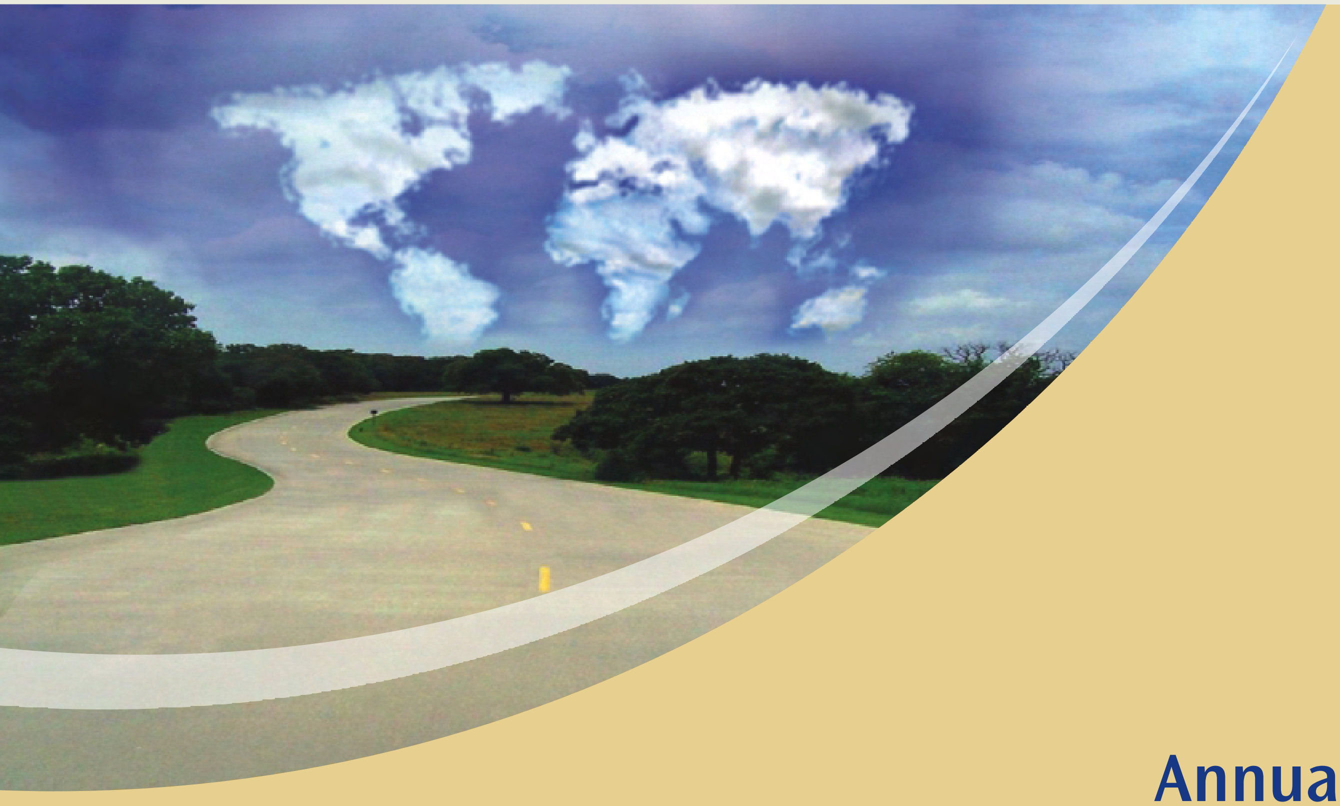
SHELTER - AFRIQUE

THE COMPANY FOR HABITAT AND HOUSING IN AFRICA



2008 Annual Report

Shelter Afrique ... meeting Africa's housing needs


MOROCCO
TUNISIA
CANARY ISLANDS
ALGERIA
LIBYA
EGYPT
WESTERN SAHARA
MAURITANIA
MALI
NIGER
CHAD
CAPE VERDE
SENEGAL
GAMBIA
GUINEA BISSAU
GUINEA
BURKINA FASO
BENIN
TOGO
NIGERIA
SIERRA LEONE
LIBERIA
COTE D'IVOIRE
GHANA
SUDAN
ERITREA
DJIBOUTI
ETHIOPIA
SOMALIA
CENTRAL AFRICAN REPUBLIC
CAMEROON
EQUATORIAL GUINEA
SAO TOME & PRINCIPE
GABON
CONGO
UGANDA
KENYA
RWANDA
BURUNDI
DEMOCRATIC REPUBLIC OF CONGO
TANZANIA
ANGOLA
ANGOLA
SEYCHELLES
MAURITIUS
COMOROS
MOZAMBIQUE
ZAMBIA
MALAWI
ZIMBABWE
NAMIBIA
BOTSWANA
MADAGASCAR
SWAZILAND
LESOTHO
SOUTH AFRICA
SHELTER-AFRIQUE Membership
Class "A" Shareholders
Member countries
Non Member countries
Class "B" Shareholders
AfDB
Africa Re

Table of Contents

Contents	Page

LIST OF TABLES

LIST OF BOXES

LIST OF GRAPHS

Sovereign Shareholders:	42 African member countries as of 31 December 2008
Institutional Shareholders:	African Development Bank, African Reinsurance Corporation
Mission:	To assist private and public sector institutions in Africa identify, finance and implement housing and related urban infrastructure projects that will facilitate the achievement of the goal of housing for all.
Authorised Capital as of 31st December 2008:	US$ 300 million
Issued and Called up Capital as of 31st December 2008:	US$ 50 million
Paid up Capital as of 31st December 2008:	US$ 40.87 million
2008 Loan Approvals:	23 projects in 10 countries for a total loan approval of US$ 54.29 Million
Types of Projects Approved in 2008 :	Physical Housing: 13 projects in 7 countries for US$ 32.82 million
	Lines of Credit: 2 projects in 2 countries for US$ 7.50 million
	Commercial: 2 projects in 2 countries for US$ 5.83 million
	Site and Services: 2 project in 1 country for US$ 1.45 million
	Hybrid Projects 4 projects in 2 countries for US$ 6.68 million
Cumulative Loan Approvals:	US$ 284.92 million
Cumulative Disbursements:	US$ 157.96 million

Iriebe Housing Estate, Port Harcourt, Nigeria (under construction).

List of Abbreviations

APPT	Apartment(s)
APPT & Off	Apartments & Offices
KSHS	Kenya Shillings
US $	United States Dollars
WAEMU	West African Economic & Monetary Union
CFAF	Common currency used in UEMOA zone
XOF	Amount expressed CFA F
DL	Direct Loan
