinary General Meeting (EGM) on the 5th of October 2023 we revisited our founding mandate, meticulously reviewed statutes, and the Board Charter to ensure relevance and effectiveness. As a result of the EGM, Shelter Afrique was renamed Shelter Afrique Development Bank (ShafDB), reflecting the transformed identity of the development finance institutions and offering a new perception and image to stakeholders, clients and shareholders alike.

Our new strategy emphasizes four key business lines:

1. Financial Institutions Group
2. Project Finance for large-scale housing initiatives.
3. Structuring Affordable Housing PPPs.
4. Thematic Housing Fund Management and Advisory Services.

This strategic plan envisioned to provide a streamlined approach aimed at reaching end-users through innovative product structures such as Guarantee Structures, Pension-Funds, Employer Staff Housing Funds, Green/Resilient homes, and Rent-To-Own financing.

Our advocacy efforts have remained steadfast, with a particular emphasis on leveraging our thematic areas of focus, namely Climate, Gender, Refugees and Diaspora as well as Islamic Finance – further exemplified by the Technical Assistance Grant Partnership which was signed at COP 28 with Islamic Development Bank Institute. The aim of the TA is to develop ethical finance products in the housing sector.

In this integrated report, we have outlined key areas including:

- Investor Relations
- Strategy
- Corporate Governance & Shareholder Relations
- The Center of Excellence Activities, Impact Reporting Data and CSR
- Financial Management
- Legal Services
- Human Capital Management
- Information Technology
- Internal Audit
- ERM
- Credit and Operations
- New Business

In addition, highlighted achievements for the Financial Year 2023 include:

- Modest profitability of $100,983 USD against a target of $11,000 USD
- Reduction of Non-Performing Loans by $25 Million USD
- Non-Performing Loan recovery of $4.4 Million USD against a target of $7.5 Million USD
- Disbursements remained at $19.2 Million USD against a target of $80 Million USD

We remain committed to our mission of providing sustainable affordable finance solutions and look forward to continued collaboration and impact in the years ahead as we transform to Shelter Afrique Development Bank (ShafDB)

Sincerely,

Thierno-Habib Hann
Managing Director, Shelter Afrique

SENIOR Management

Mr.
Thierno-Habib Hann
Managing Director

Ms. Juliette Kavaruganda
Company Secretary

Ms. Marianne Koly
Head of Internal Audit

Mr.Bernard Oketch
Head of Enterprise Risk Management

Mr. Ibrahim Mamadou Diop
Managing Director's Advisor

Mr.Gibson Mapfidza
Chief Business Officer

Mr. Charles Kazuka
Head of Human Capital

Ms. Nisan Abdulkader
Head of Communications and External Affairs

Ms. Beatrice Mburu
Chief Financial Officer

Mr. Christopher Chege
Head of Credit and Operations

Cs. Natasha Koli
Acting Head of Legal

INVESTOR RELATIONS REPORT

During the year, a total of USD 7.513M was injected as equity into the company against an annual target of USD 26M representing 28% of annual target collected. Despite assurances from key shareholders to meet their capital dues, events such as elections, rise in oil prices, civil unrest, Ukraine/Russia war, among others continued to impact the ability to honor these commitments.
A breakdown of the funds mobilized is shown below:

MEMBER COUNTRY	TOTAL USD MILLION
	TOTAL
Congo	3.862
Gabon	0.492
Lesotho	1.999
Uganda	0.096
Burkina Faso	0.539
Eswatini	0.276
Rwanda	0.259
TOTAL	7.53

The largest contribution, comprising 51% of the total receipts, was from the Republic of Congo, underscoring their persistent endorsement of the institution and also completing all capital dues for the Member country. Republic of Congo now becomes the 9th Member fully paid member, joining Morocco, Democratic Republic of Congo, United Republic of Tanzania, Zimbabwe, Namibia, Togo, Mali and Kingdom of Lesotho.

Kingdom of Lesotho, which had the second highest contribution re affirmed their support to the institution by subscribing for added shares over and above their allocation.

Continuous efforts were made to complete onboarding of new shareholders, notably, Fonds de Solidarite Africain (Class B) and South Sudan (Class A), both of which were ratified by the Annual General Assembly in 2021 and 2022 respectively. Discussions were also held, and keen interest shown from some of the remaining nine African countries who are not yet members namely, Egypt, Ethiopia, and Comoros.

The team also participated in various Regional and Global forums to enhance the visibility of the Institution and meet with existing and potential shareholders. Forums attended are as follows:

1. African Development Bank Annual Meeting
2. World Bank Spring and Annual Meetings
3. COP 28
4. 39th AUHF Annual Conference
5. World Bank Governors and International Monetary Fund Meeting
6. ISDB Annual Meetings
7. UN Habitat Annual Meetings

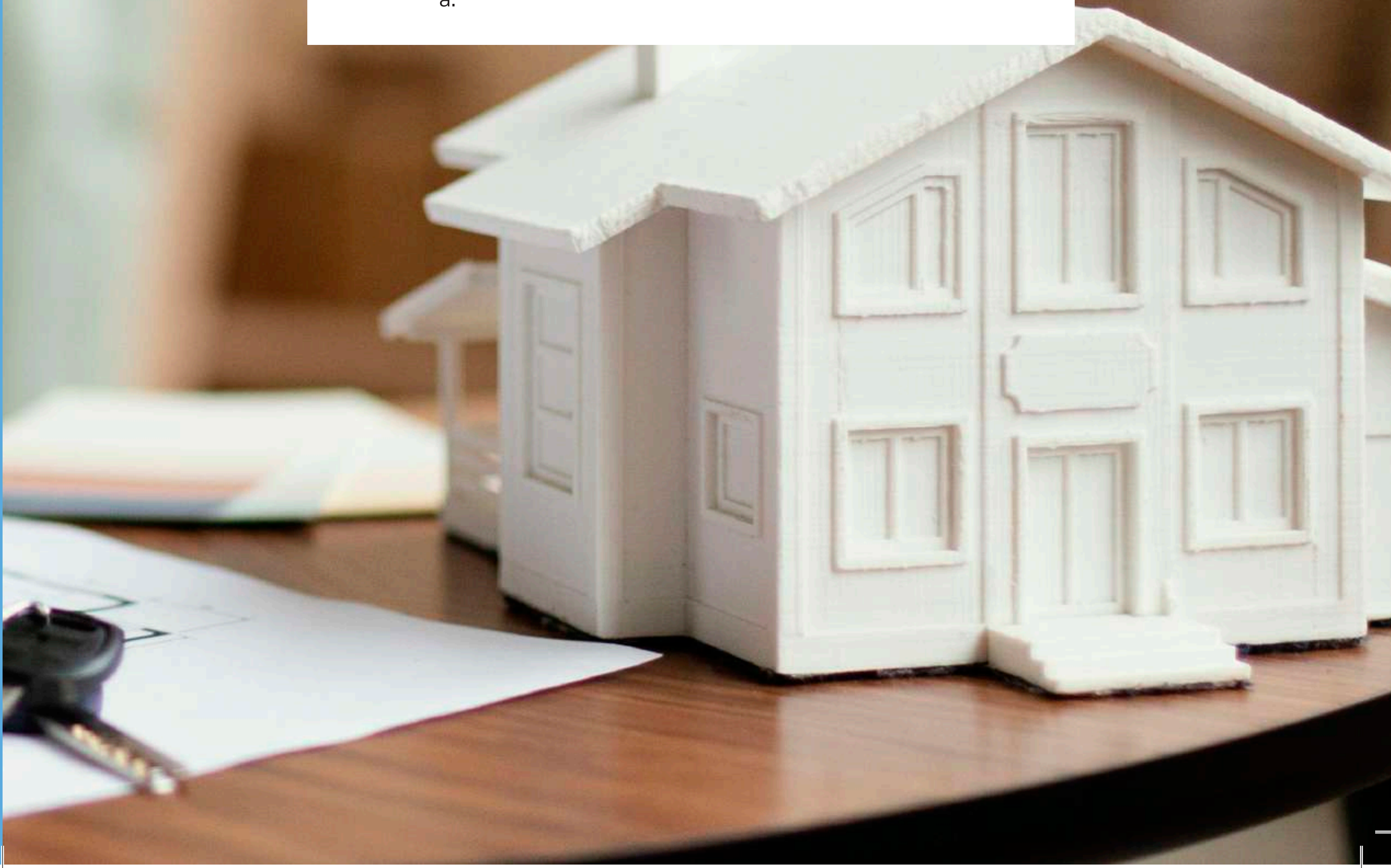
During the year, a total of ***USD 7.53M*** *was injected as equity into the company against an annual target of* ***USD 26M*** *representing* ***28%*** *of annual target collected.*

STRATEGY, POLICY RESEARC & PARTNERSHIP REPORT

The Strategy, Policy, Research and Partnerships Unit (SPRP) have developed a Strategy Tracking and Monitoring tool which is aimed at tracking the performance of the institution's strategy vis a vis the set objectives in the corporate strategic plan.
The key objective of the tool is to achieve the following:

- Monitor the Company's Strategy vis a vis Departmental Contributions.
- Enhance Monthly tracking of Status and Remedial measures against Corporate Goals.
- Support Human Capital (HCM) with Performance Conversations.
- Enhance Operational Efficiencies.
- Facilitate agility by shift in focus/strategy where necessary.
- Create rhythms for action driven meetings and enhance collaboration & synergies between Departments.
-

a.



Affordable housing is not just a roof over one's head, but a foundation for sustainable communities.
In Africa it represents a vital step towards economic stability and social equity, made possible through dynamic partnerships and innovative finance solutions."

LACITE DES AKYS (SENEGAL)

CENTER OF EXCELLENCE (CoE) ACTIVITIES, IMPACT REPORTING DATA AND CSR

Key Activities:

- **Zambia EDGE Discovery Workshop:** Delivered the Zambia EDGE Discovery Workshop as part of the advisory initiatives towards enhancing the adoption of Green/Sustainable practices in member countries, August 2023.
- **IsDB Technical Assistance Grant**: Secured technical assistance grant from The Islamic Development Bank Institute to enable Shelter Afrique to develop Islamic Finance product and enhance capacities in African countries in aspects relating to Islamic Finance. The TA Grant agreement was signed at the sidelines of COP 28 in Dubai, UAE.
- **2023 Brookings Foresight Africa Report**: Contributed to the 2023 Brookings Foresight Africa Report. Publication Theme ''Enhancing climate adaptation: The role of climate resilient housing in Africa's cities''
- **Africa Climate Summit:** Organized side events at the inaugural Africa Climate Summit in Nairobi, Kenya in September 2023. The side events were on aspects relating to enhancing the adoption of Green and sustainable buildings and IDP Housing Initiative to attend to the challenges of the climate induced displacement in Africa.
- **2023 AGM Symposium:** Organized and Delivered the 2023 AGM Symposium themed: Political Economy in the Built Environment.
- **2023 World Bank Global Affordable Housing Conference:** Participated at the 2023 World Bank Global Affordable Housing Conference in Washington DC, June 2023.
- **African Union of Housing Finance (AUHF):** Liaised with African Union of Housing Finance (AUHF) to facilitate the hosting of the Ministerial Roundtable as part of the 2023 AUHF Conference held in Windhoek, Namibia October – November 2023. The **2023 Developmental Impact Reporting** is still ongoing**.**

CSR Activity to Kawangware

Summarily, the CSR initiative was considered to be a success.

- There was good staff turn-out for the event.
- The school community were elated and grateful for the contribution of Shelter Afrique towards creation of a basketball court which enhances the pupils sporting life with increased their physical fitness, mental health and inculcates a sense of teamwork from an early age.
- The renovation works through painting of the classroom walls was also a notable facelift that was much appreciated by the school.
- The covered open drains all round the school's assembly ground has not only reduced the imminent danger of pupils having accidents, but also increased the utilizable area within the school for both sports and assembling.

CORPORATE AND FINANCIAL MANAGEMENT

Financial Performance

The year 2023 performance resulted in achievement of financial sustainability through breakeven profitability of US$ 100,983 (2022: US$ 11,604,154 Loss). Consequently, the revenue streams continued to increase year on year; this was driven by moderate disbursements of US$ 19.13 M (2022; US$ 80.67M) leading to a slow sustained growth of the loan book.

However, the Company recorded an operating profit of US$ 0.99 Million, a 108% increase from the operating loss of US$ 11.77 million in 2022. The comprehensive profit was US$ 100,983, a 101 per cent increase from the previous year's loss of US$ 11.604 Million. There was also a fair value loss of US$ 0.95 Million from the equity fair valuation and post-employment benefit loss of US$ 53,540 contributing to the other comprehensive income loss of US$ 0.89 Million for the period. Interest income increased by 48% to US$ 25.69 Million from US$ 18.43 Million. The impairment recoveries in 2023 was US$ 0.93M (2022; US$ 2.82M), representing a 67 per cent decrease. This is despite the 11 per cent decrease in the net loan book from US$ 155.01 Million in 2022 to US$ 138.30 Million in 2023.

The Company also recorded a one (1) percent increase in interest expense from US$ 10.00 Million in 2022 to US$ 10.06 Million, attributed to the interest expense from the Naira bond tranche one (1) of US$ 110 Million.

It is also important to note that in absolute terms, the Company's operating expenses had a 11 per cent decrease from US$ 9.47 Million in 2022 to US$ 8.46 Million in 2023.

Financial Position

Total assets decreased by 17 per cent from US$ 270.42 Million in 2022 to US$ 224.28 Million in 2023, attributed to the attributed the impact from the devaluation of the Naira currency by 100.51% (Dec 31, 2022, US$ /NGN rate 448.55 – December 2023 rate US$/NGN 899.393), significantly reducing the US$ equivalent of the Cash & cash equivalents and the loan assets.

Liquidity decreased by 31% per cent from US$ 86.76 Million in 2022 to US$ 59.43 Million in 2023, attributed to project loan receipts (US$ 29.79M), Capital of US$ 7.53M, Naira Interest payment of US$ 10.52M & disbursement outflows of US$ 19.13M during the period and the impact of devaluation of the Naira currency by 100.51%, significantly reducing the US$ equivalent of the Naira Cash & cash equivalents. The liquidity ratio closed at 24 per cent, which is 9 per cent points above the minimum threshold of 15 per cent.

Shareholder Funds increased by 5 per cent from US$ 158.39 Million in 2022 to US$ 166.01 Million in 2023 due explained by capital receipts of US$ 7.53M, Profit for the period of US$ 100,983.

Debt decreased by 50 per cent from US$ 105.19 Million in 2022 to US$ 52.46 Million in 2023. The significant reduction is explained by the impact of devaluation of the Naira currency by 100.51%. Movements also include the interest accrued & paid (US$ 10.52M) during the period.

Changes in Equity

Total equity increased by 5 per cent from US$ 158.39 Million in 2022 to US$ 166.01 Million in 2023. This increase is attributed to capital receipts of US$ 7.53M, Profit for the period of US$ 100,983

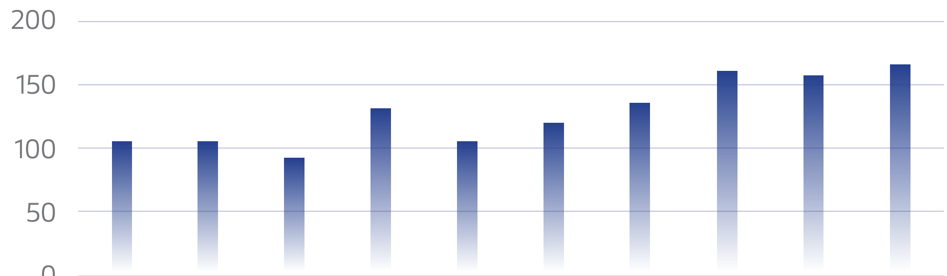
Cash Flows

Cash and cash equivalents decreased by 31 per cent from US$ 86.76 Million in 2022 to US$ 59.43 Million in 2023. The Company's cash position reflected project loan receipts (US$ 29.79M), Capital of US$ 7.53M,Naira Interest payment of US$ 10.52M & disbursement outflows of US$ 19.13M during the period and the impact of devaluation of the Naira currency by 100.51%, significantly reducing the US$ equivalent of the Naira Cash & cash equivalents, The Company paid US$ 10.52 Million to service Naira bond interest debt obligations, respectively, compared to the previous year's payment of interest debt obligations US$ 6.94 Million.

SELECTED FINANCIAL PERFORMANCE INDICATORS

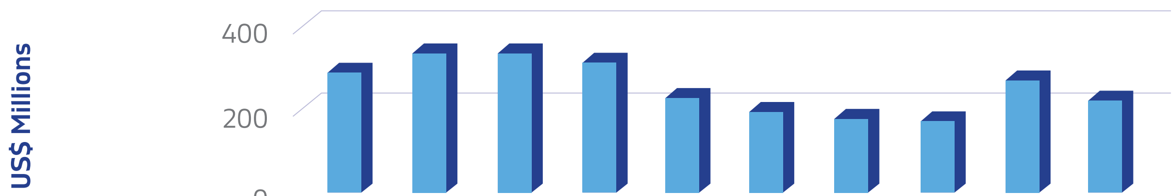
Shareholders funds and total assets table

SHAREHOLDERS' FUNDS 2014-2023 (US$ M)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Shareholders' Funds 2014-2023 (US$ M)	105.9	105.86	93.36	131.7	106.79	120.43	136.25	161.6	158.4	166.01

TOTAL ASSETS (2014-2023)



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets (US$ M)	289.3	335.85	336.51	311.86	229.43	198.15	177.45	167.32	270.42	224.28

Table 3

Operating Results		**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Gross Income		14.15	15.12	16.68	14.13	9.49	10.2	14.71	12.87	18.43	26.61
Operating Expenses		8.24	10.09	9.72	8.85	9.06	8.44	8.69	8.04	9.47	8.46
Operating Profit before provisions		5.59	5.2	6.52	4.84	0.69	3.13	4	2.12	-2.23	4.81
Profit (Loss) for the year		0.76	-4.94	-12.68	-7.79	-9.25	-1.26	-1.34	1.81	-11.78	0.1
Administrative Expenses	(a)	7.87	9.63	9.2	8.42	8.68	8.05	8.69	8.04	9.47	8.46
Financial Position											
Net Loans and Advances		216.85	274.28	283.11	247.4	165.19	122.09	108.13	112.59	155.01	138.3
Financial Investments		51.87	30.47	7.71	21.98	30.78	50.48	42.20	25.68	83.35	59.43
Total Assets		289.3	335.85	336.51	311.86	229.43	198.15	177.45	167.32	270.42	224.28
Total Equity		105.9	105.86	93.36	131.7	106.79	120.43	136.25	161.6	158.4	166.01
Total Debt		177.79	224.57	236.16	173.65	116.78	71.66	34.71	0	105.2	52.46
Financial Ratios											
Total Debt to Total Assets (%)		61.46%	66.87%	70.18%	55.68%	50.90%	36.16%	19.56%	0.00%	39%	23%
Debt/Equity ratio (%)		167.88%	212.14%	252.96%	131.85%	109.35%	59.50%	25.48%	0.00%	66%	32%
Earnings (Loss) per share (US$)		12.62	-80.36	-203.17	-103.04	-102.56	-13.31	-5.66	9.13	-94.22	7.79
Dividend per share (US$)		-	6.82	-	-	-	-	-	-	-	-

Table 3 KEY OPERATIONAL AND FINANCIAL DATA – 2014 -2023 (US$ MILLIONS)
Certain amounts here do not correspond to the 2015 and 2020 financial statements and reflect adjustments made in the 2016 and 2020 financial statements.

Table 4

Operating Results		**2014**	**2015***	**2016**	**2017**	**2018**	**2019**	**2020***	**2021**	**2022**	**2023**
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Financial Position											
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Financial Investments		51.87	30.47	7.71	21.98	30.78	50.48	42.20	25.68	83.35	59.43
Total Assets		289.3	335.85	336.51	311.86	229.43	193.13	177.45	167.32	270.42	224.28
Total Equity		105.9	105.86	93.36	131.7	106.79	115.42	136.25	161.6	158.4	166.01
Total Debt		177.79	224.57	236.16	173.65	116.78	71.66	34.71	0	105.2	52.46
Financial Ratios											
Total Debt to Total Assets (%)		61.46	66.87	70.18	55.68	50.9	37.1	19.56%	0.00%	39%	23%
Debt/Equity ratio (%)		167.88	212.14	252.96	131.85	109.35	62.09	25.48%	0.00%	66%	32%
Earnings (Loss) per share (US$)		12.62	-80.36	-203.17	-103.04	-102.56	-13.31	-5.66	9.13	-94.22	7.79
Dividend per share (US$)		-	6.82	-	-	-	-	-			
Operating Results		**2014**	**2015***	**2016**	**2017**	**2018**	**2019**	**2020***	**2021**	**2022**	**2023**
Operating Profit before provisions		5.59	5.2	6.52	4.84	0.69	3.13	4	2.12	-2.23	4.81
Profit (Loss) for the year		0.76	-4.94	-12.68	-7.79	-9.25	-1.26	-1.34	1.81	-11.78	0.1
Administrative Expenses	(a)	7.87	9.63	9.2	8.42	8.68	8.05	8.69	8.04	9.47	8.46

Table 4 SELECTED FINANCIAL INDICATORS (US$ MILLION)

a) administrative expenses are operating expenses less depreciation and amortisation.

*Certain amounts here do not correspond to the 2015 & 2020 financial statements and reflect adjustments made in the 2016 and 2020 financial statements.

Treasury & Fundraising

The phenomenal progress made in Treasury over the last 12 months brings great optimism about the growth of Shelter Afrique in 2024 and well into the future. In 2022 Shelter Afrique issued its debut Naira Bond programme of Naira 200 billion where we issued a series 1 of Naira 46 billion in the Nigerian market to fund both the developers and financial institutions in the housing space. The Bond is the only outstanding liability in the Companys book at the end of the reporting period.

In 2023, The Company' focussed on re-engaging exfocused on diversifying the type of funding by aligning with the new strategy to fund raise for Thematic funding such as green funding, Gender, Islamic Products, immigrants setting a solid ground which enables the raising of medium to long-term funding to meet the Company's mandate – "*Decent and affordable housing for all*."

On the other hand, Housing infrastructure remains critical for Africa's post – COVID recovery; in light of this, our fundraising strategy has also evolved to ensure financing is available to meet the urgent need for decent and affordable housing on the continent.

	2020	2021	2022	2023
Liquidity (USD Million)	47.4	31.6	86.8	59.43
Liquidity Ratio	27%	19%	32%	24%
Total Debt (USD Million)	34.71	0	105.2	52.46
D/E Ratio	25.97%	0	66.41%	32%

Table 5 Liquidity Trends Overview 2023

Liquidity Ratio Trend

FUTURE OUTLOOK: DEBT CAPITAL

DFIs & Commercial Banks

As with all lending Financial Institutions (FIs), ShelteAfrique relies mainly on Debt Capital (Debt) as the primary source of funds for on-lending programs. FY2023 Debt closed at 32 per cent following the Naira Bond series 1 issued in April 2022. Multi-lateral DFIs and Capital Markets continue to be our primary source of debt due to their competitively priced and long-tenured funding.

Capital Markets

As part of our 2023 to 2027 strategic goals, we are returning to the Local Currency Capital Markets and target to raise 30-45 per cent of our Total Debt from these markets. The Key Focus currencies of the issuances will be an East African Bond, Naira, and FCFA. We plan to raise Local Currency Bonds, which are crucial mitigation for FOREX Risks inherent with foreign currency lending. The Company has a good capital market track record: In Kenya, more than five issues (>KES20 Billion), CFA Zone, more than four issues (>CFA50 Billion), all successfully retired and the most recently issued Naira 46 billion Naira in Nigeria.

Beyond the Nigerian Capital market, plans are under way to explore a Medium-Term Note (MTN) Programme in the East African region. The East Africa bond will be listed on Nairobi Securities Exchange (NSE), with the proceeds deployed in Kenya, Rwanda, Uganda, and Tanzania. Shelter Afrique has issued Kenyan Shilling MTNs and has established a good repayment track record in the debt capital markets.

In the medium term, Shelter Afrique plans to issue a local currency FCFA denominated bond in the Francophone region as part of our strategic goals to continue supporting the growth of the housing sector in the region through large-scale housing projects. The proceeds will be deployed to Shelter Afrique Member countries in the Francophone region – Project finance and lines of credit. Shelter Afrique has also issued medium-term notes in the region and has established a good repayment track record.

The importance of affordable housing in Africa cannot be overstated. It is the cornerstone of social progress, enabling people to live with dignity and hope. Through strategic partnerships and climate-resilient designs, we are building a brighter, greener future

Housing is the foundation for Africa's development, offering a pathway to improved health, education, and employment opportunities for millions. By embracing innovative finance and sustainable building practices, we create homes that are not just affordable, but transformative."

LEGAL SERVICES

The Legal Services Department (LSD) functional areas are Legal Advisory, Ligation management, Collateral management, Legal due diligence, Legal support to institutional matters, Loan Documentation and security perfection, and Contract management.

Legal Achievements

In 2023 among many achievements, some accomplishments are highlighted below:

- **Adoption of Alternative Dispute Resolution**: The Legal Department has adopted such an approach and as a result some of the legacy court cases like Glenwood, Makao Mashinani, Itoga have been moved from litigation to court supervised mediation. The amicable settlement of these cases will have a significant impact on the Non-Performing Loans ratio.
- **Support to Business development**: The Legal team successfully documented a new transactional structure whereby Nigerian local banks and institutions furnish security to developers by way of bank guaranty for the amount to be financed by Shelter-Afrique. This innovative approach has allowed disbursement of 3,000,000,000.00 In favor of ABS Blue Print Modern Shelter Limited and 1,922,000,000.00 in favor of Orangeline Limited. The new transactional structure will significantly impact the Nigerian housing sector.
- The team also managed to successfully close the legal documentation related to VISTA GUINEE SA Line of Credit, Namibia International Capital and Housing Finance Fund in Nigeria contributing notably to the financial performance of the institution.

SHELTER AFRIQUE
Financing Affordable Housing for Africa

HUMAN CAPITAL MANAGEMENT

9.1 Human Capital Report

A) **Employee Distribution**

As of 31 December 2023, the total number of staff was *Fifty-five* (55). 82% are employed at headquarters, 18% the regional offices (Abidjan – Côte d'Ivoire & Abuja – Nigeria).

The Employee distribution of staff at the regional offices and Headquarters as at the reporting period is as per below:

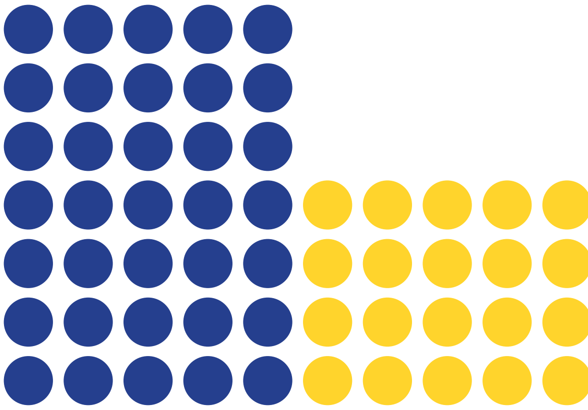
SHAF Employee Distribution

B) **Staff Demographics**

Note: Management continues to enhance efforts to ensure gender distribution especially at senior management levels.

Gender Statistics

Male (64%) **Female** (36%)



SHAF Employees

Joiners and Exits

As of 31st December, twelve (12) new employees joined the organization, and these are.

- Managing Director,
- Head, Credit & Operations
- Head, Communications & External Affairs
- Legal Officer – 2
- Senior Shared Technical Services Officer
- Compliance officer
- Investment Officers – 5
- Translations Officer

There were 2 staff members who exited during this reporting period.

- Head, Communications & External Affairs
- Admin Assistant

C) Performance Management
Performance Review Cycle:

Management completed the 2023 performance review cycle. During this period, employees and managers engaged in constructive performance review sessions to discuss achievements, set goals, and identify opportunities for growth for 2024. The adoption of an automated performance management module Oracle continues to improve and enables both staff and managers to complete the review cycles timeously.