OFID	Opec Fund for International Development
BHS	Banque de l'Habitat de Sénégal (Senegal Housing Bank)
GDP	Gross Domestic Product
LOC	Line of Credit
PPP	Public Private Partnership
NGOs	Non Governmental Organizations
CBOs	Community Based Organizations
UCBS	United Contractors & Builders Senegal
SICAP	Société Immobilière du Cap Vert (Housing Company of Cape Verde)

Our Vision

To be the leading player in strategic partnership among key stakeholders for the efficient delivery of real estate and other related services in Africa.

Our Mission

To assist private and public sector institutions in Africa identify, finance and implement housing and related urban infrastructure projects that will facilitate the achievement of the goal of housing for all.

We achieve this mission through:

- Provision and expansion of affordable and sustainable financial resources available for housing programmes,
- Collaborative partnerships with all actors in the shelter delivery process,
- Adoption of sound management practices that emphasize superior performance, teamwork and
- continuous improvement in our services,
- Sharing information on the best means of providing quality shelter.

We believe that as we build a house, we build a family and a nation.

This is our commitment to the people of Africa.

Our Core Values

Shelter Afrique subscribes to the following values and principles that will enable it deliver high quality services to all stakeholders:

- Effective corporate governance
- Strong client focus
- Transparent and open communication with staff and partners
- Confidence in the ability of its staff to deliver quality services and meet set objectives
- Teamwork as a forceful instrument for solving problems
- High ethical standards that must make our transactions above board
- Corporate social responsibilities
- Total commitment to the ideals of Shelter Afrique and regional integration

Letter of Transmittal

The Chairman
General Meeting of Shareholders
Shelter Afrique

June 04, 2009

Honourable Ministers

In accordance with Regulation 9 of the General Regulation of Shelter Afrique, I have the honour, on behalf of the Board of Directors, to submit herewith, the Report of the Company's activities for the period January 1, 2008 to December 31, 2008 including its audited financial statements covering the same period and the corresponding Report of the External Auditors.

The Report also provides an overview of the operating environment under which the Company operated during the period and highlights some operational activities carried out in the same period.

Please accept, your Excellencies, the assurance of my highest consideration.

Mr. Djama Nacer
Chairman, Board of Directors

Standing - left to right: Mr. L. R. Ouandji, Mr. B. Ndayitwayeko, Mr. B. Sidibe, Mr. F. M. Karbah, Mr. T. Kosgey, Mr. L. Y. Abubakar.
Sitting - left to right: Mr. J. M. Gharbi, Mr. B. Kamara, Mr. Djama Nacer, Ms. E. M. Tembo, El Hadj B. Diarra.

Chairman's Statement

> *"Despite the difficult economic and market conditions, the Company's lending operations during the year continued on the positive trend, with cumulative loan approvals increasing by 24% to US$ 285 million."*

I have the honour, on behalf of the Board of Directors, to welcome distinguished shareholders and delegates to the 28th Annual General Meeting (AGM) in this historic city Windhoek, Namibia. Once again, I am pleased to present to the 28th AGM, our Company's Annual Report and Audited Accounts for the financial year ended 31st December, 2008. The report highlights the key drivers behind the Company's operational and financial performance over the reporting period. It further reviews the company's operating environment and the year's operating activities and presents the external auditors' report to the shareholders, including the audited financial statements for the year ended 31st December, 2008.

Operational Performance

The Company in the financial year 2008 registered mixed fortunes in key operational areas. Operational activities during the year were carried out against a difficult business environment primarily characterised by unfavourable economic conditions and volatile financial markets caused by a deepening banking and credit crisis, which intensified into global recession, following the collapse of the US sub-prime mortgage market.

Although the global banking crisis did not affect Sub-Saharan Africa (SSA) as much as the emerging economies of Central and Eastern Europe which witnessed a sharp downturn, the knock-down effect on Africa from the credit squeeze was evident in the form of falling demand, volatile commodity prices, and tightening credit conditions. Real GDP growth in 2008 in SSA was reported at 5.5% p.a against an annual rate of 6.4% over 2004 -2007. This negatively impacted operational performance, as the company adopted a more cautious approach to its lending operations, while ensuring stringent underwriting criteria.

Despite the difficult economic and market conditions, the Company's lending operations during the year continued on the positive trend, with cumulative loan approvals increasing by 24% to US$ 285 million largely channeled in support of the development of physical housing for residential and commercial real estates, accounting for 64% of the cumulative approvals. Similarly loan approvals by the Board in 2008 reached an unprecedented level of US$ 54.29 million against US$ 41.22 million registered in 2007, an increase of 32%. Cumulative commitments, representing signed loans increased by 15% to US$ 186 million following the signing of Loan Agreements with a total value of US$ 24 million with respective borrowers, while cumulative commitments represented 65% of cumulative approvals. However, despite the significantly higher level of approvals, disbursements in the year amounted to US$ 18 million in comparison with the US$ 24.15 million reported in 2007, bringing cumulative disbursements to US$ 158 million, an increase of 13%. Cumulative disbursements thus stood at 85% of commitments at the end of the reporting year. Lending to the private sector accounted for 96% of loan approvals and 83% of invested funds during the year, while parastatals and government accounted for the remaining 4% on cumulative basis, lending to

Right: SCI Claire de Lune: Construction of a complex, Residence Djamil, Dakar, Senegal .

the private sector accounted for 75% of loan approvals and parastatals accounting for the balance. Most beneficiaries were medium-sized developers in member countries. Shelter Afrique so far has operational presence in 30 member countries in keeping with its strategic objective of establishing operational presence in all member countries.

Asset Quality

Asset quality continued to improve during 2008, with gross non-performing loans (NPLs) declining to 19% of the total loan portfolio from 22% in 2007.

As reported in the notes to the audited accounts, the Company's accounts and impairment provisions follow International Financial Reporting Standards (IFRS). Impairment losses or provisions on loans and advances stood at US$ 923,247 reporting a decrease of 30% due to significant recoveries of previously provisioned loans from borrowers who were long in arrears. The provision for impairment losses of US$ 923,247 stood at 2% of the average gross loan portfolio when compared with 2007 which was 3% of the gross portfolio.