D) Introduction of 360-Degree Feedback:

Behavioural competencies will be measured through 360-degree feedback between staff and line managers and will be aligned to the institution's values.

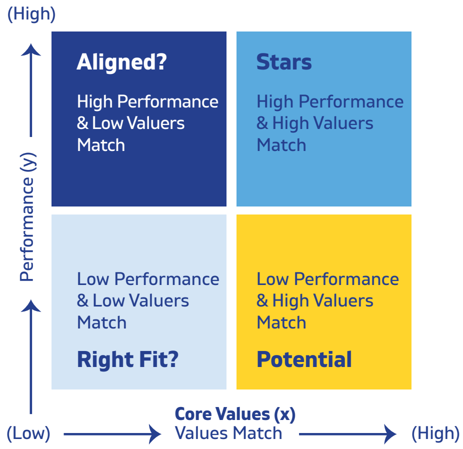
This process will support the institution's vision and culture change initiatives by holding staff accountable not only through their performance KPIs, but also through their behaviour. will at the same time enhance the positive areas and shape its culture.

Below is a model that will be used to train staff in the adoption of providing meaningful feedback:

360 Degree Feedback-Employees

For Evaluating Employees

		Lorem ipsum Strong Agree	Lorem ipsum Agree	Lorem ipsum Disagree	Lorem ipsum Strongly Disagree	Lorem ipsum Not Applicable
Quality of work	Sets high standards for quality of work output					
	Ensures work is error free before submitting					
	Helps others improve the quality of their work					
Communication	Communicates well orally and in writing form					
	Displays good listening skills					
	Shares information freely with others					



E) Personal Development Plans:

The insights gathered during performance reviews has been instrumental in identifying opportunities for professional development. Management is currently working on personal development plans (PDP) to accelerate staff development that aligns with individual goals.


Figure 1: Basketball court before painting

Management will adopt a performance model to be able to identify a clearer insight into staff profiles and the required actions to take based on the combination of achievement of KPIs (WHAT) and behavioural competencies (HOW).


Figure 2: Basketball court after painting


Figure 3: Staff painting during the CSR day


Figure 4: The SHAF Team during the CSR Day

F) Employee Engagement

i) Refurbishment of Kawangware Primary school

As part of Corporate Social Responsibility activities, staff identified Kawangware Primary School in Riruta ward of Dagoretti North Sub-County, Nairobi County, Kenya as the target beneficiary for our CSR activities.

Figure 4: Headquarters staff

Figure 5: Abuja regional office staff

Figure 6: Abidjan regional office staff

An initial reconnaissance and technical visit revealed the need to assist with basic renovation (painting works) and the incorporation of a basketball court on the school's assembly ground.

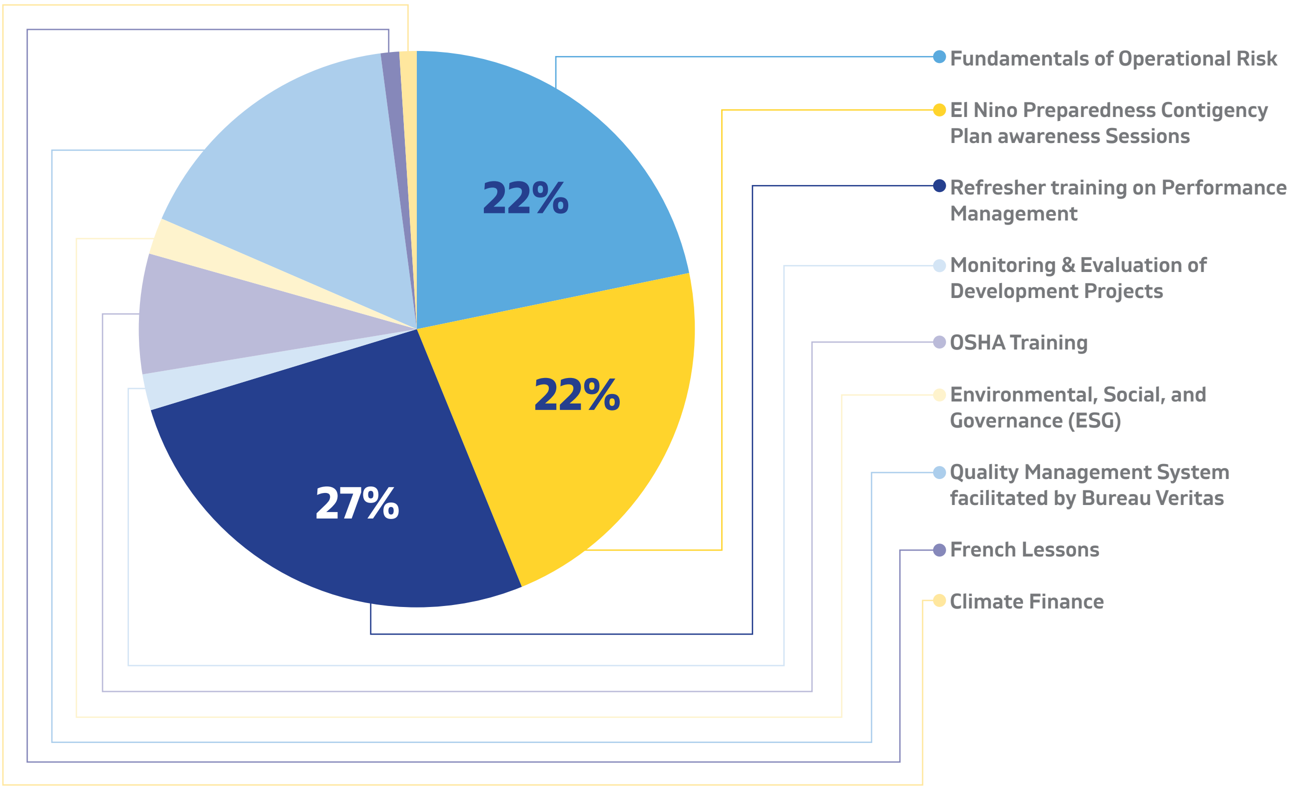
This is a mixed school has a total of over 2,500 pupils and co-curricular activities of the school include football, athletics, volleyball, cricket, among other outdoor activities. The school refurbishment activity was an opportunity for staff to contribute to the communities around the institution and was well received as it also created opportunities for enhancing teamwork.

ii) Cultural Day

With a diverse workforce constituting fifteen (15) African nationalities diversity is unify is brings staff together, transcending borders and languages. On 19th October 2023, staff celebrated Culture Day with the theme, "Celebrating Diversity: Uniting Through Culture." This event served as a platform to promote intercultural understanding, foster connections, and showcase the rich tapestry of cultures within the organization.

G) Training and Development

As of 31st December 2023, a cross section of employees attended various training programmes aimed at enhancing their skills and capabilities as highlighted below:


22%
22%
27%
Fundamentals of Operational Risk
El Nino Preparedness Contigency Plan awareness Sessions
Refresher training on Performance Management
Monitoring & Evaluation of Development Projects
OSHA Training
Environmental, Social, and Governance (ESG)
Quality Management System facilitated by Bureau Veritas
French Lessons
Climate Finance


KISIMA APARTMENTS, RWANDA

*Affordable housing in Africa is a catalyst for change, providing the security needed to build a better life and the stability essential for thriving economies. By leveraging innovative financing and sustainable construction, we are creating homes that withstand the test of time and climate."**

INFORMATION TECHNOLOGY

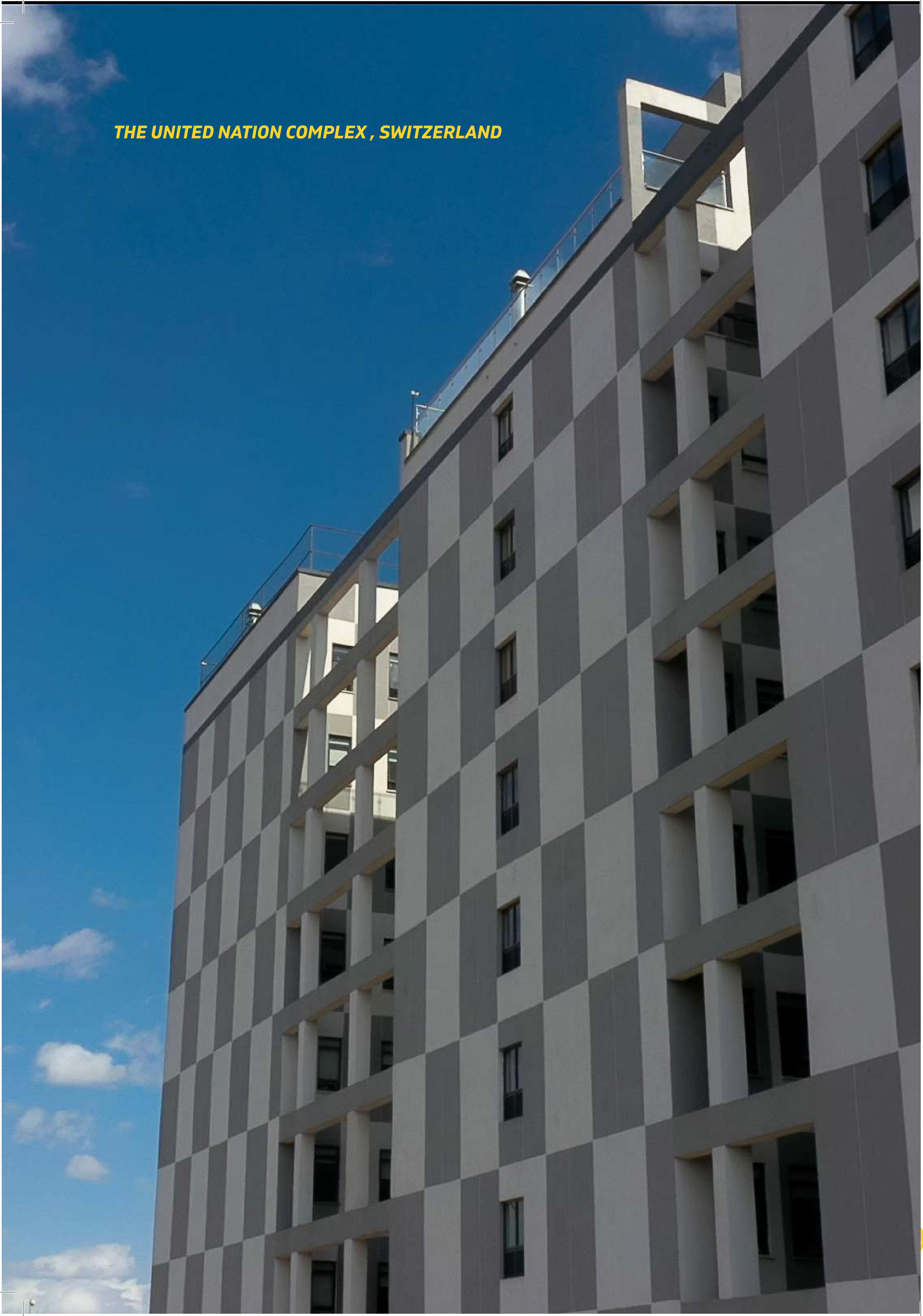
During the year 2023, the information technology continued with the implementation of digital transformation strategy mainly focusing on operational excellence and building institution's business continuity resilience. Noteworthy achievements included launch of business processes reengineering initiatives with endgame being development of an integrated IT platform that will ensure seamless business operations, providing end-to-end tracking of projects throughout the project lifecycle and their related documentation, in addition to providing a centralized data management platform.

The implementation of records and information management project registered considerable progress with phase 1 which involved setup of records registry and foundations for rolling out EDRMS completed successfully on time and budget. Phase II of the project is scheduled to continue in the coming year. Processes transformation around ERP system saw implementation of various processes enhancements covering staff benefits, supplier management and payment process by implementing SWIFT payment platform. The institution continued with enhancing its business continuity management practices by implementing two key projects geared towards building resilience for the two core systems: the enterprise resource planning system and active directory network management system.

Furthermore, technology policy, guidelines and processes were also revamped to support the expanded operations of the Bank with ICT policy being revised for the third time to align with the changing business needs and cyber security landscape.

In keeping with tradition, technology played a vital role in the successful execution of both the annual general meeting held in Abuja, Nigeria, and the extraordinary annual general meeting held in Algiers, Algeria. The Institution remains dedicated to embracing innovative technologies and processes in its ongoing operations.

Looking ahead to 2024, the Bank is poised to continue with its digital transformation initiatives, with a primary focus on completing the implementation of the electronic records and document management system and advancing the development of an integrated IT platform for comprehensive project operations management.


THE UNITED NATION COMPLEX , SWITZERLAND

INTERNAL AUDIT

Overview of the function:

The function was created in 2008 to strengthen the governance within the organization. It was a single staff unit, meaning a one-man shop, until 2014 when there was enhancement by an additional staff to support the unit. In 2018, the unit's capacity was enhanced by incorporating a co-sourced team to assist it in its operations.

At its time of creation, the unit was mainly focussing on convectional audit, using the compliance audit approach. From 2014, the unit started moving from compliance audit to risk-based audit. One of the key activities was the creation of the audit universe and planning a risk-based audit.
Currently, the unit has incorporated advisory and consultation roles within the audit process, where it focuses more on working together with the auditees and management team to achieve the organization's strategic goals and objectives. This has enabled the team to become a strategic business partner with the various units in the organization. It has also aligned its departmental objectives with the organization's strategic direction for value addition.
The unit's goal for the future is to reach its full potential by automating its processes that touch on governance, risk management, and control.

Year 2023 Activities:

The primary function of the Internal Audit is to provide an objective and independent assurance to the Board, that adequate management processes are in place to identify and monitor the organisation's key risks. The function further ensures that adequate internal controls and risk management are in place to manage those risks.

The Company's Internal Audit Unit independently performs its audit engagements according to the audit work plan approved by the Board through the Audit Risk and Finance Committee. It evaluates the effectiveness of the organisation's risk management, internal controls, and governance. The unit is guided by the International Professional Practices Framework (IPPF) and operates under the revised Internal Audit Charter approved by the Board (June 2020). The charter defines the roles, objectives authority and responsibilities of the audit function.

The Internal Audit Unit's capacity is enhanced by a co-sourced team of external consultants which continues to support the function.

The Internal Audit Team continues to keep its eyes on the horizon for any risk volatilities to avoid constant surprises and be ready to tackle the unexpected. We continued to communicate and continuously assess risks and remain agile enough to pivot quickly.

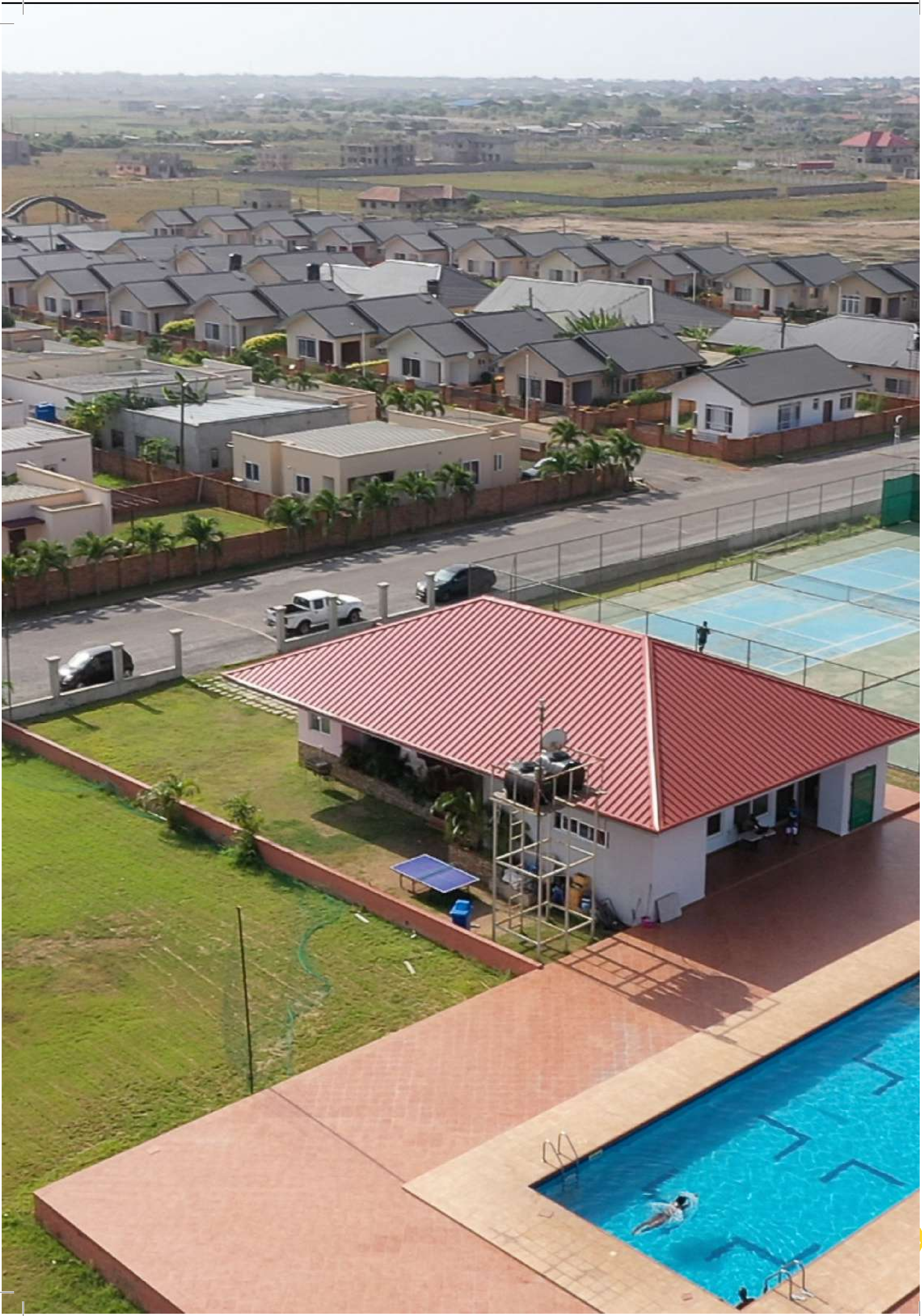
Collaboration across the "three lines of defence" was enhanced and vital to the organization's success in managing the key risk areas that included business continuity, crisis response, and regulatory compliance. The Internal audit and other assurance functions worked together and leveraged their different perspectives to address critical risks.

In pursuit of our commitment to transparency, accountability, and superior governance standards, our Internal Audit team has prioritized the advancement of our combined assurance model. This strategic initiative seeks to overcome silos among internal audit and risk assurance functions by coordinating activities across defence lines, optimizing assurance coverage, and streamlining reporting.

We recognize combined assurance as integral to achieving a comprehensive view of risk management and control effectiveness. Over the past year, significant progress has been made through specialized training sessions at both the board and organizational levels.

Board-level training ensures our directors understand the nuances of combined assurance, while organization-level training empowers our teams to collaborate effectively. This pioneering initiative positions us to strengthen risk oversight, streamline processes, and elevate overall organizational performance. Committed to continuous improvement, our Internal Audit team will work collaboratively with stakeholders to refine practices and align combined assurance efforts with our strategic goals. We view combined assurance as a critical element in our journey toward sustainable growth and success, confident that our ongoing commitment to learning and collaboration will safeguard the interests of our organization.

It is an honour for us to make a positive contribution to the future of Shelter Afrique.



12. ENTERPRISE RISK MANAGEMENT

Risk Management Statement

The Board of Directors of Shelter Afrique Development organization (SHAFDO) is responsible for the organization's risk management framework and for ensuring that satisfactory risk policies and governance for controlling the Organization's risk exposure are implemented. The organization's business strategy is aligned with its risk appetite as set out by the Board. This is achieved by monitoring and managing the organization's risk profile at any given time against risk limits and targets derived from the risk appetite statement. The Board reviews and approves the organization's risk policies and enterprise risk management framework on a regular basis.

Credit risk is one of the organization's primary risk factors. The organization's lending policy underpins its credit strategy as integrated in the business strategy. Credit risk is managed in line with risk appetite metrics, which address credit quality, as well credit concentration risks. The organization invests its own capital on a limited and selective basis in transactions, underwriting and other activities that involve market risk. Market risk is managed in accordance with the risk appetite and risk limit framework.

The organization's follows a conservative approach to liquidity exposure, liquidity pricing and funding requirements.

The organization's funding profile supports its liquidity profile. Liquidity positions are managed on a day-to-day basis using internal limits and targets in line with risk appetite and business objectives. The organization's business units are primarily responsible for managing their own operational risks with support from the control functions. The organization's operational risk management framework integrates risk management practices into processes, systems, and culture. The organization has no tolerance for internal fraud and compliance breaches, and the risk appetite statement further attends to observation of standards of market integrity, good practice and conduct. The organization has integrated sustainability risk into its enterprise risk management framework, incorporating environmental, social and governance factors in decision making and strategy. This is an area of rapid evolution, in which the Bank endeavours to employ best practices with respect to ESG-related risk management. The organization seeks to ensure that its activities and the services it provides do not adversely impact people or the environment and is committed to supporting the global effort to transition to a net zero carbon economy.

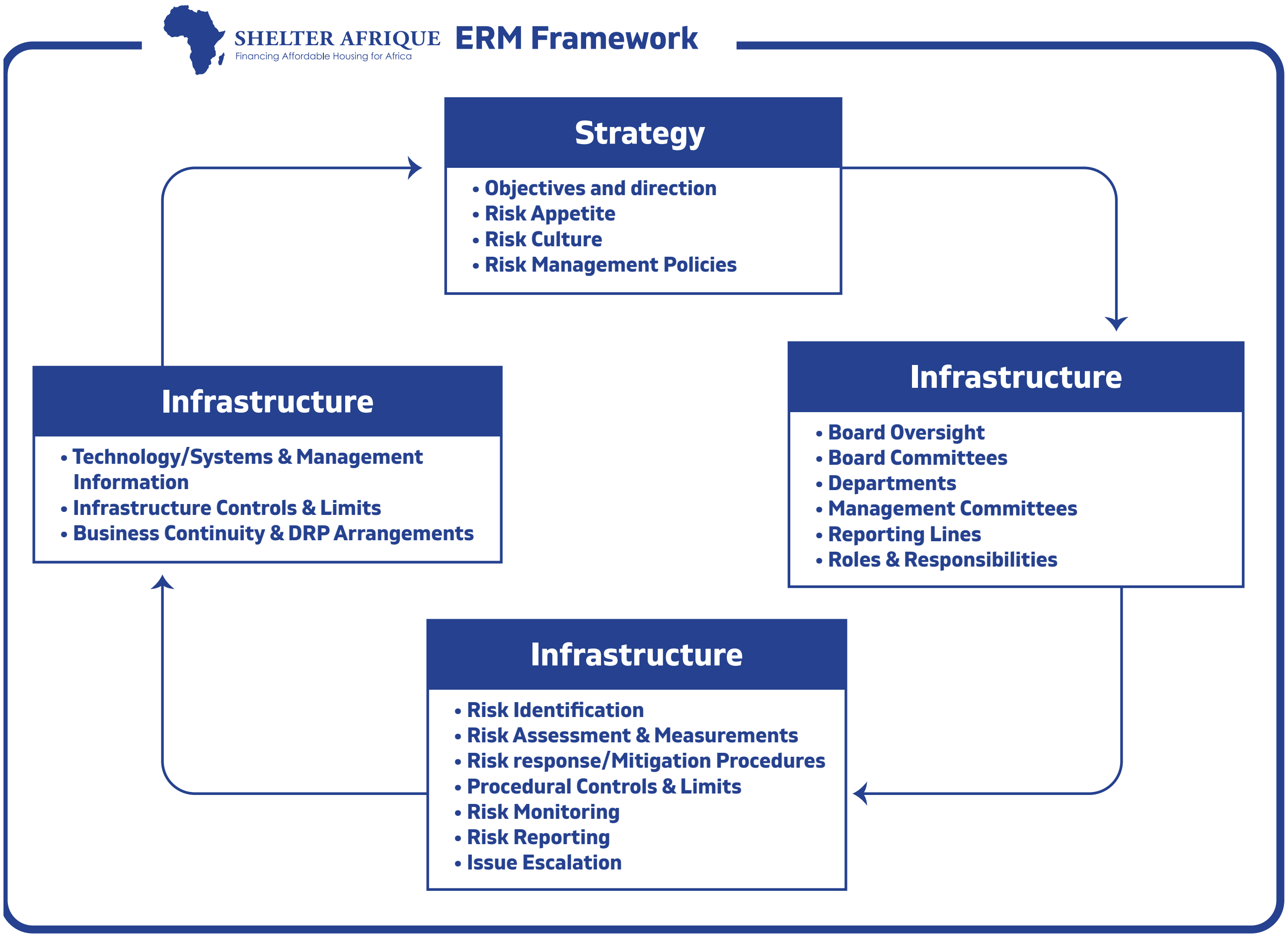
Risk Management Objectives

The organization's risk management objectives are to:

- ensure the organization's strategic risk pillars, risk strategy statements and risk appetite measures are observed and maintained in the pursuit of the organization's strategic goals.
- maintain a risk appetite that maximises risk/ return whilst ensuring that the organization always maintains adequate capital.
- ensure that prudent levels of liquidity are in place to fund the organization even under stressed conditions.
- maintain fair and ethical relationships with all the organization's clients.
- manage and mitigate risk that the Bank assumes because of its business strategy.
- maintain an adequate and effective control environment; and
- ensure that the organization adheres to the letter and spirit of laws and regulations governing its business.

Risk Management Framework

The organization's risk management framework provides the fundamental structure for the management of the risks that it faces i.e., the governance arrangements, roles and responsibilities, appetites and limits, processes, and reporting. The organization understands the importance of establishing and embedding a robust risk management culture across the firm. Therefore, the framework is designed to ensure effective risk governance and management is in place across all business activities. The framework can be described through the following components:



Risk Management Strategy

SHAFDB takes risk for the purpose of creating value and sustainable returns to shareholders. Managing risk is a core activity in the organization and fundamental to long-term profitability and sustainability. The organization's financial sustainability is directly dependent upon its ability to evaluate, manage and price the risks encountered, while maintaining an adequate capital and liquidity position to meet unforeseen events. The organization's risk strategy is designed to support the business strategy and the achievement of sustainable growth over the long term. The risk strategy comprises four pillars, being the foundations upon which the organization seeks to achieve its strategic objectives. These include:

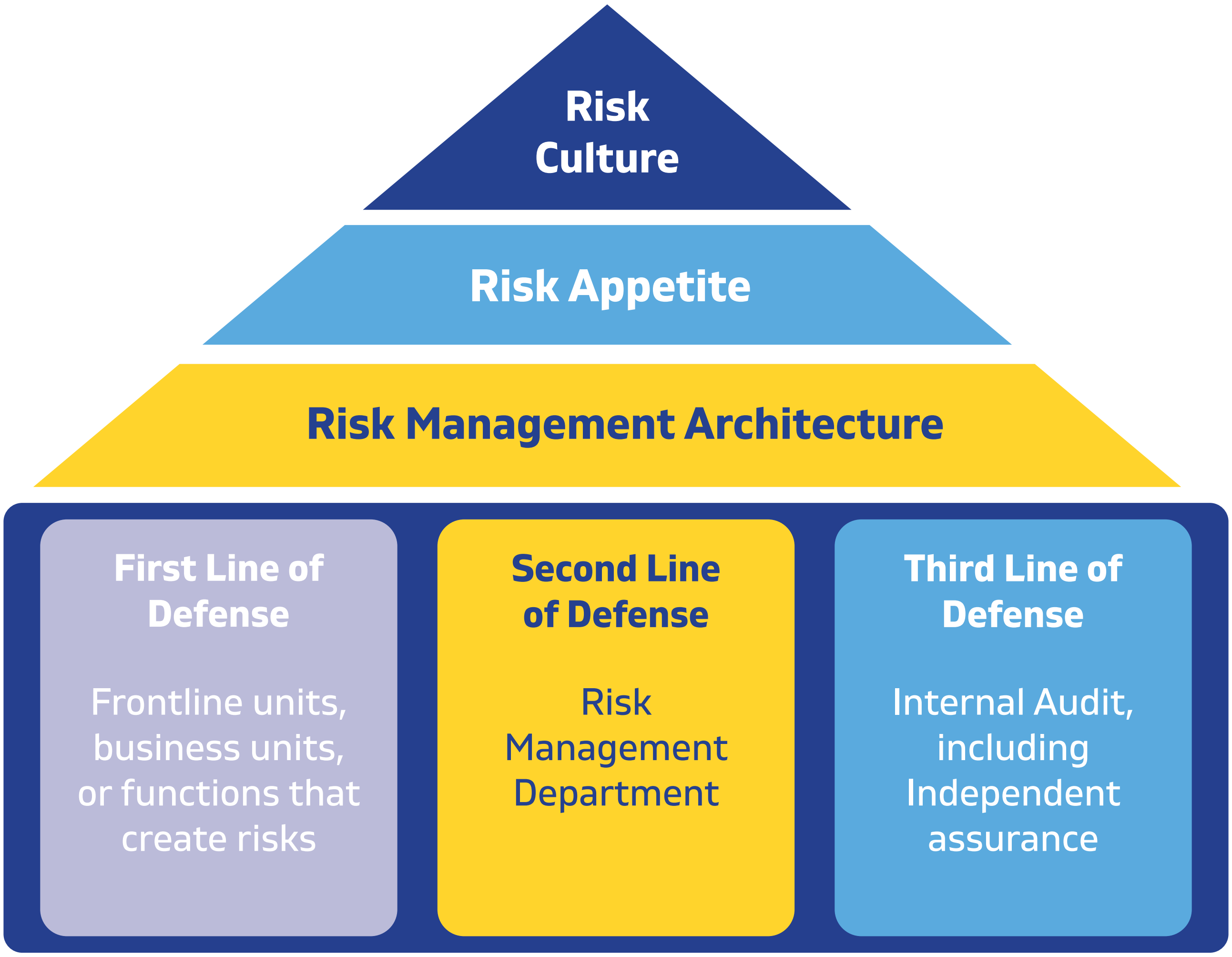
- Business model - achieve sustainable business growth and manage earnings volatility by prudent risk taking and appropriate pricing of risk.
- Solvency and liquidity - maintain capital and liquidity resources in surplus over business needs and regulatory requirements (where applicable).
- Conducting business - ensure that actions (or failure to act) do not cause an adverse outcome for the organization, its customers, suppliers, and other key stakeholders.
- Operational resilience - maintain an operational risk framework comprising people, processes, and systems to a high standard in order to ensure resilience against both internal and external operational disruptions.