Financial Performance Management

The improved operational performance in 2008, has led to a further strengthening of the financial base of the Company, following modest growth in operating profit, total assets and shareholders' funds.

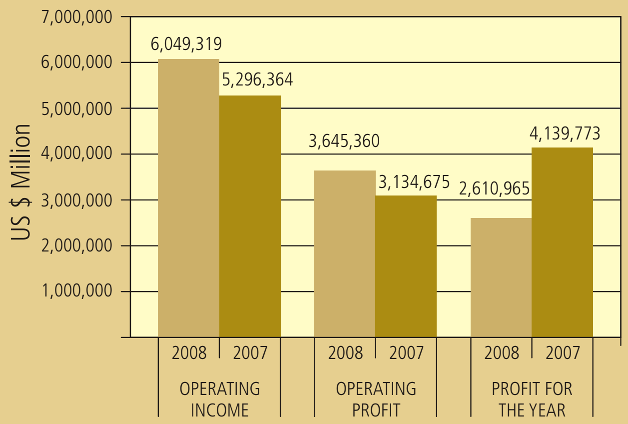
Gross operating income for the year ended December 31, 2008 before adjusting for foreign exchange loss, grew 22% to US$ 6.58 million largely on account of significant increase in non interest income. Fees and commissions increased to US$ 1.34 million from US$ 0.74 million in 2007, up by 81% mainly due to new businesses booked.

Net interest income representing the difference between the interest paid by the company (finance cost) and the interest earned during the period from both loans and investments of liquid assets, improved by a mere 3.44% to stand at US$ 4.71 million, against US$ 4.56 million in 2007, due largely to decreased interest expenses, while interest income remained muted during the year.

Operating Expenses

Operating expenses however, rose by 31% in 2008 to US$ 2.93 million driven largely by the relative increase in staff and general administration costs. Staff cost increased by 43% to US$ 1.89 million due largely to the increase in recruitment expense and other staff costs including payment of terminal benefits to staff that left the employment of the Company. These expenses were necessarily incurred as part of the implementation of the human capital development programme of the strategic plan. Other operating expenses increased by 13% to US$ 1.04 million due

Financial Performance: 2008/2007



largely to the cost of the ongoing institutional reforms including consultancy services for systems development and computerization. However, cost-to-income ratio (efficiency ratio) at 54% was basically constrained to the 2007 level.

Net Profit

Nevertheless, net profit of US$ 2.61 million fell by 37% compared with net the profit of US$ 4.14 million reported in 2007, primarily due to the effect of the higher- than expected exchange translation loss (unrealized) of US$ 1.03 million, against the unrealized gain of US$ 1.01 million reported in 2007, reflecting the volatile foreign exchange markets occasioned by the global financial crisis during 2008. The Company's operating currencies of Euro, Kenya Shillings, and CFAF came under sustained pressure during 2008 and weakened against its functional and reporting currency, the US dollar at the close of the year, resulting in the exchange translation loss. The board of directors recognises that this volatility is not good for the financial stability of the company and has taken steps to mitigate this risk within the instruments available in the market. It is however committed to continue to respond to the needs of member countries in their currencies where the capital market is well developed.

Balance Sheet

Total Assets grew by 5.65% during the year to stand at US$ 81.29 million as at 31st December 2008, due largely to the build-up in reserves and improved liquidity resulting from the CFAF bond proceeds and receipt of capital subscription of some US$ 1.58 million. Thus liquid assets, representing cash and cash equivalent, grew by 53% to close the year at US$ 18 million representing 29% of shareholders fund of USS$ 61.33 million.

Key profitability indicators before adjusting for the translation loss, improved during 2008, with Return on Equity (ROE) and Return on Assets (ROA) increasing to 6% and 4.5% from 5.4% and 4% respectively.

Dividends

Our performance in 2008 permits us to recommend a dividend per paid up ordinary share of US$ 12.98, a decrease of 39% over previous year.