Risk Governance Structure

The organization has in place a governance structure that ensures sound overall management and oversight of risk management. The Board retains all decision-making powers except those which it has delegated to either a committee or to management. The organization's risk management governance arrangements comprise the following:

- An organisational structure that utilises a three lines of defence (3 LOD) model for the management of risks, and clearly establishes the responsibilities for the various lines of defence.
- A board committee structure to oversee and manage the risks of the organization.
- A policy framework that defines the mandatory minimum requirements for

the management of risks.
The Bank risk management structure is illustrated in the diagram below:



Risk Culture

The organization's risk culture refers to the shared attitudes, values and standards that shape behaviours related to risk awareness, risk taking and risk management. It is instrumental in aligning the behaviours of individuals with the attitude to assuming and managing risk, which helps to ensure that the organization's risk profile remains aligned with the risk appetite. The fostering of a strong risk culture is a key responsibility of the Board and Senior Management. The culture is also reinforced by the approach to remuneration. Individual awards, including those for senior executives, are based on compliance with our values and the achievement of financial and non-financial objectives, which are aligned to our risk appetite and strategy. The diagram below further illustrates the risk culture framework components.

RISK CULTURE

DRIVERS

Organisational
- Risk management framework
- Policies & Systems
- Governance structure (oversight, monitoring, control)
- Training
- Remunerations/KPIs

Individual Employees
- Demographics (age, gender, tenure)
- Attitude to risk management
- Knowledge of risk
- Personal risk tolerance

RISK CULTURE

Shared views and beliefs across the organisation

Individuals perception of culture

DRIVERS

Organisational
- Risk within appetite
- Few surprises
- Achieving objectives

Individual Employees
- Complying with policy/limits
- Speaking up
- Taking responsibility
- Low gaming behaviour
- No overconfidence
- Advocating for risk management

Risk Appetite

The Board of Directors is responsible for deciding on the Risk Appetite. The Risk Appetite consists of risk appetite statements that articulate in written form the long-term aggregate level and types of risk the organization is willing to assume to achieve its strategic objectives, and risk appetite measures that quantify the statements and set out the levels of risk tolerated by the Board. Risk Appetite measures are established and cascaded to the business areas through limits, key risk indicators, portfolio caps etc. The Risk Appetite is reviewed in connection with the annual approval of SEB's Business Plan and apply to the entire organization. The diagram below depicts the risk appetite framework.

Strategy & appetite Supporting

Mission	Vision	Values

↓

Link appetite to strategic direction

Strategy Statement	Company risk appetite statement	Risk appetite ties to value, tension & needed level of risk to achieve success

↓

Cascades into business level considerations

Business Objective	Related risk appetite

↓

Link appetite to performance targets on business objective level

Performance	Tolerance	Limits

↓

Risk-centric statements, targets and tolerance

Key risks	Indicators, triggers, tolerances

Risk Governance Architecture
Three Lines of Defence

The organization has adopted the 3 LOD model. This approach separates the ownership and management of risk from the functions that oversee risk and the function that provides independent assurance:

- First line of defence – functions that own and manage risk.
- Second line of defence – functions that oversee risk.
- Third line of defence – functions that provide independent assurance.

First Line of Defence

The first line of defence refers to the front-line business functions who must understand their roles and responsibilities regarding processing transactions, must follow a systematic risk process, and apply internal controls and other risk responses to deal with the risks associated with those transactions. The organization promotes reporting of violations or breaches of risk thresholds as part of its continuous efforts in rectifying and strengthening its processes.

Second Line of Defence

The second line of defence is the organization's risk functions that provide independent oversight of the risk management activities of the first line of defence. The risk function assumes an independent role in its day-to-day risk management activities. Processes adopted by the Risk function ensures that all limits are monitored periodically to highlight any breach and corrective actions are formulated for regularizing the same. In this regard, the overall practice is governed by the risk appetite framework that ensures adequate alignment with business groups and proper monitoring on periodic basis.

Third Line of Defence

The third line of defence consists of internal audit division reporting independently to the Audit Committee. As a result of this mandate, internal audit is responsible for regular review of the first and second line of defence activities to ensure that the risk management arrangements and structures are commensurate and adequate for discharging necessary responsibilities by various stakeholders in the organization.

The Board Audit & Risk Committee (ARC):

The ARC has been established by the Board of Directors, to assist the Board in fulfilling its responsibility with respect to the oversight of the organization's risk management framework relating to all risks including, but not limited to, market risk, liquidity risk, credit risk, operational risk and information and cyber security risks and associated policies and procedures used in managing these risks.

The Executive Committee (EXCO) - with the Managing Director (MD) as its chair, EXCO has a vital role to play in setting the tone for the organization's risk-taking activities by articulating the organization's risk philosophy and priorities. In addition, its role encompasses:

- Ensure that the organization's risk management strategy, risk governance framework and policies are consistent with the nature and volume of the organization's activities; monitor its implementation, review, and update it, based on the organization's internal and external changing factors.
- Responsible for implementation of an effective risk culture and internal controls across the Bank.
- Oversee and ensure organization's risks are at acceptable level as per the risk appetite and that the organization's risks do not exceed such level.
- Supervise the risk management framework of the organization and evaluate the effectiveness of the framework and mechanisms of identifying and monitoring the risks that threaten the organization's, to identify areas of inadequacy and adequacy.
- Make recommendations to the Board Risk Committee on matters relating to risk management.
- Ensure the availability of adequate resources and systems for risk management.

Assets and Liabilities Committee (ALCO) is responsible for the following:

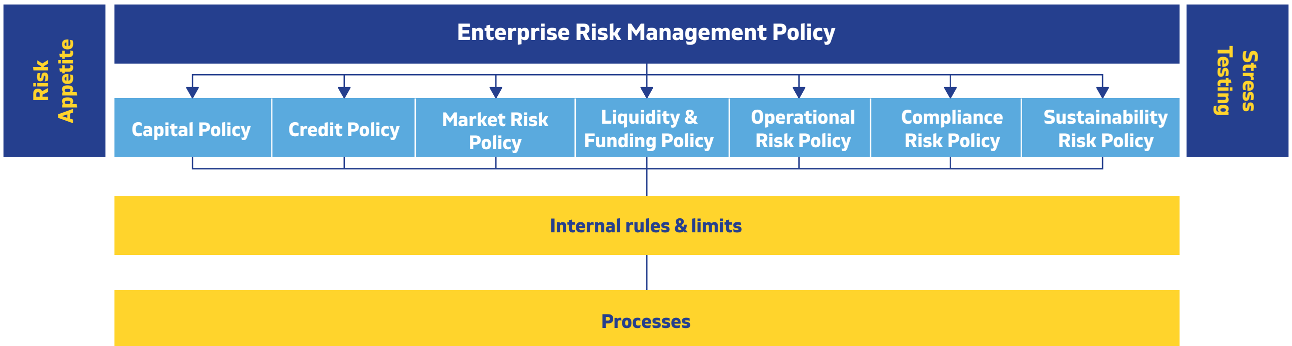
- Approve strategic capital forecasts ensuring they are consistent with business conditions and adhere to applicable limits, policies, and targets.
- Review the organization's ALM strategies, policies and procedures for Interest rate risks, liquidity risks and Capital Management.
- Manage the level of economic capital held and ensure sufficient cushion is maintained over the capital adequacy thresholds while supporting appropriate growth and stability of the balance sheet.
- Approve balance sheet projections of the organization ensuring that they are

consistent with business conditions and adhere to Liquidity limits, policies, and targets. Review material variances between actual and projections.

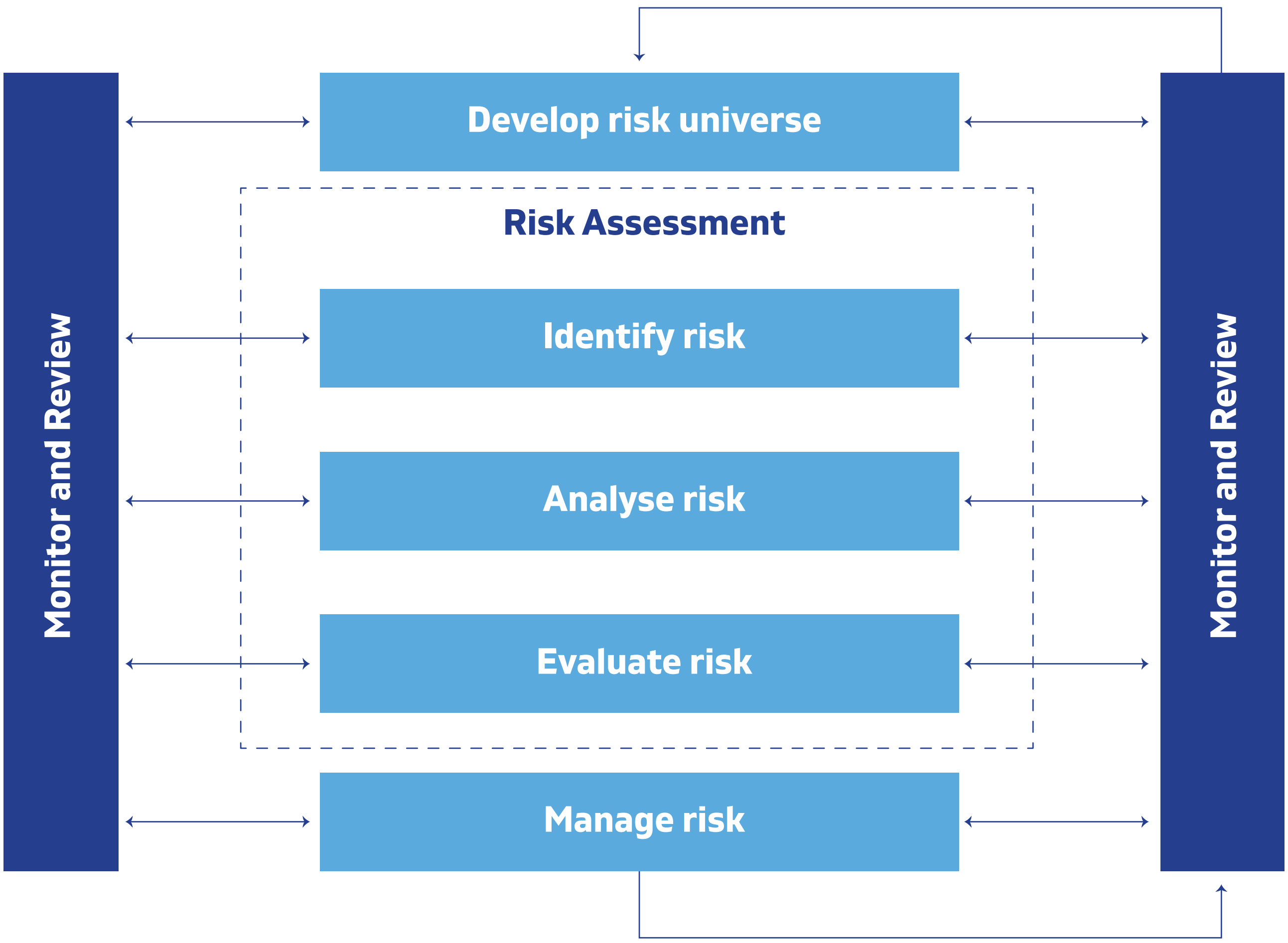
- Review organization's liquidity stress test and assumptions to guide on availability of liquidity during stress times on annual basis along with the organization's funding strategy.

Risk Policies

To ensure that existing and potential material risks are identified, monitored, and managed, the organization has an enterprise risk management policy in place. The policy outlines, at a high level, the key aspects of the organization's risk management. The organization's risk management policy and risk type policies are implemented through the organization's risk appetite framework, stress testing framework, internal rules and limits, and processes. The figure below provides a snapshot of the various risk policies defined and adopted by the organization within its risk management policy framework, and standard operational manuals/ procedures.



Risk Management Processes
The organization's risk management framework provides for the following risk management processes towards achieving a risk intelligent enter



Risk Identification and Assessment

The key principles used for risk identification and assessment are:

- to identify the major risks that could impact the organization's long-term sustainability.
- to assess the likelihood and impact of the risks materialising; and
- to assess the robustness of the controls that mitigate the risks.

The organization has several key processes to ensure its risks are identified and assessed, including for enterprise risks the Top 10 risks and emerging risks, and the Risk Register processes.

Risk Measurement and Monitoring

The key principles for risk measurement and monitoring are to:

- measure risk exposure by loss modelling, enterprise-level key risk indicators (KRIs) and scenarios.
- provide capital methodology and implementation.
- facilitate senior management understanding of the severity of the risk.
- ensure appropriate reporting to Board, ARC and Executive Committee of inherent and post mitigation risk via KRIs to facilitate any mitigation and/or changes to the risk appetite; and
- maintain a record of accepted risks.

Risk Management (Control and Mitigation)

The organization seeks to control and mitigate inherent risk as far as possible to ensure that it remains within risk appetite. Risks are monitored on an inherent (pre-control/ mitigation) and residual (post-control/ mitigation) basis to assess the organization's risk profile. The risk control and mitigation the organization undertakes is in the form of:

- tangible security.
- financial collateral, both funded and unfunded.
- risk governance, policy, and procedures, including risk appetite and business-level limits.
- individual and collective controls.
- risk management training; and
- other mitigation and control actions.

Risk Reporting and Escalation

The organization's key principles for risk reporting and escalation are as follows:

- ensuring that senior management is provided with the necessary information regarding the organization's principal risks so that an informed view of the organization's risk profile can be made.
- ensuring that all material risks are reported and delivering a complete view of the whole range of risks the organization faces.
- reporting the principal risks facing the organization at the appropriate monthly management committee meetings (these committees have responsibility for the principal risk categories and related risk management matters); and
- delivering a Risk Report that incorporates the key themes/ messages to EXCO, and Board ARC monthly and quarterly respectively.

Risk Management Training

The organization conducts training across all user groups and levels of seniority through an ongoing process, tailored as appropriate to each group. The key principles for risk management training are:

- to facilitate senior management understanding and engagement with key risk management topics and processes.
- to communicate the organization's risk culture and framework throughout the organisation.

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Principal Risks

The Bank's principal risk categories are illustrated below:

Risk Type	Overview & Strategies
Capital Risk	Capital risk is the risk that the organization may not have enough capital to leverage funding and/ or offset a sudden decline in the value of its assets, which amount to the insolvency risk.
Credit Risk	Current and prospective risk to earnings or capital arising from potential that a borrower or counterparty is unable or unwilling to perform on an obligation, resulting in an economic loss to SHAF.
Market Risk	*Foreign Exchange Risk:* The current and prospective risk to SHAF's earnings or capital arising from adverse movements in currency exchange rates. The potential for loss arises from the process of revaluing foreign currency positions, which include CFAF, RAND, EURO, KES etc. *Interest Rate Risk:* The current and prospective risk to SHAF's earnings or capital arising from adverse movements in interest rates.
Operational Risk	Current or prospective risk to earnings or capital resulting from inadequate or failed internal processes, people, and systems, external events, or unforeseen catastrophes.
Liquidity Risk	Current and prospective risk to SHAF's earnings or capital arising from potential that it will be unable to meet its financial obligations (including its lenders) when they become due because of an inability to obtain funding or to liquidate assets. Risk to SHAF not meeting the liquidity ratio already fixed by Policy.
Strategic Risk	The current and prospective impact on SHAF's earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of our strategic goals, the business strategies developed to achieve them, resources deployed against them, and the quality of implementation.
Reputational Risk	Potential for negative publicity regarding the Bank's business practices, whether true or not, will impair the Bank's business reputation and image with auxiliary consequences such as reduced business activities, profit declines and/ or stalled business growth.
Country Risk	The risk that economic, social, and political conditions and events in a member country where we have interests or not will adversely affect the Bank's financial condition or ability to have operational activities (where SHAF do not yet have interests). For example, financial factors such as currency controls, devaluation or regulatory changes, or instability factors such as mass riots, civil war and other potential events that contribute to the Bank's operational risks.
Governance Risks	These are risks that are tied to corporate governance practices. When poorly practiced these risks would manifest themselves and lead to negative business consequences.
Cybersecurity and Technology Risk	With increasing reliance on technology, financial institutions are vulnerable to cyberattacks and technology failures. Cybersecurity risks include data breaches, hacking, and ransomware attacks.
Environmental, Social, and Governance (ESG) Risks	ESG risks are becoming increasingly important in the financial sector. These risks relate to factors such as climate change, social responsibility, and corporate governance practices. Institutions need to consider ESG risks in their investment decisions.
Pandemic and Health Crises	Events like the COVID-19 pandemic have highlighted the vulnerability of the financial services sector to health crises. Such events can disrupt operations, increase credit risk, and impact market stability.
Political and Regulatory Changes	Changes in government policies, trade agreements, and international relations can affect the financial services industry. Political instability and regulatory changes can impact investment decisions and market stability.

Capital Risk Management

Capital risk is the risk that the organization has insufficient capital to cover stressed conditions, regulatory requirements, and business plans. Capital risk is measured, monitored, and reported monthly against limits approved by the Board within the organization's Capital policy and monitored by ALCO and EXCO. The organization undertakes regular stress testing of its capital adequacy and complied with all internal and external limits throughout the period. Capital adequacy is calculated in accordance with the current global standards of the bank capital adequacy as per the Basel III international regulatory framework. Capital adequacy is a measure of sufficiency of the Bank's eligible capital resources to cover credit risks, market risks, operational risk and other specific risks arising predominantly from asset and off-balance sheet exposures.

Credit Risk Management

The organization uses a wide variety of techniques to optimize the credit risk on its lending; one important credit risk mitigation technique is accepting guarantees and collaterals with the appropriate coverage. The organization ensures that the collateral held is sufficiently liquid, legally effective, and regularly valued. The method and frequency of revaluation depend on the nature of the collateral involved. The organization monitors the market value of collaterals and requests additional collaterals in accordance with the underlying agreements. Whenever possible, financings are secured by acceptable forms of collateral to mitigate credit risk. The organization's policy is to lend against the cashflow of an operating commercial entity as a first way and primary source of repayment. Collaterals provided by the customer shall be considered only as a secondary source for repayment. Loan applications are reviewed and presented for approval to the Management Credit Committee. Lending is secured on property and subject to maximum limits on loan to value ratios. The organization has in place a system of limits and controls to manage credit risk on its loan portfolio. The policies include maximum exposure values and limits to manage concentration risk.

Liquidity Risk Management

Liquidity risk is the risk that the organization would not have sufficient financial resources to meet its obligations as they fall due or can secure them only at excessive cost. Liquidity risk arises from mismatches in the timing of cash flows. Funding risk arises when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms when required. Liquidity risk is measured, monitored, and reported daily against intra-day triggers and limits approved by the Board within the organization's Liquidity Policy. The liquidity position is monitored by ALCO and the Executive Committee. The organization undertakes regular stress testing of its liquidity position and behavioural analysis of its liabilities and assets. To mitigate the risk of a funding crisis and to effectively prepare for the same, a Contingency Funding Plan (CFP) has been established by the organization. CFP is the compilation of policies, procedures, and action plans for assessing and responding to severe disruptions to the organization's ability to fund some or all its activities in a timely manner and at a reasonable cost. In essence, it combines early warning indicators and advance preparation for potential high severity/ low probability liquidity risk. The CFP framework has been put in place to ensure the following:

- The organization is resilient to funding shocks.
- The organization continues to operate, as normal as possible, during a funding crisis.
- There is no need for forced additional funding or equity at an unacceptable cost.
- The organization returns to a "business as normal" posture as soon as possible.

Market Risk Management

The focus of Market Risk is to control risk taking activities in a manner that optimizes rewards and capital consumption. Market risk measures the potential loss in value of financial instruments or the Bank's off-balance sheet positions arising from adverse movements in market variables such as foreign exchange and interest rates positions. These measures are monitored and controlled to ensure that the risk-taking activity is within the desired organization's risk appetite/ limits and risk-return targets as defined by the Board of Directors. Investments are only permissible in approved asset classes and securities. The following are specific risk mitigating measures being deployed to mitigate the different sets of market risks:

a. Currency risk - is a risk of loss arising from fluctuations in currency exchange rates. Day-to-day currency risk management is the responsibility of the Treasury team, while risk monitoring and reporting is the responsibility of the Risk Management department. The organization has a low-risk appetite for foreign exchange risk. The organization aims to keep exposures at levels that would produce a small net impact even in periods of high volatility.

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b. Interest rate risk - is related to the possible negative impact of changes in general interest rates on the organization's income and economic value. Interest rate risk is assessed, and decisions are taken by the Assets and Liabilities Management Committee (ALCO). The Bank manages interest rate risk by using repricing gap analysis of the risk sensitive assets and liabilities, duration analysis of assets and liabilities as well as stress testing.
c. Mark-to-Market (MTM) - is the daily valuation of positions/ exposure at readily available close out prices that are sourced independently. Such prices include Exchange prices, Prices obtained from trading systems, Quotes from independent, reputable brokers & Quotes from independent and reputable market information providing systems. organization uses data providers like Reuters and Bloomberg for independent price feeds of various Asset classes like FX Currency Spot and Forward rates, Interest Rates, Bonds prices, etc.

Operational Risk Management

The risk of financial loss and or reputational damage resulting from inadequate or failed internal processes, people, and systems or from external suppliers and events. The organization manages its risk profile through an integrated risk management programme which includes a quarterly review of all risks with appropriate reporting into its governance framework. The management of Operational Risk encompasses the following major components/ tools:

- Risk and Control Self-Assessment: - RCSA forms an integral element of the overall operational risk framework as it identifies control gaps that threaten the achievement of defined business or process objectives and monitors what management is doing to close these gaps.
- Key Risk Indicators: - KRI is a measure demonstrating the likelihood of the impact of the risk changing its behaviour. It is a tool in identifying vulnerabilities before they occur, acting as an early warning system.
- Loss Data Collection: - The loss data collection process consists of submitting to the ERM function all operational risk losses arising from actual events.
- Incident Management & Reporting: - All discovered operational risk incidents must be recorded and submitted to ERM department. In addition, the organization has adopted a comprehensive streamlined mechanism that ensures early enough notification is communicated promptly to the right people in timely and accurate manner for critical Operational Risk Incidents. These are designed to provide a consistent approach to manage operational risks across the organization to mainly ensure that:
    - Key tasks are performed and undertaken in the most effective and efficient control environment.
    - Gaps and overlaps in activities are identified, assessed, mitigated, and monitored.
    - Employees are fully aware of operational risks through the provided impactful training & awareness programs.

People Risk

The organization's business model is dependent upon its people and their level of capability and engagement. Having the right people in the right positions with robust skill development and succession planning is key to building a long-term business. To this end, the Board is significantly involved in important staff decisions to ensure that the organization successfully attracts, retains, and develops talent. The organization's People team is well resourced and has developed a people strategy with EXCO and the Board, which will support further development of colleagues by providing training and development; this will also ensures that appropriate standards and conduct are maintained throughout the Bank.

Legal Risk

Examples of legal risk include inadequate documentation, loss of power and/ or authority arising from legal or regulatory action, insufficient authority of a counterparty and contract invalidity/ unenforceability. The organization Head of Legal (HOL) bears responsibility for identification and management of this risk. The HOL consults with internal and external legal counsels providing proactive, business-oriented, and sound legal advice. The Bank is currently engaged in various legal matters which arise in the ordinary course of business and does not currently expect to incur any liability with respect to any actual or pending legal matter which would be materially prejudicial to the financial condition or operations of the organization

Compliance Risk

Regulatory Compliance Risk is the risk of failure by the organization to fulfil and meet the external and internal regulations applicable to it as a supra-national banking institution. The first line of defence owns the compliance risks inherent in their operations. All managers throughout the Bank have the responsibility for the continuous and active compliance risk management as part of their first line risk management. The following core compliance processes have been established to cater for effective management of compliance risks across the organization.

- Regulatory screening and control - The main purpose of the regulatory screening and control process is to support the Bank to identify and act on new, amended or revoked external regulations applicable to its operations. In addition, the process provides assurance that changes are implemented adequately and on time.
- Monitoring activities - compliance testing activities are in-depth reviews conducted by Compliance to assess how the organization complies with applicable external and internal regulations.
- Advice and support - Compliance advisory process is a key activity for the function that enables sound and sustainable business in line with the regulatory expectations applicable to the organization.
- Training - mandatory compliance related trainings are regularly reviewed and updated to ensure they remain relevant and fit for purpose.

Conduct Risk Management

The organization continuously addresses risks related to the conduct of its employees by emphasising the importance of adherence to the Code of Conduct, sound ethics and mitigating conflicts of interest. The Compliance team is responsible for risk oversight and standard setting obligations for conduct risks (customer protection risks, market conduct risks and data protection risks). The organization provides for mandatory Ethics training for all employees. The training is part of the compliance awareness scheme, which includes trainings and activities to continuously highlight and address compliance awareness and the importance of being compliant.

- Conflicts of interest – the organization's conflicts of interest processes set a common structure in the organization for identifying, documenting, and mitigating any conflicts of interest related to the organization, its executives, and key function holders.
- Internal alerts (whistleblowing) – the organization's internal alerts process allows employees and other stakeholders (both internal and external) to report and raise concerns of potential or actual failures to comply with external and internal rules or regulations, concerns of breaches of internal standards, irregularities, and criminal offences, including but not limited to, corruption, fraud, other financial crimes, and sexual harassment.

Financial Crime Risk Management

Financial Crime includes any offence involving fraud or dishonesty or handling the proceeds of crime. We seek to protect our customers and the Bank from the risks of financial crime by identifying inherent risks and operating with appropriate systems and controls to detect and prevent harm. We will not conduct business with individuals or entities we believe are engaged in illicit behaviour. We seek to minimise the organization's and our customers' exposure to loss from fraud. The organization applies robust and consistent AML/CTF and financial sanctions processes and procedures to prevent the use of the services, products, or channels for purposes of money laundering and terrorist financing, as well as to comply with applicable financial sanction

programmes. The Compliance function is responsible for risk oversight and standard setting obligations for financial crime risk (money-laundering and terrorist financing risk, financial sanctions risk, bribery- and corruption risk and facilitation of tax evasion risk). The organization AML/ CTF policy framework aims to ensure clear roles and responsibilities as well as a clear AML/ CTF risk strategy and risk appetite for the effective and overall management of AML/CTF risk.

- Know your customer (KYC) - The organization outlines the minimum requirements as regards the performance of risk-based know-your customer measures on customers, the customers' beneficial owners and authorised representatives.
- Transaction monitoring - To detect suspicious activities, behaviours or transactions which could be related to possible offences, money laundering or terrorist financing, the Bank performs risk-based transaction monitoring of its lending activities. This includes scrutiny of transactions undertaken throughout the course of the business relationship as well as occasional transactions.
- Financial sanctions - The organization's financial sanctions framework lays out the overarching views on how the organization achieves adherence to various relevant sanction programmes, i.e., financial sanctions enacted by the UN, USA, EU, UK and the rest. The organization takes a risk-based approach to sanctions screening, in line with the Wolfsberg Guidance on Sanctions Screening and the established low risk appetite. This means, inter alia, that the organization´s sanctions programme is applied in conjunction with other anti-financial crime processes, such as policies and procedures, risk assessment and internal controls. The organization performs enterprise-wide daily screening of all international payments and the registers of new and existing customers, to ensure that the organization is not assisting with any transactions or retaining any business engagements that are subject to UN, USA, EU, or relevant UK sanctions.

Reputational Risk Management

Reputational risk is multidimensional and reflects the perception of market participants. It exists throughout the organization and exposure to reputational risk is essentially a function of the adequacy of the organization's internal risk management processes, as well as the manner and efficiency with which management responds to external influences. The organization implements a robust governance and management framework, which has a significant involvement of senior management to proactively address any risk(s) to the organization's reputation. Furthermore, management believes that reputation risk requires active administration and involvement of the Board as well.

Climate Risk Management

Climate change risk is the financial risk that arises from the impact of adverse changes in climate and specifically global warming. As the world transitions to a low-carbon economy, financial institutions, such as the organization, may face significant and rapid developments which could impact their lending activities, as well as the risks associated with its other activities. We categorise climate risk into two categories:

- Transition risk - is the risk that arises due to the process of adjustment to a low-carbon economy. A range of factors influence this adjustment, including climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, or evolving evidence, frameworks, and legal interpretations. Risks arising from the speed of the required adjustment include financial risks (credit, market, liquidity) and non-financial risks (operational, legal, reputational and compliance).
- Physical risk is the impact that arises from specific weather events and longer-term shifts in the climate. The nature and timing of extreme weather events are uncertain, but they are increasing in frequency and their impact is predicted to be more acute in the future.

The organization has embarked on a robust approach to managing climate risk that is aligned with the four (4) pillar framework established by the Task Force on Climate Related Financial Disclosure's (TCFD) to measure, manage and report on climate risk.

MEADOWS , NAKURU, KENYA

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CREDIT AND OPERATIONS

1.1 Credit

During the year, the company went through a reorganization on its operational structure. Among the key changes was the creation of a new Credit and Operations department where the Head of the department was successfully recruited. Under the department, credit unit is one of the key functions entrusted in management of credit and related risks associated with the credit activities within the organization.

One of the key priority areas during the year was to initiate the business underwriting process re-engineering in which below were the five key guiding principles and objectives expected at the end of the whole process.

#	Guiding principle	Description
1	To improve efficiency	The ability to achieve the target disbursements and portfolio growth with little to no waste, effort and/ or energy.
2	Quick Turn Around Times (TAT)/ Time to Money	To achieve an average TAT of between 90 and 180 days from business development to disbursement.
3	Ownership & Accountability	The process will ensure accountability for the approved business deals for the full credit cycle and ongoing performance of the facility over its lifetime.
4	Determine bankable & quality deals at initial stage	Identification of business deals that meet the Bank's smallest criteria on the desired quality bankable business deals.
5	Preparation for automation/ digitization	To achieve business process re-engineering through automation of the lending process by implementation of a customer relationship management (CRM) system and process workflow.

1.2 Recoveries

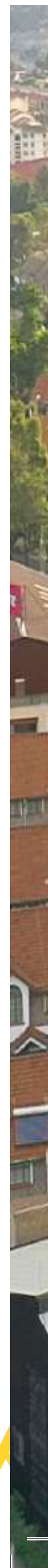
The management continued with a broad-based approach to the resolution of non-performing loans. The sustained loan recoveries efforts are anchored in the existing approved Non-Performing Loans (NPLs) Management Strategy. The strategy presents an endgame to the existing NPL portfolio, which is largely part of the old, legacy portfolio. The strategy articulates the key strategies, activities, and the end game that the management intends to adopt to substantially reduce the NPL portfolio within a reasonable time frame.

One of the key strategic directions adopted by the board and management in 2023 is the decision to separate good and bad book. Good Bank - Bad Bank separation constitutes a technique where all non-performing loan assets are collated and consolidated into a vehicle that is specially set up for this purpose. The company that will now be referred to as the bad bank has a singular objective of managing these problem assets with an intention of maximizing expected cash inflows. The remaining part of the bank is referred to as the "good bank". The good bank shall now focus on remedying and improving operational efficiency that will address the inherent credit process weaknesses to ensure quality at entry and therefore maintain good asset quality.

Management has also committed as part of the NPLs management strategy to ensure that few or no file is downgraded to the NPL list while at the same time aggressively pushing for all the measures that will help to substantially reduce the legacy portfolio. The team is also very keen in improving and setting a more robust Early Warnings system that will supplement the monitoring work under the oversight role of the Loans Monitoring Committee.

The current asset quality position is still below the anticipated results despite huge efforts to reduce the portfolio. There are several key reasons behind the high level of the NPLs and the NPLs to Gross loans ration: First, although great strides have been made in booking new disbursements, the rate of closing new transactions is still slower compared to the repayments of the performing book. Second, the NPL ratio was exceptionally increased after the change of accounting policy advised by the external auditors. All interests and fees that had been suspended were recorded back to the book in line with provisions of IFRS 9. One of the key achievements in the year was the approval by the Board to restructure and partially write off the ballooning NPL balances on transactions where final settlement agreement or consent judgement issued through courts of law.

Despite those challenges, the current NPL ratio decreased to 51% as of 31st December 2023 from a high of 53.46% as at December 2022. To ensure the issue of the legacy NPLs portfolio is satisfactorily addressed, management has onboarded KPMG to supplement the efforts of the internal teams in the NPLs resolution. The consultant is expected to leverage on vast experience in management of such assets and help in setting up an aggressive platform to continue reducing the NPL portfolio and equally offloading and selling any recovered assets. The consultant will also be instrumental in the establishment of a good and bad book to ensure the legacy portfolio is ringfenced and given special



care and attention. Strategically, the Board approved strategy to reduce the NPL stock that is hedged on cash collections/recoveries, asset take-over through debt for asset swaps/ADR processes and write off, of the accounts where recovery is deemed very difficult or impossible.

The management is also leveraging on the support from governments of member countries to resolve some of the difficult NPL cases. Some of these countries include Mali, Kenya, DRC, Mauritania, Ghana, Rwanda among others.

The NPL reductions by the end of the current fiscal year (Dec. 2023) are as follows:

Item	Dec. 2023
Cash Collections	USD 4.4 million
ADRs/ Assets Takeover	USD 9.3 million
Write-offs	USD 19.1 million
Total	**USD 32.8 million**

NEW BUSINESS

The year 2023 marked the beginning of implementation of a new strategic plan that seeks to position Shelter Afrique on a path of renewal. As part of the changes, the new Business Team was re-organized for efficiency and to improve accountability. The business team now has two dimensions: business lines (BL) across regions and regional units (RU) across business lines. By so doing, business objectives are linked to volume, impact, profitability, and portfolio quality.

Business Development has been segmented into four business lines; namely: Financial Institutions Group (FIG); Project Finance Group (PFG); PPP/ Sovereign Lending (PPP); and Fund Management Group (FMG). The business lines focus on housing financing delivery on both the demand and supply sides across the member countries. The product and services offering being delivered through these business lines, are summarised below:

Business development efforts were geared towards disbursement of the Naira liquidity from the bond proceeds received in 2022. To de-risk Project Finance transactions, Shelter Afrique sought collaboration with Local Tier 1 and Tier 2 financial institutions through introduction of Guarantee supported lending.

Loan Approvals

Approvals during 2023 amounted to equivalent **USD 72.0m** (2022: USD 96.8m).

Loan Commitments

Commitments during 2023 amounted to equivalent **USD 63.5m** (2022: USD 77.3m).

Loan Disbursements

Disbursements during 2023 amounted to equivalent **USD 19.13m** (2022: USD 80.67m). The amounts were attributable to disbursements to newly approved transactions during the year, as well as residual amounts to ongoing projects approved during the previous year.

FINANCIAL INSTITUTIONS GROUP (FIG)

- Housing Micro Finance
- Trade Finance
- SMEs-Housing Value Chain
- Housing Funds
- Mortgage Refinancing Companies
- Rent and Rent-To-Own
- Advisory Services

PROJECT FINANCE GROUP (PFG)

- Provide Sector Project Finance
- Corporate Loans
- Last Mile Infrastructure
- Students Accommodation
- Urban Regeneration
- Alternative Building Technologies
- Social Housing Programs
- Advisory Services

SOVEREIGN & PUBLIC-PRIVATE PARTNERSHIPS (PPP)

- State Housing Corporations
- Public / Private Partnerships
- Social Housing Programs
- Rent And Rent -to –own Programs
- Urban Regeneration
- Equity Invest /jv & Corp
- Advisory Services

FUND MANAGEMENT GROUP (FMG)

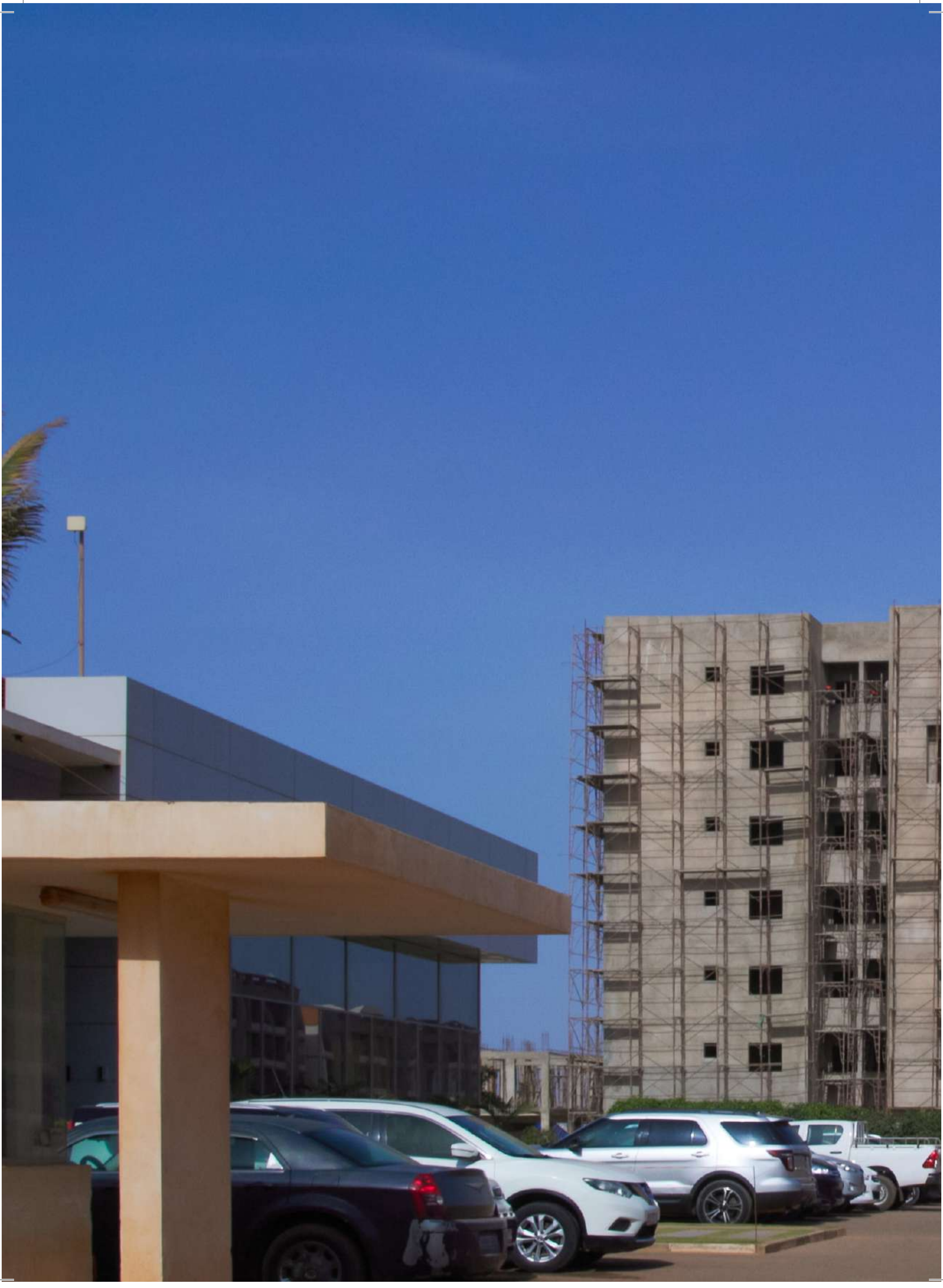
- Green
- Gender
- Smes & Trade Finances
- Infrastructure
- Islamic Finance
- Refugees and Migrants
- Diaspora

Business Development Going Forward

The Business development Team continues to develop a pipeline that is reflective of the aspirations of Shelter Afrique's shareholders and that is responsive to their needs. Loan pipeline continues to drive fundraising efforts from Multi-lateral Development Banks (MDBs); Impact Funds; and Local Capital Markets to deliver Social Housing; Affordable Housing; & Urban Regeneration.

Following successful initial deployment in Nigeria in 2023, Guarantee supported lending will be expanded in Nigeria and rolled out in other member states during 2024. The business team is focused on developing a diversified pipeline across products and geographic distribution.

Business Development continues to deliver on the commitments made to shareholders under the 2023-2027 Strategic Plan.




SHELTER AFRIQUE
Financing Affordable Housing for Africa

THE COMPANY FOR HABITAT AND HOUSING IN AFRICA (SHELTER – AFRIQUE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

PRINCIPAL PLACE OF BUSINESS	Shelter Afrique Centre Longonot Road, Upper Hill P O Box 41479 – 00100 Nairobi Kenya
PRINCIPAL BANKERS	Citibank N.A. P O Box 30711 – 00100 Upper hill, Nairobi Kenya Citibank New York C/o Citibank N.A. P O Box 30711 – 00100 Upper hill, Nairobi Kenya NCBA Bank Kenya Limited P O Box 30437- 00100 Upper hill, Nairobi Kenya BNP Paribas Paris International Business Center 10, boulevard Malesherbes 75 008 Paris France Ecobank 8, Avenue L.S. Senghor B P 9095 CD Dakar Senegal
SOLICITORS	MMC ASAFO MMC Arches, Spring Valley Crescent Off Peponi Road, Westlands P.O Box 75362 – 00200 Nairobi, Kenya Iseme Kamau & Maema Advocates IKM Place, Tower A, 1st Floor, 5th Ngong Avenue Off Bishops Road P.O. Box 11866-00400 Nairobi, Kenya
INDEPENDENT AUDITOR	PricewaterhouseCoopers LLP Certified Public Accountants PwC Tower, Waiyaki Way/Chiromo Road, P.O. Box 43963 - 00100, Nairobi, Kenya

Directors	Alternate Directors	Countries /Institutions represented	% Shareholding
Class "A" Shareholders (Countries)			
Mr. Charles Hinga Mwaura (Kenya) - serving a second term from 24th June 2021	*Mr. Said Athman Mtwana (Kenya) from May 2023* *Mr. Patrick Bucha (Kenya) - from 24th June 2021 to May 2023*	*Kenya, Somalia, Swaziland, Zimbabwe*	*18.10%*
Ms. Eucharia Onimisi Alozie (Nigeria) from 11th May 2023	*Mr. Omotayo Adeoya Akinola (Nigeria) from 11th May 2023*	*Gambia, Liberia, Nigeria, Sierra Leone*	*15.99%*
Mr. Issa Seydou Sissoko (Mali) from 11th May 2023	*Mr. Dibi Kokora Alexandre (Cote d'Ivoire) from 11th May 2023*	*Burkina Faso, Burundi, Central African Republic, Chad, Djibouti, Equatorial Guinea, Guinea Bissau, Ivory Coast, Mali, Senegal*	*13.19%*
Mr. Edward Kyazze (Rwanda) – serving first term from 11th May 2023	*Mr. Michael Mugabi (Uganda) –from 11th May 2023*	*Botswana, Lesotho, Malawi, Namibia, Rwanda, Tanzania, Uganda, Zambia*	*12.94%*
Mr. Tchelu Mwenyimali Laurent (DRC) from 11th May 2023	*Mr. Joel Moambos (Cameroon) from 11th May 2023*	*Benin, Congo, Democratic Republic of Congo, Cameroon, Gabon, Madagascar, Mauritius, Niger, Seychelles, Sao Tome & Principe*	*11.36%*
Mr. Ahmed Belayat (Algeria) from 11th May 2023	*Ms. Salima Guellab (Algeria) from 11th May 2023*	*Algeria, Mauritania, Morocco, Tunisia*	*6.85%*
Dr. Alain Kossi Gbati Ouadja (Togo) - from 24th June 2021	*Dr. Theresa Tufour – from 28 July 2022*	*Ghana, Guinea, Cape Verde, Togo*	*6.38%*
Class "B" Shareholders (Institutions)			
Dr. Patience Chika Akporji (AfDB) serving second term from 11th May 2023	*Yomi Ayodabo (AfDB) From 11th May 2023*	*African Development Bank (AfDB)*	*11.71%*
Mr. Ephraim Kiiza from serving second term from 28 July 2022	*Mr. Phocas Nyandwi – from 28 July 2022*	*African Reinsurance Corporation*	*3.48%*
Total			**100.00%**

INDEPENDENTDIRECTORS:
Mr. Lionel Zinsou – from 11May 2023
Mr. Babatunde Adebisi Sanda - from 24 June 2021

SENIOR MANAGEMENT

Mr. Thierno Habib Hann	- Managing Director
Mrs. Beatrice Mburu	- Chief Finance Officer
Mrs. Juliette Kavaruganda	- Company Secretary
Mr. Christopher Chege	- Head of Credit & Operations
Mr. Bernard Oketch	- Head of Enterprise Risk Management
Mr. Yankho Chitsime	- Head. Project Finance Group
Mr. Edmond Adjikpe	- Head, Public Private Partnerships
Mr. Zachary Munene	- Head, Financial Institution Group
Mrs. Houda Boudlali	- Head of Legal (Up to 15 March 2024)
Mrs. Natasha Koli	- Ag. Head of Legal (From 15 March 2024)
Mr. Charles Kazuka	-Head of Human Resources and Administration
Mr. Muhammad Gambo	-Manager: Policy, Research and Partnerships

INTERNAL AUDITOR

Ms. Marianne Koly	- Head of Internal Audit (Appointed 22 January 2024)
Mr. Benson Ngare	- Ag. Head of Internal Audit (Up to 21 January 2024)

The Directors are pleased to submit their Annual Report together with the audited Financial statements of The Company for Habitat and Housing in Africa (Shelter – Afrique) (the "Company'') for the year ended 31 December 2023, which show the state of financial affairs of Shelter Afrique.

LEGAL CAPACITY

The Company is a Pan-African housing finance and development institution, established by African Governments, the African Development Bank (AfDB), and the African Reinsurance Corporation (Africa-Re) in 1982 to address the need for innovative and sustainable housing delivery systems in Africa. It is an international body with juridical personality and full legal capacity established by the Constituent Charter of Shelter Afrique. In the Republic of Kenya, the Constituent Charter has the force of law in accordance with the Shelter - Afrique Act, 1985. Its principal office is situated in Nairobi, Kenya. The Company is exempted from all forms of taxation as provided for in the Shelter – Afrique Act, 1985.

PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of financial and technical assistance for housing and urban development activities in Africa.

RESULTS

The results for the year are set out on page 75 of the financial statements. The Company recorded a profit of US$ 994,049 (2022: loss of US$ 11,774,632) for the year ended 31 December 2023. The total comprehensive income for the year ended 31 December 2023 amounted to US$ 100,983 (2022: total comprehensive loss of US$ 11,604,154).
DIVIDENDS

The Directors do not recommend the payment of a dividend for the current financial year (2022: US$ Nil).

SHELTER AFRIQUE FOUNDATION

The Directors do not recommend the appropriation of any funds to Shelter Afrique Foundation. (2022: US$ nil).

RESERVES

The reserves of the Company are set out on page 77 of the financial statements.

DIRECTORS

The Directors who served during the year and to the date of this report are as listed on page 65. In accordance with the Company's Charter, the Directors hold office for a term of three years and are, therefore, not subject to retirement by rotation annually.

STATEMENT AS TO DISCLOSURE TO THE COMPANY'S AUDITOR

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

(a) there is, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and
(b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

PricewaterhouseCoopers LLP has expressed willingness to continue in office. The directors monitor the effectiveness, objectivity, and independence of the auditor. The directors also approve the annual engagement contract which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD

Company Secretary
Nairobi

3 April 2024

The Company for Habitat and Housing in Africa (Shelter - Afrique) is fully committed to the principles of transparency, integrity, and accountability. The Directors are ultimately accountable to all stakeholders for ensuring that the Company's business is conducted in accordance with high standards of corporate governance. Of particular importance to the Company are the observance of shareholders' interest, efficient practices, and open corporate communication systems.

BOARD OF DIRECTORS

The names of the Directors who held office in the year and to the date of this report are set out on page 65. The Board is responsible for formulating the Company policies and strategies and ensuring that business objectives, aimed at promoting and protecting shareholder value, are achieved. The Board also retains the overall responsibility for effective control of the Company and implements corporate governance policies of the Company.

The Board comprises seven Class 'A' Directors representing countries, two Class 'B' Directors representing Institutions, and two Independent Directors. The Directors have diverse skills and are drawn from various sectors of the economy. All Directors are non-executive.

A timetable of calendar dates for Board meetings to be held in the following year is fixed in advance by the Board. The notice of Board meetings is given in advance in accordance with the Company's Statutes and General By-Laws and is distributed together with the agenda and Board papers to all the Directors beforehand. The Board meets regularly and at least four times annually. During the year, the Board convened and held four ordinary meetings to implement its corporate strategy. In accordance with the Company's practice, one Board meeting is normally scheduled to coincide with the occasion of the Annual General Meeting.

The Company Secretary is always available to the Board of Directors.

Directors' Remuneration

The aggregate emoluments paid to Directors for services rendered during the financial year is disclosed in note 34 to the financial statements.

Related Party Transactions

There have been no significant related party transactions or relationships between the Company and its Directors or management except for those disclosed in note 34 of the financial statements.

BOARD COMMITTEES

The Board has in place four main committees, namely the Audit & Risk Committee, the Finance, Credit & Investments Committee, Strategy Committee, and the Human Resource & Governance Committee. To discharge its mandate effectively, matters are discussed in detail in the four committees before resolution by the Board. These committees assist the Board in ensuring that proper policies, strategies, internal controls, and organizational structures are in place to achieve the Company's objectives and obligations to its stakeholders. All the committees have detailed terms of reference and hold meetings as necessary. The Board may delegate some of its powers to any committee and may appoint any other committee, including ad hoc committees, as and when it is deemed necessary. The authority for the day-to-day running of the Company is delegated by Statute to the Managing Director. For the period of implementation of the turnaround strategy, the Board is operating an elevated level of oversight of delegated authorities.

RISK MANAGEMENT AND INTERNAL CONTROL

Management, in consultation with the Board Committees, is responsible for the Company's day-to-day overall risk management to minimize potential adverse effects on its financial performance while the Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Company has an ongoing process of identifying, evaluating, and managing significant risks inherent in its business, by the Risk Management department. This process is also reviewed by the internal auditor. The internal auditor reports administratively to the Managing Director and functionally to the Audit and Risk Committee.

As part of the independence required by Shelter-Afrique corporate governance, the Internal Audit annual work program and budget are separately approved by the Audit and Risk Committee, which also reviews and approves audit reports and internal audit annual report. The Company has in place controls, which include, but are not limited to, an annual budgeting process, a regular review of strategic initiatives, a well-defined organizational structure which is kept under regular review by the Board and a review of quarterly financial and operating information by management and the Board. In implementing its turnaround strategy, the Board has taken steps to significantly enhance the operating independence and effectiveness of the internal audit unit. Enhancement of the enterprise risk management system is a continuous process to improve the detection and mitigation of foreseeable risks and to eliminate silo management of risks. The Board requirement for the certification of the financial statements by the Chief Financial Officer and the Chief Executive Officer is an example of the robust measures put in place to improve enterprise risk management.

BUSINESS ETHICS

The Company conducts its business in compliance with high ethical standards of business practice. In this respect, transactions with its intermediaries, employees and other stakeholders are conducted at arm's length, with integrity and transparency. The Board has continued to adopt improved policies and procedures including, but not limited to, the adoption of a new Board Charter in 2020 which provides for more robust operating rules for the Board of Directors.

RESPONSIBILITY FOR STAFF WELFARE AND TRAINING

As part of its policy, the Company recognizes the need for diversity, equal opportunities, gender sensitivity and provision of a safe and conducive work environment for its entire staff. The Company assists its staff to undertake continuous professional and development training programmes to fulfil their potential. This process is appropriately managed to align staff development with the Company's strategic and business goals and objectives and is reinforced with appropriate remuneration and incentive systems.

STRATEGIC PLANNING & IMPLEMENTATION

The Board meets quarterly for scheduled meetings to review the Company's performance against business plans as well as to formulate and oversee management's implementation of strategy and on other occasions to deal with any issue that require attention between the quarterly meetings. The Board has continued to implement improved systems for meeting and/or holding management to account. During the year, the Board held four ordinary meetings in keeping with its elevated level of vigilance during a period of corporate recovery and turnaround. These meetings have included a significant element of Board time devoted to review of the business strategy that should significantly enhance the value of the company's activities to the identified needs of stakeholders.

COMPLIANCE

The Company operates within the requirements of the Constituent Charter, the Shelter Afrique Act, 1985, its Statutes and General By-Laws and adopts certain universally accepted principles in the areas of human rights, labour standards and environment in its commitment to best practice. The Company prepares its financial statements in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board.

.... Director

.... Director

The Company's Statutes (Article 30) require the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Company maintains proper accounting records that: (a) show and explain the transactions of the Company;(b) disclose with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Company's Statutes. The Directors are also responsible for safeguarding the assets of the Company, and for taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with the IFRS Accounting Standards and the Company's Statutes. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Approved by the board of directors on 3rd April 2024 and signed on its behalf by:

Director

Director

We certify that:

1. We have reviewed the annual report and accounts for The Company for Habitat and Housing in Africa (Shelter Afrique) for the year ended 31 December 2023.

2. Based on our knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact which would affect the financial statements.

3. Based on our knowledge, the audited financial statements, and other financial information included in this Annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Shelter Afrique as of, and for, the periods presented in this annual report;

4. We are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting (as defined in the latest IFRS Accounting Standards) for Shelter Afrique and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is known during the period in which this annual report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Company's controls on disclosures and presented in this report our conclusions about the effectiveness of those controls, as of the end of the period covered by this report; and

d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

5. We have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit and Risk Committee of the Board of Directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in the Company's internal controls over financial reporting.

Beatrice Mburu	**Thierno-Habib Hann**
Chief Finance Officer	**Managing Director**

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE COMPANY FOR HABITAT AND HOUSING IN AFRICA

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of The Company for Habitat and Housing in Africa (the "Company") set out on pages 75 to 151 which comprise the statement of financial position at 31 December 2023 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of The Company for Habitat and Housing in Africa at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for opinion

We conducted our audit in accordance with the 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 Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Partners: E kerich B kimacia M Mugasa A Murage F Muriu P Ngahu Brian Ngunjiri R Njoroge S O Norbert s B Okundi K Saiti

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE COMPANY FOR HABITAT AND HOUSING IN AFRICA (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances Loans and advances to customers comprise a significant portion of the Company's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL. Details of the loans and advances and ECL balances, and the policies for estimating ECL are disclosed in notes 2(n), 16 and 35 (b) of the financial statements. The key areas where management has exercised significant judgement include: • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD); • the judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement whose outcome determines whether a 12-month or lifetime PD is used; and • the determination of forward-looking information used in the models; Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	• We reviewed the Company's methodology for determining ECL and evaluated it against the requirements of IFRS 9; • We tested how the Company extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model; • We reviewed judgments applied in the staging of loans and advances; • We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and on a sample basis, re-calculated the PDs; • For LGD, we tested the assumptions used in estimating the timing of the recovery cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuation reports; • We tested, on a sample basis, the reasonableness of EAD; • For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information; and assessed the reasonableness of the weightings applied to different scenarios. • We reviewed and assessed whether the disclosures in the financial statements were adequate.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE COMPANY FOR HABITAT AND HOUSING IN AFRICA (CONTINUED)

Other information

The other information comprises the corporate information, statement on corporate governance, report of the directors, Statement of directors' responsibilities, certification of financial statements by the Chief Finance Officer and the Managing Director and the shareholding information schedule which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will 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 identified above 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 we have received 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.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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 based on 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:

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE COMPANY FOR HABITAT AND HOUSING IN AFRICA (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Bernice Kimacia

CPA Bernice Kimacia, Practicing Certificate Number 1457
Engagement partner responsible for the audit
For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

22nd April 2024

Statement of profit or loss and other comprehensive income

	Note	2023 US$	2022 US$
INTEREST INCOME	*4*	*25,689,330*	*17,393,315*
INTEREST EXPENSE AND SIMILAR CHARGES	*5*	*(10,067,618)*	*(10,001,243)*
NET INTEREST INCOME		**15,621,712**	**7,392,072**
FEE AND COMMISSION INCOME	*6*	*916,624*	*1,039,801*
OTHER INCOME	*7*	*341,706*	*242,712*
GRANT INCOME	*29*	*3,879*	*3,879*
OPERATING INCOME		**16,883,921**	**8,678,464**
PROVISION FOR EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES	*16*	*(4,561,184)*	*(8,203,110)*
IMPAIRMENT CHARGE – JOINT VENTURES	*18*	*(1,378)*	*(1,071,065)*
OTHER IMPAIRMENT CHARGES	*35(b)*	*(66,104)*	*(267,912)*
NET FOREIGN EXCHANGE LOSSES	*10*	*(2,813,001)*	*(1,400,679)*
NET OPERATING INCOME		*9,442,254*	*(2,264,302)*
OPERATING EXPENSES	*8*	*(8,458,855)*	*(9,468,121)*
SHARE OF PROFIT|(LOSS) OF JOINT VENTURES	*18*	*10,650*	*(42,209)*
PROFIT/ (LOSS) FOR THE YEAR		**994,049**	**(11,774,632)**
OTHER COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR			
Items that will not be reclassified subsequently to profit or loss			
UNREALISED (LOSS)|GAIN ON EQUITY INVESTMENTS	*19*	*(946,606)*	*150,310*
POST EMPLOYMENT BENEFITS OBLIGATION ACTUARIAL GAIN|(LOSS)	*27*	*53,540*	*20,168*
OTHER COMPREHENSIVE (LOSS)|INCOME FOR THE YEAR		*(893,066)*	*170,478*
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**100,983**	**(11,604,154)**
EARNINGS PER SHARE			
BASIC AND DILUTED EARNINGS PER SHARE	*11*	*7.79*	*(95.60)*

SHELTER AFRIQUE
Financing Affordable Housing for Africa

STATEMENT OF FINANCIAL POSITION

	Note	2023	2022
		US$	US$
ASSETS			
Bank and cash balances	*12*	*3,768,295*	*3,400,643*
Short term bank deposits	*13*	*50,169,333*	*72,961,707*
Investment in bonds at fair value t hrough profit or loss	*13*	*5,494,640*	*10,392,317*
Equity investments at fair value through OCI	*19*	*5,557,000*	*5,445,000*
Derivative financial assets	*14*	*67,763*	*153,274*
Other receivables and prepayments	*17*	*2,098,681*	*2,812,515*
Loans and advances to customers	*16*	*138,301,362*	*155,011,972*
Repossessed collateral	*15*	*9,294,322*	*10,360,080*
Investments in joint ventures	*18*	*2,505,135*	*2,823,239*
Property and equipment	*20*	*910,206*	*901,048*
Intangible assets	*21*	*327,987*	*375,600*
Leasehold land	*22*	*89,229*	*93,108*
Investment properties	*23*	*5,691,946*	*5,691,947*
TOTAL ASSETS		**224,275,899**	**270,422,450**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*24*	*129,780,000*	*125,536,000*
Share premium	*24*	*68,289,208*	*65,008,597*
Revaluation reserve		*406,519*	*438,204*
Accumulated losses		*(31,540,275)*	*(32,566,009)*
Credit loss reserve		*1,000,000*	*1,000,000*
Fair value reserve		*(2,697,504)*	*(1,804,438)*
Special reserve – Shelter Afrique Foundation	*25*	*774,870*	*786,876*
Total equity		***166,012,818***	***158,399,230***
LIABILITIES			
Other payables	*26*	*1,246,616*	*2,320,863*
Post-employment benefits obligation	*27*	*2,271,597*	*2,075,572*
Dividends payable	*28*	*1,369,118*	*1,369,118*
Deferred income	*29*	*911,877*	*1,061,711*
Medium term notes	*30*	*52,463,873*	*105,195,956*
Total liabilities		**58,263,081**	**112,023,220**
TOTAL EQUITY AND LIABILITIES		**224,275,899**	**270,422,450**

The financial statements on pages 75 to 151 were approved and authorised for issue by the Board of Directors on 3rd April 2024 and signed on its behalf by:

Director

Director

STATEMENT OF CHANGES IN EQUITY

	Share capital US$	Share premium US$	Revaluation reserve US$	Accumulated losses US$	Credit loss reserve US$	Fair value reserve US$	Special reserve - Shelter Afrique Foundation US$	Total equity US$
At 1 January 2022	120,795,000	61,343,803	469,889	(20,843,230)	1,000,000	(1,954,748)	793,053	161,603,767
Loss for the year	-	-	-	(11,774,632)	-	-	-	(11,774,632)
Other comprehensive income	-	-	-	20,168	-	150,310	-	170,478
Payments on behalf of Shelter Afrique Foundation	-	-	-	-	-	-	(6,177)	(6,177)
Transfer of excess depreciation	-	-	(31,685)	31,685	-	-	-	-
Transactions with owners:								
Issue of share capital	4,741,000	3,664,794	-	-	-	-	-	8,405,794
At 31 December 2022	**125,536,000**	**65,008,597**	**438,204**	**(32,566,009)**	**1,000,000**	**(1,804,438)**	**786,876**	**158,399,230**
At 1 January 2023	125,536,000	65,008,597	438,204	(32,566,009)	1,000,000	(1,804,438)	786,876	158,399,230
Profit for the year	-	-	-	994,049	-	-	-	994,049
Other comprehensive income	-	-	-	-	-	(893,066)	-	(893,066)
Payments on behalf of Shelter Afrique Foundation	-	-	-	-	-	-	(12,006)	(12,006)
Transfer of excess depreciation	-	-	(31,685)	31,685	-	-	-	-
Transactions with owners:								
Issue of share capital	4,244,000	3,280,611	-	-	-	-	-	7,524,611
At 31 December 2023	**129,780,000**	**68,289,208**	**406,519**	**(31,540,275)**	**1,000,000**	**(2,697,504)**	**774,870**	**166,012,818**

STATEMENT OF CASH FLOWS

	Note	2023 US$	2022 US$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net cash from operations	*32*	*(43,653,813)*	*(79,247,685)*
Interest paid on medium term notes	*30*	*(10,515,756)*	*(6,939,136)*
Interest received		*25,689,330*	*12,571,454*
Payments on behalf of Shelter Afrique Foundation	*25*	*(12,006)*	*(6,177)*
Post-employment benefits paid	*27*	*(92,140)*	*(534,994)*
Net cash flows from operating activities		*(28,584,385)*	*(74,156,538)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Returns from received from equity investments	*19*	*-*	*163,310*
Purchase of equity investments	*19*	*(1,058,606)*	*-*
Purchase of property and equipment	*20*	*(52,286)*	*(37,010)*
Purchase of intangible assets	*21*	*(207,482)*	*(202,230)*
Net cash flows from investing activities		*(1,318,374)*	*(75,930)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid up capital during the year	*24*	*7,524,611*	*8,405,794*
Proceeds from medium term notes	*30*	*-*	*110,598,192*
Net cash flows from financing activities		*7,524,611*	*119,003,986*
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(22,378,148)**	**44,771,518**
AT START OF YEAR		*76,362,350*	*31,590,832*
EFFECT OF EXCHANGE RATE CHANGES		*(46,574)*	*-*
AT END OF YEAR	**32**	**53,937,628**	**76,362,350**

1 GENERAL INFORMATION

The Company for Habitat and Housing in Africa (Shelter - Afrique) is a Pan-African housing finance and development institution, established by African Governments, the African Development Bank, the African Reinsurance Corporation, and the CDC Company Plc in 1982 to address the need for innovative and sustainable housing delivery systems in Africa. It is an international body with a juridical personality and full legal capacity established by the Constituent Charter of Shelter Afrique. In the Republic of Kenya, the Constituent Charter has the force of law in accordance with the Shelter - Afrique Act, 1985. Its principal office is situated in Nairobi, Kenya. The Company is exempt from all forms of taxation as provided for in the Shelter – Afrique Act, 1985.

The address of its registered office is as indicated on page 64.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements are prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The Company's functional and presentation currency is the United States Dollars (US$).

i) Basis of measurement

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.
For those assets and liabilities measured at fair value, 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. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset | liability that market participants would ordinarily take into account in an arms-length transaction.

(ii) Going concern

The Company reported a total comprehensive profit of US$ 100,983 during the year ended 31 December 2023 (2022: total comprehensive loss of US $ 11,604,154) and had an accumulated deficit of US $ 31,540,275 as of that date (2022: US $ 32,566,009). The Company was in a net asset position of US $ 166,012,818 (2022: US $ 158,399,230). The Company's legacy loan and advances portfolio has been the main contributor to the poor asset quality with non-performing loans ratio at 51% (2022: 52%) however, the increased rigor in recovery and disbursement continues to improve the quality of the loan book and is expected to significantly contribute to the increase the Company's profitability in the future.

Continued existence of the Company as a going concern is dependent upon its future profitability and|or injection of additional funds into the business by the shareholders. In the year 2023, disbursements to loans and advances were US$ 19,942,395 (2022: US$ 81,227,440). The disbursements expand the base for future revenue generation. In addition, the shareholders remain committed to support the business though annual injection of capital, the budget capital to be mobilized from shareholders in financial year ending 31 December 2024 amounts to US $ 20 million. In the year 2023 capital injections amounted to US$ 7.53 million. In the year, interest income increased by USD 8.3 million which is line with the growth in loan book. This trend is expected to continue in the future.

On the basis of the above, the directors have prepared the financial statements on a going concern basis.

(a) Basis of preparation (continued)

(iii) use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the financial statement are disclosed in Note 3.

(b) Changes in accounting policies and disclosures

(i) New and amended standards effective and adopted by the Company.

A few amendments to standards became effective for the first time in the financial year beginning 1 January 2023 and have been adopted by the Company. The amendments have not had an effect on the Company's financial statements. The amendments are as follows:

Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

The above amendment did not have a material impact on the Company's financial statements.

(ii) International Financial Reporting Standards, interpretations and amendments issued but not effective

Amendments to IAS 1 - Non-current liabilities with covenants

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IFRS 16 – Leases on sale and leaseback

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Amendments to IAS 21 - Lack of Exchangeability (Amendments to IAS 21)

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

The Directors do not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application of the above, they don't expect a material impact on the Company's financial statements.

(c) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific criteria must be met before revenue is recognised:

(i) Interest and similar income and expenses

Interest income and expense are recognized in profit or loss for all interest-bearing instruments measured at amortized cost using the effective interest method.

Effective interest rate

Income from Government securities at fair value through profit or loss (FVTPL), deposits and loans and advances to customers is recognized in profit or loss using the effective interest rate method.
The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

— The gross carrying amount of the financial asset; or
— The amortized cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL).

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.
The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount.

The 'amortized cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Recognition of income and expenses (Continued)

Calculation of interest income (Continued)

For financial assets that were credit-impaired on initial recognition, purchased originated credit impaired (POCI) assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(ii) Fees and other income

In the normal course of business, the Company earns fees and commission income from a diverse range of services to its customers.

Fees relating to loan origination, including commitment, and front-end fees, are considered an integral part of the yield earned on the loan and are accounted for using the effective interest rate method. Fees received for commitments that are not expected to result in a loan are included in non-interest income over the commitment period.

Any other fees and commission income, including account servicing fees, investment management fees, placement fees and syndication fees, are recognised as the related services are performed.

Dividend income from equity investments is recognised when the Company's right to receive payment is established.

The company also owns the premises where the headquarters seat is located. Due to its moderate current operations, the company has not been able to occupy all the space in its headquarters' building. The extra space is let out to tenants who pay rent and parking fees. Additionally, housing units in repossessed assets from defaulting customers are rented out for rental income as the company tries to sell the assets to the market. Rental income is recognised on accrual basis where rent income is recognised when it's earned.

SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Recognition of income and expenses (Continued)

(iii) Interest expense

Interest expenses consist of interest and other costs that an entity incurs in connection with the borrowing of funds. These costs are recognised in profit or loss using the effective interest rate method.

(d) Investments in joint ventures

The Company has interest in joint ventures, which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangements require unanimous agreement for financial and operating decisions among the venturers.

The Company recognises its interest in the joint ventures using the equity method of accounting. Under the equity method, the interest in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the venturer's share of profit or loss in the joint venture after the date of acquisition. The venturer's share of profit or loss is recognised in the venturer's profit or loss.

Any change in other comprehensive income of the joint venture is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture. Distributions received from the joint venture reduce the carrying amount of interest in the joint venture.

The financial statements of the joint ventures are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired.

Where indicators of impairment are noted, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount and recognises the impairment charge in the statement of profit or loss.

SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(e) Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing 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 recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value 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 recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(f) Intangible assets

Intangible assets comprise acquired computer software programmes. An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on acquired computer software programmes is capitalised and amortised using the straight-line method over their estimated useful lives, which is four to five years. Amortisation is recognised within the operating expenses line item.

The intangible assets' useful lives and methods of amortisation are reviewed at each reporting date and adjusted prospectively if appropriate.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(g) Capital grant

This relates to a grant from Government of Kenya in form of leasehold land. The asset is depreciated over the lease term of 99 years. The company holds only one capital grant from the government of Kenya.

(h) Property and equipment

Buildings is initially measured at cost and then are subsequently measured at the fair value on the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Other categories of property and equipment are included in the financial statements at their historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

(h) Property and equipment (continued)

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognised in profit or loss.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds of disposal with the carrying amount of the item of property and equipment and are recognised in profit or loss in the year in which they arise.

Revaluation surplus

Buildings are revalued every five years. The carrying amounts are adjusted to the revaluations and the resulting increase recognised in other comprehensive income and presented in the revaluation reserve within equity.

Revaluation decreases that offset previous increases of the same asset are charged or recognised in other comprehensive income. Any decrease that does not offset a prior increase is charged to profit or loss.

Revaluation surpluses are not distributable.

Depreciation on revalued land and buildings is recognised in profit or loss. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

Depreciation is calculated on the straight-line basis, at annual rates estimated to write off the cost or valuation of the assets over their estimated useful lives. Depreciation is recognised in profit or loss.

The annual depreciation rates in use are:

Buildings	**2.56%**
Office equipment, furniture and fittings	**12.5%**
Motor vehicles	**25.0%**
Computers	**25.0%**
Residential furniture and fittings	**12.5%**

Buildings on leasehold land are depreciated over the estimated useful life of the building, or the lease period, whichever is shorter.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

(i) Impairment of non-financial assets (continued)

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or has decreased. If such indication exists, the Company estimates the asset's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Retirement benefit costs

The Company operates a defined contribution provident fund scheme for all its employees. The assets of the scheme are held in a separate trustee administered fund that is funded by both the Company and employees. The Company's contributions to the above scheme are charged to profit or loss in the year to which they relate. The Company also operates a closed gratuity scheme for its employees. A defined benefit plan is a post-employment benefit plan other than defined contribution plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

(k) Employee entitlements

A provision is made for the estimated liability of service pay as a result of services rendered by employees up to the year end. Employees are entitled to a full month pay for every year of service completed. A provision is made for the estimated liability of annual leave and service pay as a result of services rendered by employees up to the year end.

(l) Financial instruments

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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

(l) Financial instruments (continued)

Measurement methods

Amortised cost and effective interest rate (continued)

For purchased or originated credit-impaired financial assets — assets that are credit-impaired at initial recognition — Shelter Afrique calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When Shelter Afrique revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income and expense are recognised in profit or loss on the accrual basis. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Financial assets that are not impaired at initial recognition but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognized on trade date, the date on which Shelter Afrique commits to purchase or sell the asset.

At initial recognition, Shelter Afrique measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in expected credit loss measurement note, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss; and

b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories:

- *Fair value through other comprehensive income (FVOCI)*
- *Fair value through profit or loss (FVTPL) ; or*
- *Amortised cost.*

(l) Financial instruments (continued)

***Measurement methods** (continued)*

Classification and subsequent measurement (continued)

The classification requirements for debt and equity instruments are described below:

Debt instruments

These are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, cash and bank balances, bank deposits.

Classification and measurement of debt instruments depend on:

- *The Company's business model for managing the asset; and*
- *The cash flow characteristics of the asset.*

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost***: Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest on these financial assets is included in the income statement as part of interest income using the effective interest rate method.*

- **Fair value through other comprehensive income (FVOCI):** *Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains|(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.*

- **Fair value through profit or loss***: Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A business model in which an entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets, would result in an FVTPL business model.*

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the profit or loss statement within other gains|(losses) in the period in which it arises. Interest income from these financial assets is included in the interest income.

Business model assessment

The business model reflects how Shelter Afrique manages the assets in order to generate cash flows. That is, whether Shelter Afrique's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by Shelter Afrique in determining the business model for assets include past experience on how the cash flows of these assets were collected, how the performance of the assets is evaluated and reported to key management personnel, the risks that affect the performance of the business model (and the financial assets within) and in particular, the way that those risks are managed; and how assets managers are compensated.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(I) Financial instruments (continued)

Measurement methods *(continued)*

Classification and subsequent measurement (continued)

Cash flow characteristic of the asset

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, Shelter Afrique assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test).

In making this assessment, Shelter Afrique considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Shelter Afrique reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Equity instruments

These are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Shelter Afrique subsequently measures all equity investments at fair value. Where Shelter Afrique's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gains|(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Shelter Afrique has designated at FVOCI investments in equity securities that are unquoted and not for trading. The entity chose this presentation alternative because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

When Shelter Afrique derecognizes investments in equity instruments measured at FVOCI, it shall disclose:

- *The reason for disposing the investments,*
- *The fair value of investments at the date of derecognition; and*
- *The cumulative gain or loss on disposal.*

(ii) Impairment of financial assets

Shelter Afrique assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from project finance loan and corporate loans. Shelter Afrique recognizes a loss allowance for such losses at each reporting date determined as detailed in Note 35(b). The measurement of ECL reflects:

a) *An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;*
b) *The time value of money; and*
c) *Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.*

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

(iii) Modification of loans

Shelter Afrique sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, Shelter Afrique assesses whether or not the new terms are substantially different to the original terms. Shelter Afrique does this by considering, among others, the following factors:

- *If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.*
- *Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.*
- *Significant extension of the loan term when the borrower is not in financial difficulty.*
- *Significant change in the interest rate.*
- *Change in the currency the loan is denominated in.*
- *Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.*

If the terms are substantially different, Shelter Afrique derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, Shelter Afrique also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and Shelter Afrique recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Financial liabilities

(i) Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for;

- *Financial liabilities at fair value through profit or loss; this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;*
- *Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies; and*
- *Financial guarantee contracts and loan commitments*

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(l) Financial instruments (continued)

Financial liabilities (continued)

(ii) Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between Shelter Afrique and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position only when there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in profit or loss unless required by an accounting standard or interpretation and is specifically disclosed in the accounting policies of the Company.

(m) Investment properties

(a) Land and building
Buildings are measured initially at cost, including transaction cost. After recognition buildings are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of buildings are included in profit or loss in the period in which they arise.
Land and building are held to earn rentals and/or for capital appreciation. They are carried at fair value representing market value determined by external independent valuers.

(b) Work in progress
Work in progress relates to capitalized expenditure for residential rental development project. Management has determied that fair value of an investment property under constraction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete. Accordingly, inline with IAS 40, it measures work in progress under construction at cost until either it's fair value becomes reliably measurable, or construction is completed (whichever is earlier).

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

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(n) Provisions

Provisions are recognised when the Company has 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 Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss, net of any reimbursement.

(o) Dividends

Dividends payable are recognised as a liability in the period in which they are approved and declared.

Distributions of profits to holders of equity investments in proportion to their holdings of the capital is done at the year-end provided the Company has made profits in excess of United States dollar (US$) of one million. The maximum amount that can be distributed is 20% of the profits after approval by the annual general meeting.

(p) Shelter Afrique Foundation

The Company has set up a Foundation to enhance Shelter-Afrique's visibility in corporate social responsibility to its member countries. The current policy approved by the Annual General meeting requires an appropriation of 15% of the profits in a given year provided that the Company has made profits in excess of United States dollar (US$) of one million.

(q) Deferred income

Lumpsum fees received upfront in relation to loans and advances disbursed to customers from which the Company expects derive benefits over a period beyond the year in which the fees are received, are recognised as liability and recognised in profit or loss over the life of the facility. Other deferred income relates to government grants, based on land donated by the Kenya government for the Headquarters building. The grant is recognised in profit or loss over the useful life of the building disclosed in note 2(h).

(r) Leases

The Company as a lessor

The Company enters into lease agreements as a lessor with respect to some of its properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(s) Repossessed collateral

Property swapped for debt as part of debt recovery process and is held as investment property and is measured at fair value. The Company makes arrangement to dispose repossessed collateral to the market quickly and at the best price. Disposal processes commences immediately when the asset becomes ready for sale. While assets are not being disposed of, the Company endeavors to keep costs relative to the upkeep and maintenance of the assets to a minimum.

Converting |liquidating the assets in the Company's possession now is still better than holding the assets for a projected upturn in market price in the future which often do not materialize. The Company is not in asset and property trading| management, and thus does not take positions on the market trends.

(t) Segment reporting

The Company's business is offering loan products for housing development. As such, for segmental reporting, the Company is organised into a single operating segment. In view of this the Company does not report on separate business segments.

(u) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(v) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction.

(w) Taxation

The Company is exempt from all forms of taxation as provided for in the Shelter Afrique Act 1985.

(x) Derivative financial assets and liabilities

The Company enters into derivatives (currency forwards and swaps) for trading purposes. At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. The Company may take positions with the expectation of profiting from favourable movement in prices, rates or indices. The Company's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

The company uses the following derivative instrument:

<u>Currency swaps</u>

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as a foreign currency rate. In a currency swap, the Company pays a specified amount in one currency and receives a specified amount in another currency.

(y) Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3 MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Company's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring expected credit losses (ECL), such as:

- *Determining criteria for significant increase in credit risk;*
- *Choosing appropriate models and assumptions for the measurement of ECL; and*
- *Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.*

Note 35 (b) provides the detailed analysis of the assumptions applied in the Company's expected credit losses model.

(b) Investment property

The Company obtains independent valuations for its investment properties and buildings after every five years. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations and desktop reviews to confirm that the fair value hasn't changed materially since the last formal valuation. The directors apply judgement on the reasonableness of assumptions applied to determine the property's/building's fair value.

		2023	2022
4	**INTEREST INCOME**	**US$**	**US$**
	Interest on:		
	Project finance loans	*6,932,857*	*6,444,797*
	Lines of credit advances	*10,708,389*	*5,829,373*
	Staff loans	*104,997*	*111,863*
		17,746,243	***12,386,033***
	Placements with financial institutions	*7,943,087*	*5,007,282*
		25,689,330	***17,393,315***
	Geographical concentration analysis:		
	Eastern Africa	*2,329,679*	*3,160,402*
	Southern Africa	*1,831,249*	*2,172,620*
	Francophone West/Central Africa	*7,228,413*	*2,959,904*
	Anglophone West Africa	*6,251,905*	*3,981,244*
	Staff loans	*104,997*	*111,863*
		17,746,243	**13,386,033**

The interest income accrued on impaired financial assets is US$ 4,054,288 (2022: 4,421,433)

The main types of loan products to customers are:

Lines of credit – These are short term and structured medium-term financing to housing finance institutions and other institutions for on-lending to individuals and developers for new mortgages or refinancing of existing mortgages.

Project finance – These are medium term construction/development loans to developers for development of new housing estates, infrastructure provision through site and services schemes, commercial projects (office buildings, rental housing, shopping centres, among others)

		2023	2022
5	**INTEREST EXPENSE AND SIMILAR CHARGES**	**US$**	**US$**
	Interest expense		
	Medium term notes (note 30)	*9,800,687*	*9,823,367*
		9,800,687	*9,823,367*
	Other similar charges		
	Other financial charges	*266,931*	*177,876*
		10,067,618	**10,001,243**

6	FEES AND COMMISSION INCOME	2023 US$	2022 US$
	Commitment fees	*22,853*	*22,240*
	Appraisal fees	*65,461*	*439,018*
	Front end fees	*184,464*	*190,369*
	Penalty fees	*95,000*	*192,342*
	Management fees	*297,466*	*185,832*
	Cancellation fees	*251,380*	*10,000*
		916,624	***1,039,801***

Commitment fees

These are fees payable by the borrower three months after signing of the loan agreement on any undisbursed loan amounts. They accrue at the rate of 0.85 per cent per annum on the undisbursed loan amount.

Appraisal fees

These are fees paid by the borrower to cater for any project appraisal expenses incurred when appraising the project. These are paid prior to the loan agreement being signed and are stated at 0.5% on the loan amount.

Front-end fees

These are non-refundable fees paid by the borrower upon signing of the loan agreement stated at 1% on the loan amount.

Penalty fees

These are late payment charges levied on the outstanding invoice amount at different rates.

Management fees

These are fees for managing the projects and are charged at 0.5% of the outstanding loan balance.

Cancellation fees

These include restructuring fees and termination fees payable by the borrower upon cancellation of the loan agreement and insurance costs for projects.

7	OTHER INCOME	2023 US$	2022 US$
	Rental income (Note 23)	*310,688*	*215,671*
	Gain on sale of recovered properties	*456*	*2,406*
	Dividend income from equity investments	*30,563*	*24,635*
		314,706	**242,712**

8	OPERATING EXPENSES	2023 US$	2022 US$
	Staff costs (note 9)	*4,732,380*	*4,635,973*
	Consultancy fees and legal fees	*603,507*	*826,044*
	Depreciation on property and equipment (Note 20)	*43,129*	*251,580*
	Amortisation of intangible assets (Note 21)	*255,095*	*245,579*
	Amortisation of leasehold land (Note 22)	*3,879*	*3,879*
	Auditor's remuneration	*50,000*	*50,000*
	Directors' fees (Note 34)	*333,830*	*444,890*
	Official missions	*353,206*	*562,188*
	Business promotion	*61,581*	*218,907*
	Other administration costs	*2,022,248*	*2,229,081*
		8,458,855	***9,468,121***

The Company did not have any regulatory fines or penalties during the year (2022: Nil).

9	STAFF COSTS	2023 US$	2022 US$
	Salaries and wages	*4,025,674*	*3,993,165*
	Retirement benefits cost:		
	Defined contribution Scheme	*452,900*	*456,382*
	Current service cost net of employees' contributions (Note 27)	*298,134*	*261,888*
	Interest cost (Note 27)	*43,571*	*42,980*
	Leave accrual (Note 26 (ii))	*(87,899)*	*(118,442)*
		4,732,380	**4,635,973**

The average number of employees in the year was 55 (2022: 48)

10	NET FOREIGN EXCHANGE LOSSES	2023 US$	2022 US$
	FX gains|(losses) arising from:		
	Medium-term note	*52,017,014*	*8,286,467*
	Loans and advances	*(22,561,174)*	*(7,639,026)*
	Expected credit losses	*6,118,907*	*4,787,649*
	Investments in short-term deposits and FGN bonds	*(34,613,994)*	*(6,977,099)*
	Other instruments	*(3,773,754)*	*141,330*
		(2,813,001)	***(1,400,679)***

The Company operates internationally and is exposed to foreign exchange risk, note 35 (c) details the primary foreign currencies the Company is exposed to.

11 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit|(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares has been computed as a reasonable approximation of the number of ordinary shares outstanding during the period, which is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. There were no discontinued operations and no potentially dilutive shares outstanding on 31 December 2023 and 31 December 2022

	2023	2022
	US$	US$
Profit|(loss) attributable to shareholders	994,049	(11,774,632)
Weighted average number of ordinary shares	127,658	123,166
Basic and diluted earnings per share	7.79	(95.60)

12 CASH AND BANK BALANCES

	2023	2022
Cash and bank balances	3,768,295	3,400,643
Cash and bank balances analysis based on denominated currencies:		
United States Dollars (US$)	1,977,983	2,311,960
Kenya Shillings	396,159	447,825
Central African franc	26,850	46,603
Euro	265,187	465,739
South African Rand	8,703	18,029
Naira	1,093,413	110,487
	3,768,295	**3,400,643**

13 SHORT TERM BANK DEPOSITS AND INVESTMENTS IN BONDS

		2023	2022
(a)	Call and term deposits with banks	51,950,876	74,647,312
	Less: Expected credit losses	(1,781,543)	(1,685,605)
		50,169,333	**72,961,707**
	Amounts per currency		
	United States Dollars (US$)	29,095,971	13,020,508
	Kenya Shillings	1,468,169	5,929,671
	South African Rand	307,912	323,835
	Euro	-	282,988
	Central African Franc	1,247	114,605
	Naira	19,296,034	53,290,100
		50,169,333	**72,961,707**

13 SHORT TERM BANK DEPOSITS AND INVESTMENTS IN BONDS (CONTINUED)

(b) *Investment in bonds carried at fair value through profit or loss - Federal Government of Nigeria Bonds*	**2023**	**2022**
	US$	**US$**
At start of year	10,392,317	-
Bonds purchased during the year	3,446,770	10,299,855
Bonds sold during the year	(3,691,380)	-
Fair value gain	566,339	900,512
Foreign exchange loss	(5,219,406)	(808,050)
At end of year	***5,494,640***	***10,392,317***

All the bank deposits mature within three months from the dates of placement. The bonds maturity tenor is over 10 years. The weighted average effective interest rate for the FGN Bonds is 15.70% (2022: 12.6%).

The movement in provision for expected credit losses on short term bank deposits is as follows:

	2023	**2022**
	US$	**US$**
At start of year	1,685,605	1,582,230
Increase in provision in the year	95,938	103,375
At end of year	***1,781,543***	***1,685,605***

Included in the provision for impaired short-term deposits is USD 1,031,766 relating to a deposit held in Chase Bank Limited, a bank in Kenya that was placed under statutory administration on 7 April 2019 by the Central Bank of Kenya.

The effective interest rates per annum by currency were as follows:

	2023	**2022**
United States Dollars (US$)	5.14%	3.61%
Kenya Shillings	11.23%	9.71%
Rand	6.58%	6.00%
Euro	2.13%	2.00%
Central African Franc	2.50%	2.50%
Naira	11.68%	9.5%

14 DERIVATIVE FINANCIAL INSTRUMENTS

As part of its asset and liability management, the Company uses derivatives for hedging purposes to reduce its exposure to foreign currency risks. This is done by engaging in currency swaps where the Company pays a specified amount in one currency and receives a specified amount in another currency.

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

	2023	2022
	US$	US$
Foreign currency contracts		
Derivative financial instruments	67,763	153,274

The notional amounts are the respective gross amounts underlying the contract at the reporting date.

	Notional amount	Assets	Liabilities
	USD	USD	USD
2023			
Currency swap contracts	1,552,905	67,763	-
2022			
Currency swap contracts	2,440,280	153,274	-

15 REPOSSESSED COLLATERAL

	2023	2022
	US$	US$
Land	1,063,163	1,498,003
Buildings	8,231,159	8,862,077
	9,294,322	***10,360,080***
The movement in buildings in the year is as follows:		
At start of year	8,862,077	3,264,679
Additions	1,470,007	5,754,632
Disposals	(158,606)	(157,234)
Revaluation losses	(1,942,319)	-
At end of year	***8,231,159***	***8,862,077***

The Company's repossessed collaterals comprise 11 apartments (2022: 11) in Eden Beach Resort & Spa in Mombasa, Kenya, and 12 houses (2022: 15) and vacant land in Athi River, 28 houses (2022: 30) in Kenya Medical Association, in Mombasa, 74 houses (2022: 75) in Translakes in Kisumu, Kenya.

During the year, the company repossessed 15 houses in Serene Valley valued at USD 1,470,007. This arose from foreclosure of a loan with the developer after satisfying all legal procedures. The net exposure at the time of repossession was USD 873,096. The net gain of USD 596,911 has been included as part of the recoveries of USD 929,966 in note 16 of the financial statements".

15 REPOSSESSED COLLATERAL (CONTINUED)

The movement in land in the year is as follows:		
	2023	**2022**
	US$	**US$**
At start of year	*1,498,003*	*1,221,239*
Additions	-	*296,756*
Disposals	*(79,105)*	*(19,992)*
Revaluation losses	*(355,735)*	-
At end of year	**1,063,163**	**1,498,003**

16 LOANS AND ADVANCES TO CUSTOMERS

Principal loans and advances to customers	*167,470,516*	*186,466,507*
Staff loans and advances	*4,426,262*	*4,285,726*
	171,896,778	*190,752,233*
Interest and fees receivable	*51,264,664*	*78,788,944*
	223,161,442	*269,541,177*
Provision for expected credit losses	*(84,860,080)*	*(114,529,205)*
Net loans and advances	*138,301,362*	*155,011,972*
Profile of the loans and advances		
Current portion	*41,786,410*	*43,368,461*
Non-current portion	*96,514,952*	*111,643,511*
	138,301,362	***155,011,972***
Product analysis		
Project finance	*37,244,248*	*35,641,801*
Lines of credit	*97,311,748*	*115,281,197*
Staff loans	3,745,366	4,088,974
	138,301,362	***155,011,972***

The average effective interest rate on loans and advances to customers at 31 December 2023 was 12.41 % (2022 12.14 %). For project finance portfolio, the rate was 12.11% (2022: 12.29.%) and for lines of credits at 12.64% (2022: 12.04%.) per annum.

Staff loans and advances are granted in accordance with the staff rules and regulations approved by the Board of Directors. The effective rate on staff loans and advances was 4% (2022: 4%) per annum. The staff car loans and staff mortgage loans at the year-end are secured, and settlement occurs in cash. Other staff advances are secured by terminal dues, and settlement occurs in cash. Expected credit losses on staff loans at 31 December 2023 was US$ 680,896 (2022; 196,751).

16 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)	2023	2022
The movement in the principal loans and advances including staff loans is as follows:		
At start of year	*190,752,233*	*151,742,944*
Disbursements in the year	*19,942,395*	*81,227,440*
Repayment in the year	*(17,140,807)*	*(28,915,244)*
Amounts written off during the year	*(1,412,920)*	*(2,463,177)*
Debt to asset swap	*(1,470,000)*	*(6,734,618)*
Exchange difference	*(18,774,123)*	*(4,105,112)*
At end of year	***171,896,778***	***190,752,233***
Movements in the gross loans and advances balance have been disclosed under note 35 (b)		
The movement in the provision for expected credit losses is as follows:		
	2023	**2022**
	US$	**US$**
At end of year	*114,529,205*	*131,655,081*
Charge for the year – loans to customers	*5,491,150*	*11,021,883*
Recoveries on impaired loans and advances	*(929,966)*	*(2,818,773)*
Write off during the year	*(28,111,402)*	*(20,541,339)*
Exchange difference	*(6,118,907)*	*(4,787,647)*
At end of year	*(84,860,081)*	*(114,529,205)*
Maturity analysis of gross loans		
Within one year	*125,965,595*	*157,700,915*
One year to five years	*79,453,442*	*90,295,038*
Over five years	*17,742,405*	*21,545,224*
	223,161,442	***269,541,177***

The expected credit losses charge to the statement of profit or loss is as follows:

16	**LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**	**2023**	**2022**
		US$	**US$**
	Expected credit losses – Loans & Advances	*5,007,005*	*10,956,029*
	Expected credit losses - Staff Loans	*484,145*	*65,855*
		5,491,150	*11,021,884*
	Recoveries	*(929,966)*	*(2,818,774)*
		4,561,184	***8,203,110***

17	**OTHER RECEIVABLES AND PREPAYMENTS**	**2023**	**2022**
		US$	**US$**
	At end of year	*(1,096,037)*	*(1,210,469)*
	Other debtors	*2,604,066*	*3,482,371*
	Prepayments	*590,652*	*540,613*
	Less: expected credit losses	*(1,096,037)*	*(1,210,469)*
		2,098,681	*2,812,515*
	Current portion	*607,283*	*617,170*
	Non-current portion	*1,491,398*	*2,195,345*
		2,098,681	***2,812,515***

The movement on the expected credit losses for other receivables is as follows:

	2023	**2022**
	US$	**US$**
At start of year	*1,210,469*	*1,148,130*
(Decrease)/increase	*(29,834)*	*98,683*
Exchange difference	*(84,598)*	*(36,344)*
At end of year	**(1,096,037)**	**(1,210,469)**

18 INVESTMENTS IN JOINT VENTURES

Set out below are the joint ventures of the Company as at 31 December 2023 which in the opinion of the directors are material to the company. The proportion of ownership interest is the same as the proportion of the voting rights held.

	2023	**2022**
	US$	**US$**
Everest Park Project	*808,993*	*1,009,184*
Rugarama Park Estates Project	*1,272,636*	*1,275,205*
Kew Gardens Project	*423,506*	*538,850*
*Glenwood Gardens Project**	*-*	*-*
At end of year	**2,505,135**	**2,823,239**

Movement in the joint ventures is as follows:		
At start of year	*2,823,239*	*4,086,707*
Share of profit|(loss)	*10,650*	*(42,209)*
Impairment	*(1,378)*	*(1,071,065)*
Exchange difference	*(327,376)*	*(150,194)*
At end of year	***2,505,135***	***2,823,239***

18 INVESTMENTS IN JOINT VENTURES (CONTINUED)

**In 2018, the Glenwood Garden Project was fully impaired.*

At 31 December 2023, the carrying value of the investment in joint ventures was written down to its recoverable amount of USD 2,505,135 which was determined by reference to the joint ventures net assets values.

The impairment losses include administrative expenses in the statement of profit or loss.

The subsequent tables provide summarised financial information for the joint ventures that are material to the company. The information disclosed reflects the amount presented in the financial statements and not Shelter Afrique's share of those amounts.

(a) Everest Park Project

Everest Park Project Joint Venture is a joint venture arrangement between Shelter Afrique and Everest Limited with effect from 1 February 2011. The objective of the joint venture is to own, develop and sell the subject property and improvements to generate investment income. The property is located within Mavoko Municipality in Kenya. The joint venture was incorporated in Kenya and the principal place of business is Shelter Afrique Centre, Longonot road, Nairobi, Kenya. The joint venture is not a listed entity. The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 50% and Everest Limited - 50%. The term of the joint venture is up to 31 October 2023. As of 31 December 2023, the directors have assessed the investment to be recoverable despite the impact of various challenges on the real-estate market.

	2023 **US$**	**2022** **US$**
Draft statement of financial position:		
Property held for sale	*1,995,542*	*2,826,824*
Trade and other receivables	*34,306*	*43,507*
Cash and cash equivalents	*48,183*	*14,287*
Total current assets	*2,078,031*	*2,884,618*
Borrowings and other payables	*322,427*	*686,624*

Total current liabilities	*322,427*	*686,624*
Equity	*1,755,604*	*2,197,994*
Total equity and liabilities	*2,078,031*	*2,884,618*

18 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(a) Everest Park Project (continued)

	2023	2022
	US$	**US$**
Draft statement of profit & loss and other comprehensive income:		
Revenue	*284,191*	*410,806*
Other income	*47,194*	*72,845*
Less: Direct costs	*(274,624)*	*(427,245)*
Gross profit	*56,761*	*56,406*
Administration expenses	*(30,302)*	*(7,482)*
Profit before income tax	*26,459*	*48,924*
Income tax expense	-	-
Profit for the year	*26,459*	*48,924*
Share of joint venture's profit (50%)	*13,229*	*24,462*
Reconciliation of investment in joint venture		
1 January	*1,009,184*	*1,074,170*
Share of profit	*13,229*	*24,462*
Exchange difference	*(213,420)*	*(89,448)*
	808,993	***1,009,184***

(b) Glendwood Gardens Project

Glenwood Gardens Project is a joint venture between Shelter Afrique and Glenwood Gardens Limited with effect from 20 May 2015. The project is situated in Ndenderu, Ruaka, Kiambu County, Kenya. The purpose of the joint venture is to acquire, own, develop, construct, operate and sell the subject property and improvements as an investment for production of income. The joint venture was incorporated in Kenya and the principal place of business is Shelter Afrique Centre, Longonot road, Nairobi, Kenya. The joint venture is not a listed entity. The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 50% and Glenwood Gardens Limited - 50%. The term of the joint venture is up to 1 January 2022. In 2018 the joint venture was fully impaired because the project stalled and the subsequent annual losses arising from the joint venture were recognised in the statement of profit or loss.

18 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(b) Glenwood Gardens Project (continued)

	2023	2022
	US$	US$
Draft statement of financial position:		
Inventory	*8,042,056*	*9,270,086*
Cash and bank balances	*2,361*	*3,028*
Trade and other receivables	*640,697*	*812,530*
Total assets	*8,685,114*	*10,085,644*
Borrowings and other payables	*7,264,355*	*8,280,347*
Total liabilities	*7,264,355*	*8,280,347*
Equity	*1,420,759*	*1,805,297*
Total equity and liabilities	***8,685,114***	***10,085,644***
Draft statement of profit & loss and other comprehensive income:		
Administration expenses	*(2,757)*	*(3,496)*
Loss before income tax	*(2,757)*	*(3,496)*
Income tax expense	-	-
Loss for the year	*(2,757)*	*(3,496)*
Share of joint venture's profit (50%)	*(1,378)*	*(1,748)*

Reconciliation of investment in joint venture		
1 January	-	-
Share of loss (not recognised)	(1,378)	(1,748)
Impairment loss (not recognised)	1,378	1,748
	-	-
	-	-

18 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(c) Kew Gardens Project

Kew Gardens Project is a joint venture between Shelter Afrique and Itoga Investments Holdings Limited from 8 October 2013. The purpose is to develop, construct and sell property of the project located in Kilimani, Nairobi, Kenya. The joint venture was incorporated in Kenya and the principal place of business is Shelter Afrique Centre, Longonot road, Nairobi, Kenya. The joint venture is not a listed entity.

The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 19.8% and Itoga Investments Holdings Limited – 80.2%. While the Company holds less than 50% interest in the venture, the directors have considered the terms of the project's operation and concluded there is joint control with the Itoga Investments Holdings Limited. The term of the joint venture was up to 31 December 2021, but stalled, and *is under a loan workout arrangement by the Special operations unit. As of 31 December 2023, the directors have assessed the investment to be recoverable despite the challenges of the real-estate market. The directors continue to assess the evolving challenges in the macro-economic environment on the industry.*

	2023 US$	2022 US$
Draft statement of financial position:		
Inventory	22,472,153	25,646,162
Cash and bank balances	3,018	3,944
Trade and other receivables	120,377	152,662
Total assets	22,595,548	25,802,768
Borrowings and other payables	20,456,628	23,081,303
Equity	2,138,920	2,721,465
Total equity and liabilities	22,595,548	25,802,768
Draft statement of profit & loss and other comprehensive income:		
Administration expenses	(7,014)	(8,719)
Loss before income tax	(7,014)	(8,719)
Income tax expense	-	-
Loss for the year	(7,014)	(8,719)

Share of joint venture's profit (19.8%)	*(1,389*	*(1,766)*
Reconciliation of investment in joint venture		
1 January	*538,849*	*729,491*
Share of profit	*(1,389)*	*(1,766)*
Exchange difference	*(113,954)*	*(60,746)*
Impairment	*-*	*(128,130)*
	423,506	***538,849***

18 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(d) Rugarama Park Estates Project

Rugarama Park Estates Limited is a joint venture between Shelter Afrique and Banque Rwandaise de Development (BRD) to undertake the development and subsequent implementation of an affordable housing project. The project is situated in Rugarama, Nyarugenge district within the City of Kigali, partnered with BRD to co-finance the development of about 2,700 housing units and infrastructure services in Nyarugenge district, Kigali. The project is in collaboration with the City of Kigali.

The principal place of business in Nyarugenge, Kigali, Rwanda. The joint venture is governed by the laws of the Republic of Rwanda and is not listed.

The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 50% and Banque Rwandaise de Development (BRD) – 50%. The joint venture will terminate upon the completion and sale of all of the Houses and the payment of all Venture debts and distribution of all net sale proceeds. The project is currently under construction.

As of 31 December 2023, the directors have assessed the investment to be recoverable despite challenges on the real-estate market.

	2023 US$	2022 US$
Draft statement of financial position*:*		
Cash and bank balances	*31,473*	*78,456*
Work in progress	*3,111,833*	*3,673,388*
Trade and other receivables	*613,527*	*724,191*
Total assets	*3,756,833*	*4,476,035*
Other payables	*1,604,791*	*1,925,624*
Total liabilities	*1,604,791*	*1,925,624*
Equity	*2,152,042*	*2,152,042*
Total equity and liabilities	***3,756,833***	***4,476,035***

18	INVESTMENTS IN JOINT VENTURES (CONTINUED)	2023 US$	2022 US$
	***(c)* Rugarama Park Estates Project**		
	Draft statement of profit & loss and other comprehensive income:		
	Other operating income	*6,331*	*1,113*
	Administration expenses	*(11,470)*	*(127,426)*
	Loss before income tax	*(5,139)*	*(126,313)*
	Income tax expense	-	-
	Loss for the year	*(5,139)*	*(126,313)*
	Share of joint venture's profit (50%)	*(2,569)*	*(63,157)*
	Reconciliation of investment in joint venture		
	1 January	*1,275,205*	*2,283,045*
	Share of loss	*(2,569)*	*(63,157)*
	Impairment	-	*(944,683)*
		1,272,636	***1,275,205***

19. EQUITY INVESTMENTS

	Currency	At 1 January	Additions at cost	Capital Refund	Changes in fair value	Exchange difference	At 31 December
31 December 2023		**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
At fair value through other comprehensive income							
Pan African Housing Fund LLC (Mauritius)	*USD*	*394,000*	*-*	*-*	*(107,000)*	*-*	*287,000*
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo	*FCFA*	*1,291,000*	*-*	*-*	*(32,923)*	*47,923*	*1,306,000*
Tanzania Mortgage Refinance Company Limited	*USD*	*1,445,000*	*-*	*-*	*(305,000)*	*-*	*1,140,000*
Kenya Mortgage Refinance Company Limited	*KES*	*2,315,000*	*-*	*-*	*203,573*	*(489,573)*	*2,029,000*
FundCo Capital Managers Limited	*NGN*	*-*	*1,058,606*	*-*	*(112,279)*	*(151,327)*	*795,000*
		5,445,000	***1,058,606***	***-***	***(353,629)***	***(592,977)***	***5,557,000***
31 December 2022							
At fair value through other comprehensive income							
Pan African Housing Fund LLC (Mauritius)	*USD*	*728,000*	*-*	*(163,310)*	*(170,690)*	*-*	*394,000*
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo	*FCFA*	*1,330,907*	*-*	*-*	*40,955*	*(80,862)*	*1,291,000*
Tanzania Mortgage Refinance Company Limited	*USD*	*1,166,000*	*-*	*-*	*279,000*	*-*	*1,445,000*
Kenya Mortgage Refinance Company Limited	*KES*	*2,233,093*	*-*	*-*	*267,860*	*(185,953)*	*2,315,000*
		5,458,000	***-***	***(163,310)***	***417,125***	***(266,815)***	***5,445,000***

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the Directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run. The fair value of these financial instruments that are not traded in an active market is determined using fair value techniques.

The Company uses judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details on key assumptions used and the impact of changes to these assumptions refer to Note 31. Changes in fair value and exchange differences are recognised in the statement of comprehensive income.

19 EQUITY INVESTMENTS (CONTINUED)

Investment in Caisse Régionale de Refinancement Hypothécaire (CRRH)

CRRH is a regional mortgage-refinancing fund, created on 17 July 2010 as a limited company under Togolese law. The initial capital was FCFA 3,426 million comprising of 342,600 shares with a nominal value of FCFA 10,000 fully subscribed and paid up. Its main responsibility is to support the issuance of long-term loans by major mortgage lenders from the West African Economic and Monetary Unit (WAEMU) area.

The main sponsor of CRRH is the West African Development Bank, while other shareholders include local banks. Shelter Afrique's investment comprises 46,000 shares at a par value of FCFA 10,000 (representing 4.5% ownership).

Pan African Housing Fund LLC (PAHF)

PAHF is a sector-specific private equity fund whose key objective is to promote directly and indirectly the provision of housing solutions in Africa. The current investors are Shelter Afrique, CDC Company Plc, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), African Development Bank, African Reinsurance Corporation, Eastern and Southern African Trade and Development Bank (TDB Bank) and Phatisa. The Pan African Housing Fund seeks to provide risk capital to real estate projects on a joint-venture basis to selected local developers and works closely with these developers to increase their capabilities across both technical and scale dimensions. Shelter Afrique owns 11.18%.

Tanzania Mortgage Refinance Company Limited (TMRC)

TMRC is a private sector institution whose main objective is the development and promotion of the mortgage finance market (and hence residential construction) through the provision of liquidity to mortgage lenders and development of the local bond market. The investment is carried fair value. SHAF owns 9.98%.

Kenya Mortgage Refinance Company Limited (KMRC)

KMRC was established as a key institution to support the Affordable Housing Pillar of the Government of Kenya's Big 4 Agenda. It was incorporated on 19 April 2018 as a non- deposit taking financial institution under the supervision of the Central Bank of Kenya with the single purpose of providing long-term funds to primary mortgage lenders (Banks, Micro Finance Banks and SACCOs) in order to increase the availability and affordability of mortgage loans to Kenyans. The Government of Kenya through the National Treasury owns 20% while the remaining 80% is divided among 8 Commercial Banks, 1 Microfinance Bank, 11 SACCOs and 2 Development Finance Institutions (International Finance Corporation (IFC) and Shelter Afrique(11.1%)).

Fundco Capital Managers Limited (FundCo) - Housing Solution Fund (HSF)

HSF is designed to operate as a close-ended real estate investment trust (REIT), domiciled in Nigeria and registered with the Nigerian Securities and Exchange Commission (SEC). The Fund begun operations on 28 September 2023. Shelter Afrique owns 38.0% shareholding of HSF having invested NGN 816m.
HSF is managed by an alternative investment management firm, FundCo Capital Managers, and co-sponsored by Shelter Afrique, alongside pioneer investments from 4 domestic pension funds and one insurance company.

FundCo is a private sector institution specialised at alternative asset management; mobilizing and investing local capital in real assets that will lead the transition to a low-carbon economy.

20 PROPERTY AND EQUIPMENT

	Buildings	Office equipment, furniture, and fitting	Computers	Motor vehicles	Residential equipment, furniture and fittings	Total
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
At 1 January 2022	*872,867*	*750,527*	*493,811*	*296,290*	*201,737*	*2,615,232*
Additions	*-*	*2,201*	*34,809*	*-*	*-*	*37,010*
At 31 December 2022	*872,867*	*752,728*	*528,620*	*296,290*	*201,737*	*2,652,242*
At 1 January 2023	*872,867*	*752,728*	*528,620*	*296,290*	*201,737*	*2,652,242*
Additions	*-*	*14,030*	*38,256*	*-*	*-*	*52,286*
At 31 December 2023	*872,867*	*766,758*	*566,876*	*296,290*	*201,737*	*2,704,528*
Depreciation						
At 1 January 2022	*118,662*	*617,895*	*389,452*	*206,709*	*166,896*	*1,499,614*
Charge for the year	*109,534*	*44,920*	*48,539*	*24,999*	*23,588*	*251,580*
At 31 December 2022	*228,196*	*662,815*	*437,991*	*231,708*	*190,484*	*1,751,194*
At 1 January 2023	*228,196*	*662,815*	*437,991*	*231,708*	*190,484*	*1,751,194*
Charge for the year	*51,287*	*32,756*	*46,978*	*25,000*	*8,456*	*164,477*
*Eliminated on transfer**	*(121,349)*	*-*	*-*	*-*	*-*	*(121,349)*
At 31 December 2023	*158,134*	*695,571*	*484,969*	*256,708*	*198,940*	*1,794,322*
Net book value						
At 31 December 2023	*714,733*	*71,187*	*81,907*	*39,582*	*2,797*	*910,206*
At 31 December 2022	*644,671*	*89,913*	*90,629*	*64,582*	*11,253*	*901,048*

This relates to transfer of property and equipment to investment property in the prior year where elimination of accumulated depreciation was erroneously omitted.

20 PROPERTY AND EQUIPMENT (CONTINUED)

Included in property and equipment are assets with a cost of US$ 1,304,985 (2022: US$ 1,060,981) which have been fully depreciated. The normal annual depreciation charge on these assets would have been US$ 238,053 (2022: US$ 204,310).

No property or equipment was pledged as security by the Company as of 31 December 2023.

Fair value measurement of the buildings

Buildings are carried at valuation less accumulated depreciation. Revaluations are carried out every five years as per Company policy.

The building was revalued as at 31 December 2020 by an independent valuer, Gimco Limited, not related to the Company. Gimco Limited are members of the Institute of Valuers of Kenya and they have appropriate qualifications and recent experience in the fair value measurements of properties in the relevant locations. The valuation conforms to International Valuation Standards (IVS), Institution of Surveyors of Kenya (ISK) guidelines and was based on open market value on arm's length terms.

The fair value for the buildings was determined using the contractors method|cost approach that reflects the cost to a market participant to construct or purchase assets of comparable utility adjusted for depreciation.

Details of the fair value hierarchy for the Company's property carried at fair value as at 31 December 2023 and 31 December 2022 as presented in note 32.

If buildings were stated on historical cost basis, the amounts would be as follows:

	2023 US$	2022 US$
Cost	*487,458*	*487,458*
Accumulated depreciation	*(487,458)*	*(487,458)*
Net book amount	-	-

21 INTANGIBLE ASSETS

Cost		
At start of year	*1,949,303*	*1,747,073*
Additions	*207,482*	*202,230*
At end of year	*2,156,785*	*1,949,303*
Amortization		
	1,573,703	***1,328,124***
At start of year	*255,095*	*245,579*
Charge for the year		
At end of year	**1,828,798**	**1,573,703**
	327,987	***375,600***
Net carrying amount		

The Company's intangible assets relate to the computer software Oracle ERP.
Included in intangible assets are assets with a cost of US$ 1,337,311 (2022: US$ 1,194,351) which have been fully amortised. The normal annual amortisation charge on these assets would have been US$ 290,171 (2022: US$ 254,431)

22 LEASEHOLD LAND

	2023 US$	2022 US$
At start of year	*93,108*	*96,987*
Amortisation	*(3,879)*	*(3,879)*
At end of year	*89,229*	*93,108*
Current	*3,879*	*3,879*
Non-current	*85,350*	*89,229*
	89,229	***93,108***
Accumulated amortization to date:	**110,772**	**106,892**

The grant relates to leasehold land donated by the Government of Kenya for the construction of the Company's Headquarters Building. The land was donated in 1996 and its initial fair value of USD 200,000 capitalised on acquisition. Amortisation is recognised in profit and loss over the duration of the remaining lease period. The related deferred income has been set out in note 29 to these financial statements. There are no unfulfilled conditions or contingencies attaching to the related grant. The amortised cost to date is US$ 110,772.

23 INVESTMENT IN PROPERTIES

	2023 US$	2022 US$
Shelter Afrique Centre	*984,298*	*984,298*
Othaya Road work in progress	*2,436,000*	*2,436,000*
Othaya Road land	*2,271,648*	*2,271,649*
	5,691,946	***5,691,947***

Investment properties comprise of the following:

(i) 53% (2022: 53%) portion of Shelter Afrique Centre office building that is held for long term rental yield and are not occupied by the Company.
(ii) Othaya road land and work in progress capitalized expenditure relating to a residential rental development project.

Leasing arrangements

The investment properties (Shelter Afrique centre) are leased to tenants under leases of a minimum of two years with rentals payable quarterly. Minimum lease payments receivable on leases of investment properties are disclosed in Note 33 (c).

23 INVESTMENT IN PROPERTIES (CONTINUED)

The movement of investment in properties in the year is as follows:

	Shelter Afrique Centre	Othaya road project	Total
	US$	US$	US$
1 January 2022, 31 December 2022, 31 December 2023	*984,298*	*4,707,649*	*5,691,947*

Construction of Othaya road project is scheduled to resume in 2024 after it had been paused in 2022.

Amount recognised in profit or loss for investment properties are as follows:

	2023	2022
	US$	US$
Rental income	*310,688*	*215,671*
Direct operating expenses from property that generated rental.	*(17,420)*	*(77,847)*

24 SHARE CAPITAL AND SHARE PREMIUM

	2023	2022
	US$	US$
Authorised:		
1,000,000 ordinary shares of US$ 1,000 each	*1,000,000,000*	*1,000,000,000*
Issued and called:		
288,246 (2022: 288,246) ordinary shares of US$ 1,000 each	*288,246,000*	*288,246,000*
Issued and fully paid:		
Class A: Issued and fully paid:		
110,060 (2022: 105,816) ordinary shares of US$ 1,000 each	*110,060,000*	*105,816,000*
Class B: Issued and fully paid:		
19,720 (2022: 19,720) ordinary shares of US$ 1,000 each	*19,720,000*	*19,720,000*
	129,780,000	***125,536,000***

Callable capital	***500,000,000***	***500,000,000***

As a supranational development financial institution with a membership comprising 44 African States and two institutional members, subscription to the capital of the Company is made by all its members. Membership in the Company is open to both African Governments and African institutions, which are classified into Class A and Class B shareholders, respectively. This classification is for distinction purposes only and does not imply any difference in rights attached to the shares. The callable capital is callable from existing shareholders.

24 SHARE CAPITAL AND SHARE PREMIUM

The movement in share capital and share premium is as follows:

	Number of shares	Ordinary shares	Share premium	Total
		US$	US$	US$
At 1 January 2022	*120,795*	*120,795,000*	*61,343,803*	*182,138,803*
Paid up during the year	*4,739*	*4,739,000*	*3,663,248*	*8,402,248*
Transfer to share capital	*2*	*2,000*	*1,546*	*3,546*
At 31 December 2022	**125,536**	**125,536,000**	**65,008,597**	**190,544,597**
At 1 January 2023	*125,536*	*125,536,000*	*65,008,597*	*190,544,597*
Paid up during the year	*4,240*	*4,240,000*	*3,277,520*	*7,517,520*
Transfer to share capital	*4*	*4,000*	*3,092*	*7,092*
At 31 December 2023	**129,780**	**129,780,000**	**68,289,209**	**198,069,209**

The share premium arises from new and current shareholders who take up additional shares in the Company. The share premium is the difference between the par value of US$ 1,000 per share and the current share price. The current share price is US$ 1,773 (2022: US$ 1,773) for current shareholders and US$ 2,334 (2022: US$ 2,334) for new shareholders.

25 SPECIAL RESERVE – SHELTER AFRIQUE FOUNDATION

	2023	2022
	US$	US$
At 1 January	*786,876*	*793,053*
Payments on behalf of Shelter Afrique Foundation	*(12,006)*	*(6,177)*
At 31 December	***774,870***	***786,876***

This amount is reserved for the Shelter Afrique Foundation whose formation was approved by the Annual General Meeting in June 2013. The Foundation is registered in Mauritius. An initial meeting of its Governing Council, drawn from the Directors of Shelter Afrique, was held in Mauritius in 2018. The Foundation receives seed capital from Shelter Afrique through appropriation of annual profit, provided the company has made profit in excess of US$ 1 million and the Directors approve the appropriation. The purpose of the fund is to mobilize funds for alleviating urban poverty with specific focus on providing grants and concessionary financing for housing projects targeted at very low-income. Companies support for innovation research aimed at development of new construction methods and processes, capacity building and general charitable projects. The directors have assessed the operations and financial performance of the Shelter Afrique Foundation for the year ended 31 December 2023 to not have a material impact to the Company and therefore have not consolidated.

The directors do not recommend any appropriation to the Foundation (2022: Nil).

26 OTHER PAYABLES

	2023	2022
	US$	**US$**
Accrued expenses	*962,232*	*1,972,900*
Leave accrual (Note 26(ii))	*201,238*	*255,697*
Rent deposits	*46,614*	*56,481*
Share capital subscriptions (fractional shares)	*36,532*	*35,785*
	1,246,616	***2,320,863***

(i) The movement in the share capital subscriptions (fractional shares) is as follows:

	2023	2022
	US$	**US$**
At start of year	*35,785*	*34,929*
Increase in capital subscriptions during the year	*7,839*	*4,402*
Transfer to share capital	*(7,092)*	*(3,546)*
At end of year	***36,532***	***35,785***

Fractional shares result from the payment of subscriptions by shareholders, whereby the amount paid is not sufficient to purchase a full share. The amounts are therefore held as amounts payable to the shareholders. Once the shareholders make subscriptions with additional fractions, those adding up to a full share price are transferred to shareholder's equity contribution, otherwise they are held as amounts payable.

(ii) The movement in the leave accrual is as follows:

	2023	2022
	US$	**US$**
At start of year	*255,698*	*542,902*
Decrease in accrual	*(87,899)*	*(118,442)*
Payments in the year	*(33,439)*	*(168,762)*
At end of year	***201,238***	***255,697***

26 OTHER PAYABLES

	2023	2022

Leave pay relates to employee entitlements to annual leave and home leave and are recognized when they accrue to employees.

The carrying amount of other payables are considered to be same as their fair value due to their short term nature.

27 POST EMPLOYMENT BENEFIT OBLIGATION

	2023	2022
	US$	US$
Post-employment benefit obligation	**2,271,597**	**2,075,572**

The Company operates a gratuity arrangement for its employees which pays one month's salary for each year of service as at the date of retirement or termination of an employee.

The benefits on the Board approved Human Resources Policies and Procedures Manual are defined on retirement, resignation, termination, death or redundancy. The gratuity arrangement is defined as a benefit in nature with benefits linked to past service and salary at time of exit. The arrangement is unfunded with no separate assets.

The Gratuity arrangement is defined benefit in nature with benefits linked to past service and salary at time of exit. The valuation of the arrangement has been done on a discount rate of 2% p.a. and a salary inflation rate of 0- 3% p.a.

	2023	2022
	US$	US$
Net liability at start of period	*2,075,572*	*2,285,530*
Current service cost net of employees' contributions (Note 9)	*298,134*	*261,888*
Interest cost (Note 9)	*43,571*	*42,980*
Remeasurement actuarial (gain)|loss	*(53,540)*	*20,168*
Benefits paid	*(92,140)*	*(534,994)*
Net liability at end of period	**2,271,597**	**2,075,572**

The Company also makes statutory contributions to the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 31 December 2023, the Company contributed US$ 2,921 (2022: US$ 526) which has been charged to the profit or loss account.

Assumptions

The principal assumptions applied in the gratuity arrangement valuation were a discount rate of 2% p.a. and a salary inflation rate of 0% for the first three years and 3% p.a. thereafter.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

Year ended 31 December 2023					
	Scenario – 1	*Scenario – 2*	*Scenario – 3*	*Scenario – 4*	*Scenario – 5*
	Base	*Discount rate*	*Salary rate*	*Discount rate*	*Salary rate*
		increased by 0.25%	*increased by 0.25%*	*decreased by 0.25%*	*decreased by 0.25%*
Discount rate	*2.00%*	*2.25%*	*2.00%*	*1.75%*	*2.00%*
Salary increases	*0.00%*	*0.00%*	*0.25%*	*0.00%*	*0.25%*

Net liability at start of period (US$)	*2,075,572*	*2,075,572*	*2,075,572*	*2,075,572*	*2,075,572*
Total net expense recognised in the income statement (US$)	*341,705*	*341,705*	*341,705*	*341,705*	*341,705*
Net expense recognised in the other comprehensive income (US$)	*(53,540)*	*(123,765)*	*481*	*19,676*	*(105,920)*
Benefits paid by Employer (US$)	*(92,140)*	*(92,140)*	*(92,140)*	*(92,140)*	*(92,140)*
Net liability at end of period (US$)	**2,271,597**	**2,201,372**	**2,325,618**	**2,344,813**	**2,219,217**

Assumptions (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

Year ended 31 December 2022

	Scenario – 1	*Scenario – 2*	*Scenario – 3*	*Scenario – 4*	*Scenario – 5*
	Base	*Discount rate*	*Salary rate*	*Discount rate*	*Salary rate*
		increased by 0.25%	*increased by 0.25%*	*decreased by 0.25%*	*decreased by 0.25%*
Discount Rate	*2.00%*	*2.25%*	*2.00%*	*1.75%*	*2.00%*
Salary Increases	*3.00%*	*3.00%*	*3.25%*	*3.00%*	*2.75%*
Net liability at start of period (US$)	*2,285,530*	*2,285,530*	*2,285,530*	*2,285,530*	*2,285,530*
Total net expense recognised in the income statement (US$)	*304,868*	*304,868*	*304,868*	*304,868*	*304,868*
Net expense recognised in the other comprehensive income (US$)	*20,168*	*(47,841)*	*87,936*	*91,187*	*(45,093)*
Benefits paid by Employer (US$)	*(534,994)*	*(534,994)*	*(534,994)*	*(534,994)*	*(534,994)*
Net liability at end of period (US$)	**2,075,572**	**2,007,563**	**2,143,340**	**2,146,591**	**2,010,311**

The key risks associated with the Gratuity arrangement are as follows:

- *The benefits are linked to salary and consequently have an associated risk to increases in salary.*
- *The benefits are defined as per the HR Policies and Procedures Manual.*
- *Revisions to the manual could change these benefits and materially change the costs of the company.*
- *The arrangement is unfunded with no separate assets. Investment risk would therefore not arise on the arrangement.*
- *Benefits in the arrangement are payable on retirement, resignation, termination, death, or redundancy. The actual cost to the Company of the benefits is therefore subject to the demographic movements of employees.*

The maturity profile is as follows:

	2023	2022
	US$	US$
Less than 1 year	272,633	267,222
1-5 years	1,998,964	1,808,350
Net liability at end of period	***2,271,597***	***2,075,572***

28 DIVIDENDS PAYABLE	2023	2022
	US$	US$
Dividends payable	1,369,118	1,369,118

The Directors do not recommend the payment of dividend in the current financial period (2022: nil). The dividend liability was declared for the year ended 31 December 2016 and has remained unpaid due to the Company's low profitability and the strategic focus on growth.

29 DEFERRED INCOME	2023	2022
	US$	US$
Government of Kenya grant	89,228	93,108
Deferred front end fees	822,649	968,603
	911,877	1,061,711
The movement in the deferred income is as follows;		
At start of year	1,061,711	495,005
Amortization of Government of Kenya grant	(3,879)	(3,879)
Deferred front end fees	(145,955)	570,585
At end of year	***911,877***	***1,061,711***

Deferred front end fees relates to front end fees paid upfront for loans and advances, which has been deferred to future periods.

30	MEDIUM TERM NOTES	2023	2022
		US$	US$
	Naira Bond - Principal	*51,145,606*	*102,552,670*
	Interest payable on loans	*1,318,267*	*2,643,286*
		52,463,873	*105,195,956*
	Maturity analysis:		
	Within one year	-	-
	One year to five years	*30,999,306*	*62,157,089*
	Over five years	*21,464,567*	*43,038,867*
		52,463,873	***105,195,956***

The company issued a 13% and 13.25% medium-term notes of Naira 46 billion (US$110 million) in the year 2022 through Nigeria capital market for the duration of 5 years and 7 years respectively for the floating & fixed portions respectively.

30 MEDIUM TERM NOTES (CONTINUED)

The movement in the medium-term note is as follows:

	2023	2022
	US$	US$
At start of year	*105,195,956*	-
Addition	-	*110,598,192*
Interest expense for the year	*9,800,687*	*9,823,367*
Interest paid in the year	*(10,515,756)*	*(6,939,136)*
Foreign currency exchange gain	*(52,017,014)*	*(8,286,467)*
At end of year	***52,463,873***	***105,195,956***

The effective interest rates per annum is 13.83% (2022: 13.83%).

31 FAIR VALUE MEASUREMENT

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 Company 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.

(i) Fair value of non-financial assets

	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
31 December 2023				
Investment properties	-	*5,691,946*	-	*5,691,946*
Buildings	-	*846,753*	-	*846,753*
Repossessed collateral	-	*9,294,322*	-	*9,294,322*
	-	**15,833,021**	-	**15,833,021**
31 December 2022				
Investment properties	-	*5,691,947*	-	*5,691,947*
Buildings	-	*846,753*	-	*846,753*
Repossessed collateral	-	*10,360,080*	-	*10,360,080*
	-	***16,898,780***	**-**	***16,898,780***

31 FAIR VALUE MEASUREMENT (CONTINUED)

The fair value of the non-financial assets is determined based on the market and cost approaches using comparable market prices for similar items when available and replacement cost where appropriate.

(ii) Fair values of financial assets and liabilities

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs.

Gains or losses on valuation of financial assets at FVOCI are recognised in other comprehensive income.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

For the purpose of fair value disclosures, the Company 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. The table below shows the various asset classes.

Category (as defined by IFRS 9)		**Class (as determined by the Company)**	**Subclasses**
Financial Instruments	*Financial assets at fair value through profit or loss (FVTPL)*	*Financial assets held for trading*	*Derivative financial assets*
			Investment in bonds
	Amortised cost	*Bank and cash balances*	
		Short term bank deposits	
		Loans and advances to customers	*Staff loans* *Project finance* *Lines of credit*
		Other receivables and prepayments	
	FVOCI	*Equity investments*	
	Financial liabilities	*Other payables*	
		Dividends payable	
		Derivative financial liabilities	
		Medium term notes	

31. FAIR VALUE MEASUREMENT (CONTINUED)

The table below sets out the Company's classification of financial assets and liabilities, and their fair values:

	At amortised cost	**FVPL**	**Fair value through OCI**	**Total**	**Fair value**
	US$	**US$**	**US$**	**US$**	**US$**
31 December 2023					
Assets					
Cash and bank balances	3,768,295	-	-	3,768,295	-
Short term bank deposits	50,169,333	-	-	50,169,333	-
Investment in bonds	-	5,494,640	-	5,494,640	5,494,640
Loans and advances to customers	138,301,362	-	-	138,301,362	-
Derivative financial assets	-	67,763	-	67,763	67,763
Other receivables and prepayments	2,098,681	-	-	2,098,681	-

Equity investments	-	-	5,557,000	5,557,000	5,557,000
	194,337,671	5,562,403	5,557,000	205,457,074	11,119,403
Liabilities					
Other payables	1,246,614	-	-	1,246,614	-
Dividends payable	1,369,118	-	-	1,369,118	-
Medium term notes	52,463,873	-	-	52,463,873	-
	55,079,605	-	-	55,079,605	-
31 December 2022					
Assets					
Cash and bank balances	3,400,643	-	-	3,400,643	-
Short term bank deposits	72,961,707	-	-	72,961,707	-
Investment in bonds	-	10,392,317	-	10,392,317	10,392,317
Loans and advances to customers	155,011,972		-	155,011,972	-
Derivative financial assets	-	153,274	-	153,274	153,274
Other receivables and prepayments	2,812,515	-	-	2,812,515	-
Equity investments	-	-	5,445,000	5,445,000	5,445,000
	234,186,837	***10,545,591***	***5,445,000***	***250,177,428***	***15,990,591***
Liabilities					
Other payables	2,320,863	-	-	2,320,863	-
Derivative financial liabilities	-	-	-	-	-
Dividends payable	1,369,118	-	-	1,369,118	-
Medium term notes	105,195,956	-	-	105,195,956	-
	108,885,937	**-**	**-**	***108,885,937***	**-**

The analysis of financial assets at fair value through other comprehensive income is as summarised below:

			Fair value hierarchy	Valuation techniques and key inputs
	2023	**2022**		
	US$	**US$**		
Financial assets				
Financial assets at fair value through other comprehensive income - equity investments	***5,557,000***	***5,445,000***	***Level 3***	***Net asset valuation approach***

There were no transfers between level 1 and 2 during the current or prior period.

31. FAIR VALUE MEASUREMENT

The table below shows the description of valuation techniques used and key inputs to valuation on financial assets valued through other comprehensive income:

At 31 December 2023	TMRC	PAHF	KMRC	CRRH	FundCo
Net asset value (US$'000)	*13,953*	*3,113*	*22,318*	*34,421*	*2,411*
Minority discount	*18.1%*	*17.5%*	*18.1%*	*15.7%*	*13.2%*
Adjusted net asset value(US$'000)	*11,427*	*2,569*	*18,279*	*29,017*	*2,093*
Shareholding	*10.0%*	*11.2%*	*11.1%*	*4.5%*	*38.0%*
Fair value (US$'000)	*1,141*	*287*	*2,029*	*1306*	*795*
At 31 December 2022					
Fair value (US$'000)	*1,445*	*391*	*2,315*	*1,291*	*N/A*
Fair value gain/(loss) (US$'000)	*(304)*	*(104)*	*(286)*	*15*	*N/A*

Valuation summary

- The valuation range for the unquoted shares done using the adjusted net asset value method.
- It is assumed the carrying value of the assets and liabilities approximate their fair value.
- The adjusted net asset value method assumes a controlling stake as the basis of value. Considering the Company holds a minority stake in the investee companies, a minority discount is applied.
- There is a valuation range for each entity. The valuations concluded on the mid value.When compared to the equity values as of 31 December 2022, a fair value loss was observed in PAHF, KMRC ,TMRC, FUNDCO whereas a fair value gain was observed in CRRH.

32. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to cash from operations

	Note	2023 US$	2022 US$
(Loss)/Profit for the year		*994,049*	*(11,774,632)*
Adjustments for:			
Interest income		*(25,689,330)*	*(18,433,116)*
Interest expense	*5*	*10,067,618*	*10,001,243*
Share of profit/(loss) from joint ventures	*18*	*(10,650)*	*42,209*
Impairment of joint ventures		*1,378*	*1,071,065*
Gain on disposal of reprocessed collateral	*7*	*(456)*	*(2,406)*
Depreciation of property and equipment	*20*	*164,477*	*251,580*
Amortization of intangible assets	*21*	*255,095*	*245,579*
Amortization of leasehold land	*22*	*3,879*	*3,879*
Exchange difference - joint venture	*18*	*327,376*	*150,194*
Exchange difference - medium term notes	*30*	*(52,017,014)*	*(8,286,467)*
Working capital changes:			
Loans and advances to customers		*16,710,610*	*(42,420,300)*
Government securities - Bonds		*4,897,677*	*(10,392,317)*

Other receivables	*713,834*	*(1,325,789)*
Derivative financial instruments-Assets	*85,511*	*141,221*
Derivative financial instruments-Liabilities	*-*	*(12,586)*
Other payables	*(1,074,247)*	*769,017*
Deferred income	*(149,834)*	*566,707*
Repossessed collateral	*1,065,758*	*154,828*
Net cash generated from operations	***(43,653,813)***	***(79,247,685)***

(b) Cash and cash equivalents:

For the purposes of the statement of cash flows, cash equivalents include the following balances in the statement of financial position:

	2023	2022
	US$	US$
Cash and bank balances (note 12)	*3,768,295*	*3,400,643*
Short term bank deposits (note 13)	*50,169,333*	*72,961,707*
Cash and cash equivalents	**53,937,628**	**76,362,350**

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates. For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash, and which were within three months of maturity when acquired.

33 COMMITMENTS AND CONTINGENT LIABILITIES

(a) **Commitments**	**2023**	**2022**
	US$	**US$**
Approved and signed project loans not disbursed	*17,054,679*	*20,940,694*
Commitments to equity investments	*880 685*	*880,685*
Capital budget	*815,760*	*1,085,600*
	18,751,124	***22,906,979***

(b) Contingent liabilities

The Company is a defendant to legal proceedings filed against it by third parties and is also a plaintiff to legal proceedings filed against third parties. As the Company is in the financial industry, it is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of the pending or threatened legal proceedings (including litigations), the directors, having sought the advice of the Company's legal counsel, are of the opinion that the outcome of these proceedings and claims will not have a material impact on the financial position or performance of the Company.

(c) Operating lease commitments

Operating leases, in which the Company is the lessor, relate to property owned by the Company with lease terms of between 2 to 6 years, with extension options. The lessee does not have an option to purchase the property at the expiry of the lease period. The following table represents the contractual cashflows expected from the leased properties.

	2023	2022
	US$	US$
Within one year	*146,578*	*132,560*
Within the second to fifth year inclusive	*443,153*	*269,689*
	589,731	***402,249***

During the year, the Company recognised property lease income of US$ 293,268 (2022: US$ 215,671) in profit or loss in respect of operating leases income.

34 RELATED PARTY TRANSACTIONS

The related party transactions relate to directors, key management personnel and interest in joint venture.

(a) Key management personnel

Except for staff loans and advances amounting to US$ 4,455,611 (2022: US$ 4,318,417) disclosed in note 16, there were no other related party transactions undertaken during the year between the Company and staff. The interest income received from staff loans and advances to key management staff as of 31 December 2023 amounted to US$ 22,551 (2022: US$ 20,641).

Key management comprises all employee beyond middle level management. Remuneration of members of key management during the year was as follows:

	2023	2022
	US$	US$
Salaries and other short-term benefits	1,397,109	1,182,120
Post-employment benefits	158,072	142,362
	1,555,181	*1,324,482*
Director's fee	*333,830*	*444,890*
	1,889,011	***1,769,372***

(b) Investment in joint ventures

The company has provided its Joint Ventures with loans at interest rates similar to those given to its other customers. These loans are fully secured. The loans to Glenwood Gardens Project and Kew Gardens Project have been impaired as they are non-performing loans

	2023	2022
	US$	US$
Everest Park Project		
At start of year	*296,381*	*706,210*
Interest charged on the loan	*23,588*	*77,056*
Repayments	*(319,969)*	*(486,885)*
At end of year	-	**296,381**
Glenwood Gardens Project		
At start of year	*4,028,560*	*4,028,560*
Exchange differences	-	-
At end of year	**4,028,560**	**4,028,560**
Kew Gardens Project		
At start of year	*12,118,166*	*12,118,166*
Exchange differences	-	-
At end of year	***12,118,166***	***12,118,166***

35 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance. The Company's risk management policies are designed to identify and analyse these risks, to set appropriate tolerable risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The carrying value is not significantly different from the fair value amount.

The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. Risk management is carried out by various committees under the supervision of the Board of Directors. The risk management programme is premised on active Board and Senior Management oversight, adequate policies and procedures, adequate internal controls and risk monitoring as well as management information systems.

The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of non-derivative financial instruments. In addition, risk management and internal audit departments have responsibility for the independent review of risk management and the control environment. The most important types of risk to which the Company is exposed are credit risk, liquidity risk, market risk and other operational risk.

(a) Capital management

Total equity includes all capital and reserves of the Company.

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- *To match the profile of its assets and liabilities, taking account of the risks inherent in the business;*
- *To maintain financial strength to support new business growth;*
- *To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;*
- *To allocate capital efficiently to support growth;*
- *To manage exposures to movement in exchange rates; and*
- *To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.*

The Company has several sources of capital available to it and seeks to optimize its debt-to-equity structure in order to ensure that it can consistently maximize returns to shareholders. Capital adequacy is monitored regularly by the Company's management and quarterly by the Board of Directors. The Company has undertaken to comply with Basel II capital adequacy framework which consists of setting an amount of minimum risk capital to cushion against unexpected losses. The Company has set a minimum capital adequacy ratio of 25%. This ratio stood at 34.36% in 2023 (2022 25.68%). The capital adequacy ratio has been arrived by taking the company's core capital expressed as a percentage of its risk weighted assets.

The table below summarises the composition of the capital adequacy ratio of the Company as of 31 December 2023 and 2022:

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35 FINANCIAL RISK MANAGEMENT (CONTINUED)

A) RISK WEIGHTED ASSETS.

	2023		2022	
	US$		US$	
Item	**RWA**	***RWA Comp.***	**RWA**	***RWA Comp.***
Credit Risk Exposures - Total	**435,149,508**	*90%*	**564,485,247**	*91%*
Project finances	*336,988,851*	*70%*	*447,235,417*	*72%*
LoCs	*26,287,174*	*5%*	*21,125,725*	*3%*
ST investments	*27,936,368*	*6%*	*49,416,295*	*8%*
Equity investments	*41,867,930*	*9%*	*35,963,101*	*6%*
Other receivables	*2,069,185*	*0%*	*10,744,709*	*2%*
FX risk	**24,627,510**	*5%*	**34,229,001**	*6%*
Operational risk	**23,344,430**	*5%*	**18,220,004**	*3%*
Sum	**483,121,448**	*100%*	**616,934,252**	*100%*
B) **CAPITAL - Tier 1**				
Item				
Equity Category				
Sum	*166,012,818*		*158,399,230*	
CAR	**34.36%**		**25.68%**	
CAR Policy	**≥25%**		**≥25%**	

(b) Credit risk

Credit risk is the risk of suffering financial loss should any of Shelter Afrique's customers, clients or market counterparties fail to fulfil their contractual obligations to Shelter Afrique. Credit risk arises mainly from customer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees and letters of credit.

Management of credit risk

Shelter Afrique is also exposed to other credit risks arising from cash and bank balances as well as short-term deposits. For risk management reporting purposes, Shelter Afrique considers and consolidates all elements of credit risk exposure.

Credit risk is the single largest risk for Shelter Afrique's business; management therefore carefully manages its exposure to credit risk. The Board of Directors has delegated responsibility for the management of credit risk to its Audit, Risk & Finance Committee. The Audit, Risk & Finance Committee is responsible for oversight of Shelter Afrique's credit risk, including:

- *Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;*
- *Establishing the authorization structure for the approval and renewal of credit facilities;*
- *Reviewing and assessing credit risk. Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process;*
- *Limiting concentrations of exposure to counterparties and industries for loans and advances;*
- *Developing and maintaining Shelter Afrique's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by Company's Audit and Risk Committee;*
- *Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Company's Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken; and*
- *Providing advice, guidance, and specialist skills to business units to promote best practice throughout Shelter Afrique in the management of credit risk. Each business unit is required to implement Company's credit policies and procedures, with credit approval authorities delegated from Shelter Afrique Credit Committee.*

i) **Loans and advances**

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. Shelter Afrique measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Credit risk grading

Shelter Afrique uses credit risk gradings that reflect its assessment of the probability of default and specific characteristics of individual counterparties. Various qualitative and quantitative factors such as the facility arrears status, facility restructuring as well as specific industry risk assessment are considered. In addition, the credit grading enables expert judgement from the credit risk team to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

Expected credit loss measurement.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by Shelter Afrique.
If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3';
Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A description of inputs, assumptions and estimation techniques used in measuring the ECL is provided in this note; and
A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Significant increase in credit risk (SICR)

Shelter Afrique considers a financial instrument to have experienced a significant increase in credit risk (SICR) based on its assessment of both quantitative factors and qualitative factors or when the backstop criteria have been met.
Shelter Afrique has considered the following in determining the staging of facilities:

- Qualitative factors - This considers the perceived risk of the customer (i.e., High, Medium or Low); and
- Quantitative factors - This considers the following:
  - The facilities arrears status
  - Number of restructures if any
  - Reasons for restructure

The assessment of SICR incorporates forward-looking information. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team. A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets

Shelter Afrique defines a financial instrument as in default when the borrower is more than 90 days past due on its contractual payments. The definition has been used consistently across all ECL inputs i.e., PD, EAD and LGD. The criteria above have been applied to all financial instruments held by Shelter Afrique and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout Shelter Afrique's expected loss calculations.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per" Definition of default), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts Shelter Afrique expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents Shelter Afrique's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of claim and availability of collateral or other credit support. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the approximation of the original effective interest rate.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. Shelter Afrique management uses expert judgement, based on the entity's historical experience, to determine the time to realization, the forced sale haircut of the collateral and the cost of recovery.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change etc. are monitored and on an ongoing basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Shelter Afrique reviews all inputs, assumptions and estimation techniques applied in measuring the ECL to assess any changes and appropriateness on an annual basis. Consideration is made to changes in the business, changes in the economy, changes in the factors affecting the PD, LGD, EAD and other inputs. Such changes are expected to be very infrequent. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information using macro-economic overlays. Overlays were estimated and applied for three different scenarios, base case scenario, downside scenario and optimistic scenario.

These macroeconomic overlays and the probability of each economic scenario occurring were set using management judgement based on the assessment of Shelter Afrique's portfolio performance. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2023 and 31 December 2023, for all portfolios Shelter Afrique concluded that three scenarios appropriately captured non-linearities.

The process involved developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the regions where the Company has advanced loans and advances to customers, supranational organisations such as the World Bank and the International Monetary Fund. The base case represents a most-likely outcome and be aligned with information used by the Company for other purposes, such as strategic planning and budgeting. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic impacts, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. Following this assessment, Shelter Afrique measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Shelter Afrique considers these forecasts to represent its best estimate of the possible outcomes and has established that the chosen scenarios are appropriate representative of the range of possible scenarios. The table below details the sensitivity of the expected credit losses to change in economic scenarios as of 31 December 2023.

Scenario analysis	Impact on ECL to the statement of profit or loss
FLI based on, 40%base case:40%worst case:20%optimistic	*130,452*
FLI based on, 30%base case:60%worst case:10%optimistic	*183,808*

i) Other financial assets

These are made up of the following:

- Cash and bank balances;
- Short term deposits;
- Other receivables; and
- Derivatives.

Shelter Afrique has applied the low credit risk exemption to these financial assets. This is because:

- They have a low risk of default;
- The counterparties are considered, in the short term, to have a strong capacity to meet their obligations; and
- The lender expects, in the longer term, that adverse changes in economic and business conditions might, but will not necessarily; reduce the ability of the counterparties to fulfil their obligations.

Significant increase in credit risk (SICR)

Shelter Afrique has measured impairment for the above assets using 12-month ECL, and so did not have to assess whether a significant increase in credit risk has occurred.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

For these financial assets, the following steps were taken in determining the 12-month probability of default (PD):

- The counterparty's global rating was used if available and a mapping table used to look up the S&P Global equivalent;
- If no credible external rating existed as at reporting date, then the rating for a Company of a similar tier was used; and
- If the above steps failed to result in a reasonable and supportable estimate for the PD, management has used expert judgement and past experience in estimating the PD for the counterparty.

The exposure at default (EAD) is set as the amortized cost value of the respective financial asset while Loss Given Default (LGD) is assumed to be 100%.

Maximum exposure to credit risk — Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents Shelter Afrique's maximum exposure to credit risk on these assets.

31 December 2023	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Life-time ECL	Total
	US$	US$	US$	US$
Total gross carrying amount	*96,392,020*	*13,951,787*	*112,817,635*	*223,161,442*
Allowance for credit losses	*(2,517,964)*	*(187,054)*	*(82,155,062)*	*(84,860,080)*
Net carrying amount	**93,874,056**	**13,764,733**	**30,662,573**	**138,301,362**
31 December 2022				
Total gross carrying amount	*123,050,960*	*7,157,987*	*139,332,230*	*269,541,177*
Allowance for credit losses	*(2,439,289)*	*(3,698,701)*	*(108,391,215)*	*(114,529,205)*
Net carrying amount	**120,611,671**	**3,459,286**	**30,941,015**	**155,011,972**

The tables below analyze the movement of the loss allowance for loans and advances:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
31 December 2023	*US$*	*US$*	*US$*	*US$*
Loss allowance as at 1 January 2023	*(2,439,289)*	*(3,698,701)*	*(108,391,215)*	*(114,529,205)*
Amount charged to SCI	*(1,133,735)*	*17,085*	*(4,374,500)*	*(5,491,150)*
Recoveries on impaired loans		*-*	*929,966*	*929,966*
Changes in the loss allowance				
- Transfer to stage 1	*-*	*-*	*-*	*-*
- Transfer to stage 2	*732,904*	*(732,904)*	*-*	*-*
- Transfer to stage 3	*-*	*4,113,199*	*(4,113,199)*	*-*
- Changes due to modification that did not result in derecognition.	*-*	*-*	*-*	*-*
- Changes to model and risk parameters used for ECL calculations	*-*	*-*	*-*	*-*
Write-offs	*-*	*-*	*28,111,402*	*28,111,402*
Exchange difference	*322,156*	*114,267*	*5,682,484*	*6,118,907*
Loss allowance as at 31 December 2023	**(2,517,964)**	**(187,054)**	**(82,155,062)**	**(84,860,080)**

31 December 2022					
Loss allowance as at 1 January 2022		*(1,564,325)*	*(4,144,712)*	*(125,946,045)*	*(131,655,082)*
Amount charged to SCI		*(1,342,125)*	*31,503*	*(9,711,261)*	*(11,021,883)*
Recoveries on impaired loans		-	-	*2,818,773*	*(2,818,773)*
Changes in the loss allowance					
- Transfer to stage 1	-	-	-		
- Transfer to stage 2		*436,342*	*(436,342)*		
- Transfer to stage 3	-		*793,025*	*(793,025)*	
- Changes due to modification that did not result in derecognition.	-	-	-		
- Changes to model and risk parameters used for ECL calculations	-	-	-		
Write-offs		-	-	*20,541,338*	*20,541,338*
Exchange difference		*30,819*	*57,825*	*4,699,005*	*4,787,649*
Loss allowance as at 31 December 2022		**(2,439,289)**	**(3,698,701)**	**(108,391,215)**	**(114,529,205)**

The tables below analyses the movement of the gross balances for loans and advances:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Life-time ECL	Total
31 December 2023	*US$*	*US$*	*US$*	*US$*
Gross loans as at 1 January 2023	*123,050,960*	*7,157,986*	*139,332,231*	*269,541,177*
Disbursements	*19,942,395*	-	-	*19,942,395*
Interest income accrued	*13,777,585*	*1,230,979*	*3,015,179*	*18,023,743*
Repayments & other derecognitions, excluding write-offs	*(27,961,181)*	*(2,832,676)*	*(1,435,447)*	*(32,229,304)*
Changes in the loss allowance				
- Adjustments	-	-	-	-
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	*(16,347,675)*	*16,347,675*	-	-
- Transfer to stage 3	-	*(7,826,434)*	*7,826,434*	-
- Changes due to modification that did not result in derecognition.	-	-	-	-
- Changes to model and risk parameters used for ECL calculations	-	-	*(1,470,000)*	*(1,470,000)*
Write-offs	-	-	*(28,079,395)*	*(28,079,395)*

Exchange difference	*(16,070,064)*	*(125,744)*	*(6,371,366)*	*(22,567,174)*
Gross loans at 31 December 2023	*96,392,020*	*13,951,786*	*112,817,636*	*223,161,442*
31 December 2022				
Gross loans as at 1 January 2022 Restated	*71,307,356*	*9,045,327*	*163,894,071*	*244,246,754*
Disbursements	*80,824,786*	*-*	*402,654*	*81,227,440*
Interest income accrued	*7,057,503*	*795,234*	*3,720,096*	*11,572,833*
Repayments & other derecognitions, excluding write-offs	*(29,978,015)*	*(1,455,977)*	*(3,005,011)*	*(34,439,003)*
Changes in the loss allowance				
Adjustments	*-*	*-*	*-*	*-*
- Transfer to stage 1	*-*	*-*	*-*	*-*
- Transfer to stage 2	*(2,967,110)*	*2,967,110*	*-*	*-*
- Transfer to stage 3		*(3,893,340)*	*3,893,340*	*-*
- Changes due to modification that did not result in derecognition.	*-*	*-*	*-*	*-*
- Changes to model and risk parameters used for ECL calculations	*-*	*-*	*-*	*-*
Write-offs	*-*	*-*	*(25,427,821)*	*(25,427,821)*
Exchange difference	*(3,193,560)*	*(300,368)*	*(4,145,098)*	*(7,639,026)*
At 31 December 2022	**123,050,960**	**7,157,986**	**139,332,231**	**269,541,177**

	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				US$	**US$**	**US$**
31 December 2023						

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Bank balances	*A, BBB, B+, B-*	*Performing*	*12-month ECL*	*3,768,295*	*-*	*3,768,295*
Short term bank deposits	*A, BBB, B+, B-*	*Performing*	*12-month ECL*	*51,950,876*	*(1,781,543)*	*50,169,333*
Investment in bond				*5,494,640*	*-*	*5,494,640*
Other receivables				*3,194,718*	*(1,096,037)*	*2,098,681*
Currency Swap				*67,763*	*-*	*67,763*
				64,476,292	**(2,877,580)**	**61,598,712**
31 December 2022						
Bank balances	*A, BBB, B+, B-*	*Performing*	*12-month ECL*	*3,400,643*	*-*	*3,400,643*
Short term bank deposits	*A, BBB, B+, B-*	*Performing*	*12-month ECL*	*74,647,312*	*(1,685,605)*	*72,961,707*
Investment in bond				*10,392,317*	*-*	*10,392,317*
Other receivables				*3,482,371*	*(1,210,469)*	*2,271,902*
Currency Swap				*153,274*	*-*	*153,274*
				92,075,917	***(2,896,074)***	***89,179,843***

The table below analyses the movement of the loss allowance for other financial assets:

	Short term bank deposits	Other receivables	Total
	US$	**US$**	**US$**
31 December 2023			
At 1 January 2023	*(1,685,605)*	*(1,210,469)*	*(2,896,074)*
Increase/ (decrease) in loss allowance in the year	*(95,938)*	*29,834*	*(66,104)*
Exchange difference	*-*	*84,598*	*84,598*
At 31 December 2023	*(1,781,543)*	*(1,096,037)*	*(2,877,580)*
31 December 2022			
At 1 January 2022	*(1,582,230)*	*(1,148,130)*	*(2,730,360)*
(Increase)/decrease in loss allowance in the year	*(103,375)*	*(98,683)*	*(202,058)*
Exchange difference	*-*	*36,344*	*36,344*
At 31 December 2022	***(1,685,605)***	***(1,210,469)***	***(2,896,074)***

Collateral and other credit enhancements

Shelter Afrique employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. Shelter Afrique has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. Shelter Afrique prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

Shelter Afrique holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Debt securities, treasury and other eligible bills are generally unsecured. Collateral is usually not held against investment securities, and no such collateral was held at 31 December 2023 (2022: Nil).

Shelter Afrique's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by Shelter Afrique since the prior period. Shelter Afrique closely monitors collateral held for financial assets, as it becomes more likely that Shelter Afrique will take possession of collateral to mitigate potential credit losses.

Fair value of the collaterals held against loans and advances as of 31 December 2023 is as follows:

	2023	2022
	US$	US$
Lines of credit	*96,046,589*	*136,303,784*
Project finance	*91,065,404*	*235,236044*
Staff loans	*4,426,262*	*4,285,726*
	191,538,255	**373,825,554**

Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discounts unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

Write-off policy

Shelter Afrique writes off a loan balance (and any related allowances for impairment losses) when the Company's Credit department determines that the loans are uncollectible. This is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Modification of financial assets

Shelter Afrique sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where Shelter Afrique has made concessions that it would not otherwise consider.

Such restructuring activities include extended payment term arrangements. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. Shelter Afrique monitors the subsequent performance of modified assets. Shelter Afrique may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

No loans were restructured in year 2023 (2022: USD 5,578,273).

Concentration by Sector

Shelter Afrique monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

Net loans and advances to customers	**2023**	**%**	**2022**	**%**
	US$		**US$**	
Real estate	*90,149,003*	*65%*	*112,314,418*	*72%*
Financial institutions	*44,406,993*	*32%*	*38,608,580*	*25%*
Others (staff loans)	*3,745,366*	*3%*	*4,088,974*	*3%*
	138,301,362	**100%**	**155,011,972**	**100%**

Geographical concentration analysis of net loans and advances:

Eastern Africa	*16,121,864*	*12%*	*20,951,939*	*14%*
Southern Africa	*13,385,585*	*10%*	*15,522,859*	*10%*
Francophone West/Central Africa	*71,211,729*	*51%*	*63,808,103*	*41%*

Anglophone West Africa	*37,582,184*	*27%*	*54,729,071*	*35%*
	138,301,362	**100%**	**155,011,972**	**100%**

(c) Market risk

The market risk exposure for the Company relates primarily to currency and interest rate risk.

(i) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company undertakes certain transactions denominated in foreign currencies mainly the Kenya Shilling, CFA, Rand, Naira, and Euro. This results in exposures to exchange rate fluctuations.

Exchange rate exposures are managed within approved policy parameters utilising matching of assets and liabilities. This is achieved primarily by borrowing and lending in the same foreign currencies. The table in the following page summarizes the Company's exposure to foreign currency exchange risk as at 31 December 2023.

(c) Currency risk (Continued)

	Euro	CFA	KShs	ZAR	Naira	Total
31 December 2023						
Assets						
Bank and cash balances	*265,188*	*26,850*	*396,159*	*8,703*	*1,093,413*	*1,790,313*
Short term deposits	-	*1,247*	*1,468,169*	*307,912*	*19,296,034*	*21,073,362*
Investment in bonds	-	-	-	-	*5,494,640*	*5,494,640*
Loans and advances to customers	*2,627,043*	*5,184,683*	*2,916,243*	-	*22,290,136*	*33,018,105*
Total financial assets	**2,892,231**	**5,212,780**	**4,780,571**	**316,615**	**48,174,223**	**61,376,420**
Liabilities						
Medium term notes	-	-	-	-	*52,463,873*	*52,463,873*
Total financial liabilities	**-**	**-**	**-**	**-**	**52,463,873**	**52,463,873**
Net asset| (liability) position	*2,892,231*	*5,212,780*	*4,780,571*	*316,615*	*(4,289,650)*	*8,912,547*
31 December 2022						
Total financial assets	*3,279,633*	*6,024,102*	*12,175,083*	*341,864*	*99,095,592*	*120,916,274*
Total financial liabilities	-	-	-	-	*105,195,956*	*105,195,956*
Net asset/ (liability) position	**3,279,633**	**6,024,102**	**12,175,083**	**341,864**	**(6,100,364)**	**15,720,318**

Currency risk (Continued)

The following table details the sensitivity of the Company's profit to various percentage increases and decreases in the functional currency against the relevant foreign currencies. This sensitivity is based on the weighted average of the deviation from the mean rate in the year for each currency and represents management's assessment of the reasonably possible change in foreign exchange rates.
Impact on profit or loss

	2023	2022
	US$	US$
Euro (3.71%: 2022 – 5%)	*107,371*	*163,982*
CFA (-3.58%: 2022) – 4%)	*(186,578)*	*240,964*
KShs (26.82%: 2022 – 4%)	*1,282,149*	*487,003*
ZAR (8.45%: 2022 – 1%)	*26,756*	*3,419*
Naira (100.51%: 2022: 1%)	*(4,311,579)*	*61,004*

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The equity price risk exposure arises from equity investments at fair value through other comprehensive income. A 10 per cent increase/decrease in the value of the Company's equity instruments as at 31 December 2023 would have increased/decreased equity by US$ 555,700 (2022: US$ 544,500).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on both the fair values and future cash flows of its financial instruments. Interest rates on loans to customers are pegged to the Company's specific cost of funds which is usually SOFR based. Interest margins may increase as a result of such changes in the SOFR rates but may reduce losses in the event that unexpected movements arise for the SOFR rates. The Company also invests in fixed interest rate instruments. Interest rate risk is managed principally through monitoring interest gaps and by Board of Directors. The Audit and Risk Committee is the monitoring body for compliance with these limits and is assisted by the Assets and Liabilities Committee as well as the Loans Committee.

The table on the following page summarizes the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

(c) Interest rate risk (continued)

	Up to 12 months US$	1-5 years US$	over 5 years US$	Total sensitive balance US$	Non-interest bearing US$	Fixed interest rate US$	Total US$
31 December 2023							
Assets							
Bank and cash balances	-	-	-	-	3,768,295		3,768,295
Short term deposits	-	-	-	-	-	50,169,333	50,169,333
Investment in bonds	-	-	-	-	-	5,494,640	5,494,640
Loans and advances to customers	56,351,515	20,570,040	-	76,921,555	-	61,379,807	138,301,362
Total financial assets	**56,351,515**	**20,570,040**	**0**	**76,921,555**	**3,768,295**	**117,043,780**	**197,733,630**
Liabilities							
Medium term notes	-	-	-	-	-	52,463,873	52,463,873
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**52,463,873**	**52,463,873**
Net interest rate sensitivity gap	**56,351,515**	**20,570,040**	**0**	**76,921,555**	**3,768,295**	**64,579,907**	**145,269,757**

(c) Interest rate risk (continued)

	Up to 12 months US$	1-5 years US$	over 5 years US$	Total sensitive balance US$	Non-interest bearing US$	Fixed interest rate US$	Total US$
31 December 2022							
Assets							
Bank and cash balances	-	-	-	-	3,400,643	-	3,400,643
Short term deposits	-	-	-	-	-	72,961,707	72,961,707
Investment in bonds	-	-	-	-	-	10,392,317	10,392,317
Loans and advances to customers	65,505,823	23,082,360	-	88,588,183	-	66,423,789	155,011,972
Total financial assets	**65,505,823**	**23,082,360**	**-**	**88,588,183**	**3,400,643**	**149,777,813**	**241,766,639**
Liabilities							
Medium term notes	-	-	-	-	-	105,195,956	105,195,956
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**105,195,956**	**105,195,956**
Net interest rate sensitivity gap	**65,505,823**	**23,082,360**	**-**	**88,588,183**	**3,400,643**	**44,581,857**	**136,570,683**

Based on a sensitivity rate of 50 basis points, all other variables held constant, the Company's profit for the year and equity would increase/decrease by US$ 442,941 (2022: US$ 452,761). A 50-basis point increase or decrease represents management's assessment of the reasonably possible change in variable interest rates.

(d) **Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay lenders and fulfil commitments to lend.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium, and long-term funding and liquidity management requirements. It is assisted in this function by the Assets and Liabilities Committee. The Company's liquidity management process includes:

- Day-to-day funding which is managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Company maintains an active presence in money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Matching the maturity profiles of financial assets and liabilities
- Managing the concentration and profile of debt maturities.
- Maintaining adequate reserves, bank facilities and reserve borrowing facilities
- Entering into lending contracts subject to availability of funds.
- An aggressive resource mobilization strategy aimed at increasing lines of credit and other resources for lending.
- Investments in property and equipment that are properly budgeted for and performed when the Company has sufficient cash flows.

Monitoring and reporting take the form of cash flow measurement and projections for specified key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. The Company also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Assets available to meet all the liabilities and to cover outstanding loan commitments include cash and bank balances, call deposits and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Company would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

The table overleaf presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected cash flows:

(d) Liquidity risk (Continued)

	Up to 1 month	2-6 months	6-12 months	1-5 years	over 5 years	Total
	US$	US$	US$	US$	US$	US$
31 December 2023						
Financial assets						
Bank and cash balances	3,768,295	-	-	-	-	3,768,295
Short term deposits	-	50,928,502	-	-	-	50,928,502
Investment in bonds	-	366,358	732,716	3,663,582	12,944,523	17,707,179
Loans and advances to customers	56,870,568	1,387,696	15,103,473	98,268,613	20,153,619	191,783,969
Other receivables	-	-	2,098,681	-	-	2,098,681
Derivative financial asset	-	-	67,763	-	-	67,763
Total financial assets	**60,638,863**	**52,682,556**	**18,002,633**	**101,932,195**	**33,098,142**	**266,354,389**
Financial liabilities						
Medium term notes	-	3,350,621	3,350,621	65,824,038	-	72,525,280
Dividend payables	-	-	1,369,118	-	-	1,369,118
Total financial liabilities	**-**	**3,350,621**	**4,719,739**	**65,824,038**	**-**	**73,894,398**
Net liquidity gap	**60,638,863**	**49,331,935**	**13,282,894**	**36,108,157**	**33,098,142**	**192,459,991**

(d) Liquidity Risk Management (Continued)

	Up to 1 month	2-6 months	6-12 months	1-5 years	over 5 years	Total
	US$	US$	US$	US$	US$	US$
31 December 2022						
Financial assets						
Bank and cash balances	3,400,643	-	-	-	-	3,400,643
Short term deposits	-	74,756,156	-	-	-	74,756,156
Investment in Bonds	-	-	11,578,047	-	-	11,578,047
Loans and advances to customers	67,664,286	2,731,898	12,735,490	107,054,928	21,410,558	214,031,049
Other receivables	-	-	2,812,515	-	-	2,812,515
Derivative financial asset	-	-	153,274	-	-	153,274
Total financial assets	**71,064,929**	**77,488,054**	**27,279,326**	**107,054,928**	**21,410,558**	**306,731,684**
Financial liabilities						
Medium term notes	-	-	-	135,234,170	27,698,978	162,933,148
Dividend payable	-	-	1,369,118	-	-	1,369,118
Total financial liabilities	**-**	**-**	**1,369,118**	**135,234,170**	**27,698,978**	**164,302,266**
Net liquidity gap	**71,064,929**	**77,488,054**	**25,910,208**	**(28,179,242)**	**(6,288,420)**	**142,429,418**

(e) Financial instruments categories

31 December 2023:	Amortised Cost	At fair value through profit or loss	At fair value through other comprehensive income	Total carrying amount
	US$	US$	US$	US$
Financial assets				
Cash and balances	*3,768,295*	-	-	*3,768,295*
Short term bank deposits	*50,169,333*	-	-	*50,169,333*
Investment in bonds	-	*5,494,640*	-	*5,494,640*
Derivative financial assets	-	*67,763*	-	*67,763*
Loans and advances to customers	*138,301,362*	-	-	*138,301,362*
Equity investments	-	-	*5,557,000*	*5,557,000*
Other receivables and prepayments	*2,098,681*	-	-	*2,098,681*
Total financial assets	**194,337,671**	**5,562,403**	**5,557,000**	**205,457,074**
Financial liabilities				
Other payables	*1,246,614*	-	-	*1,246,614*
Medium term notes	*52,463,873*	-	-	*52,463,873*
Dividend payables	*1,369,118*			*1,369,118*
Total financial Liabilities	**55,079,605**	**-**	**-**	**55,079,605**
As at 31 December 2022				
Financial assets				
Cash and balances	*3,400,643*	-	-	*3,400,643*
Short term deposits	*72,961,707*	-	-	*72,961,707*
Investment in bonds	*10,392,317*	-	-	*10,392,317*
Derivative financial assets	-	*153,274*	-	*153,274*
Loans and advances to customers	*155,011,972*	-	-	*155,011,972*
Equity investments	-	-	*5,445,000*	*5,445,000*
Other receivables and prepayments	*2,812,515*	-	-	*2,812,515*
Total financial assets	**244,579,154**	**153,274**	**5,445,000**	**250,177,428**
Financial liabilities				
Other payables	*2,320,863*	-	-	*2,320,863*
Medium term notes	*105,195,956*	-	-	*105,195,956*
Dividend payables	*1,369,118*			*1,369,118*
Lines of credit	-	-	-	-
Total financial Liabilities	**108,885,937**	**-**	**-**	**108,885,937**

36. EVENTS AFTER REPORTING PERIOD

There were no material adjusting events subsequent to the period end that required adjustment or disclosure in these financial statements.

Appendix 1 - Shareholding information schedule

		No of shares	No of shares	% of shareholding
Class A:	Countries	31 December 2022	31 December 2023	
1	*Algeria*	*4,220*	*4,220*	*3.25%*
2	*Benin*	*306*	*306*	*0.24%*
3	*Botswana*	*839*	*839*	*0.65%*
4	*Burkina Faso*	*1,256*	*1,560*	*1.20%*
5	*Burundi*	*300*	*300*	*0.23%*
6	*Cameroon*	*6,126*	*6,126*	*4.72%*
7	*Cape Verde*	*16*	*16*	*0.01%*
8	*Central Afr. Rep*	*271*	*271*	*0.21%*
9	*Chad*	*1,090*	*1,090*	*0.84%*
10	*Congo*	*516*	*2,694*	*2.08%*
11	*Democratic Republic of Congo*	*2,970*	*2,970*	*2.29%*
12	*Djibouti*	*300*	*300*	*0.23%*
13	*Gabon*	*1,283*	*1,561*	*1.20%*
14	*Gambia*	*331*	*331*	*0.26%*
15	*Ghana*	*6,315*	*6,315*	*4.87%*
16	*Guinea*	*419*	*419*	*0.32%*
17	*Guinea Bissau*	*25*	*25*	*0.02%*
18	*Guinea Equatorial*	*301*	*301*	*0.23%*
19	*Ivory Coast*	*5,241*	*5,241*	*4.04%*
20	*Kenya*	*21,061*	*21,061*	*16.23%*
21	*Lesotho*	*2,142*	*3,270*	*2.52%*
22	*Liberia*	*591*	*591*	*0.46%*
23	*Madagascar*	*327*	*327*	*0.25%*
24	*Malawi*	*522*	*522*	*0.40%*
25	*Mali*	*6,623*	*6,623*	*5.10%*
26	*Mauritania*	*639*	*639*	*0.49%*
27	*Mauritius*	*115*	*115*	*0.09%*
28	*Morocco*	*3,734*	*3,734*	*2.88%*
29	*Namibia*	*2,074*	*2,074*	*1.60%*
30	*Niger*	*318*	*318*	*0.25%*
31	*Nigeria*	*19,755*	*19,755*	*15.22%*
32	*Rwanda*	*3,288*	*3,434*	*2.65%*
33	*Sao Tome & Principe*	*16*	*16*	*0.01%*

34	*Senegal*	*1,407*	*1,407*	*1.08%*
35	*Seychelles*	*300*	*300*	*0.23%*
36	*Sierra Leone*	*74*	*74*	*0.06%*
37	*Somalia*	*10*	*10*	*0.01%*
38	*Swaziland*	*604*	*760*	*0.59%*
39	*Tanzania*	*2,059*	*2,059*	*1.59%*
40	*Togo*	*1,533*	*1,533*	*1.18%*
41	*Tunisia*	*300*	*300*	*0.23%*
42	*Uganda*	*1,941*	*1,995*	*1.54%*
43	*Zambia*	*2,599*	*2,599*	*2.00%*
44	*Zimbabwe*	*1,659*	*1,659*	*1.28%*
		105,816	**110,060**	**84.83%**
	Class B: Institutions			
1	*African Development Bank*	*15,200*	*15,200*	*11.71%*
2	*African Reinsurance Corporation*	*4,520*	*4,520*	*3.48%*
	TOTAL	**125,536**	**129,780**	**100%**

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