Resource Mobilisation Activities

The company strives to raise funds from the capital markets to support its lending activities at the lowest possible cost. It launched in November, 2008 a CFAF 8 billion housing bond transaction with maturity in 2014. However, the company only managed to raise a mere CFAF 2.79 billion (about US$ 6 million), representing 35% of the issue amount. The performance was recorded on the back of tighter credit market global liquidity crunch and investors risk aversion, occasioned by the global financial market.

The Board of Directors also approved in June, 2008 a borrowing programme in the amount of CFAF 11.74 billion in support of housing projects in the UEMOA region, and Kenya Shillings 1 billion in Kenya. These issues will be completed in 2009.

As of December 31, 2008, total borrowings increased from US$ 2.49 million to stand at US$ 5.57 million. The amount comprises a Euro denominated revolving loan facility from Merrill Lynch and a term loan from Ecobank, Senegal. The Company's medium term notes however declined by 20% to US$ 12.55 million, during the year following contractual repayment of debt on its CFAF and Kenyan shillings denominated loans. The performance of the company in the various capital markets in member countries continues to make it an issuer of reference in these markets

During 2008, the Company progressed discussions with African Development Bank (AfDB), Agence Française Development (AFD), First Initiative (World Bank), and Netherlands Development Corporation (FMO) for lines of credit and technical assistance, with the AFD approving a line of credit of Euro 10 million for on lending purposes, together with a technical assistance component focusing on the area of business development, HR capacity development and financial management. AfDB recently, also approved a line of credit of US$ 30 million also for on-lending purposes, together with an additional amount of US$ 7.5 million as equity investment and technical assistance (grant) in the sum of US$ 0.95 million for capacity building and institutional strengthening. Significant progress has also been made in respect of the other institutions.

Corporate Governance

A new Board was constituted during the year following the expiry of the tenure of the previous Board. Some five (5) directors left the Board, while four (4) new directors were appointed to replace them. We thank the retired directors for their diligent services to the company and welcome and wish the new directors a productive tenure of service.

At the management level, Mr. Birama Sidibe stepped down as the Managing Director at the end of the reporting year, to assume new responsibilities at the Islamic Development Bank, in Jeddah, Saudi Arabia. We thank him for his services and invaluable advice during the year. Following this, the Board of Directors put in place an interim arrangement and took steps to fill the position following the due process outlined in the company's statutes.

Corporate Transparency

Our policies require us to subscribe to international standards and practices. Shelter Afrique is compliant with International Financial Reporting Standards. Our annual reports have been structured to re-affirm this and designed to provide information to shareholders and other stakeholders as well as the general public.

Future Prospects

The global financial market melt-down slowed global growth in 2008, curtailing demand for Africa's export and depressing its term of trade. A subdued global environment is expected to continue to hurt markets and economic growth in member countries. Various projections indicate that marginal economic growth will begin later in 2010 as the impact of the massive bailouts, fiscal and monetary stimuli begin to spur demand and economic activities. While market volatility will likely remain a pressing concern as we contend with issues of confidence, credit tightness and weakness in the global economy, demand for housing in most member countries will remain moderate-to-high, allowing the company to remain optimistic in the area of business development. Shelter Afrique will therefore remain committed to its growth objective as set out in its strategic plan and will act swiftly to take up emerging opportunities as the global financial crisis abates.

Underpinned by the on-going institutional reforms, a changing work environment being created by the implementation of the information technology strategy and organisational capacity building, in 2009 and beyond, we would build and consolidate on the initiatives we have started and maintain our strategy for diversification while also focusing on the core business in order to deliver superior shareholder value.

Appreciation

Our performance in 2008 reflects the difficult business environment under which the company operated. The support, insight and strategic leadership provided by our Board of Directors and Management are very much appreciated. We thank our Shareholders for their continued confidence in us and in pledging their unflinching support and commitment to realising our growth potential in the years ahead.

On behalf of my fellow Directors, I would like to offer my appreciation to our staff, an exceptional group of people who have continued to show strong commitment and dedication to the course of this Company. They join me in expressing gratitude to our Shareholders for their continued confidence in us and in pledging their unflinching support and commitment to realizing our growth potential in the years ahead.

Mr. Djama Nacer
Chairman, Board of Directors

Executive Summary

> *Shelter Afrique in its current strategic plan will work with governments, private investors and development partners to improve housing delivery for low income and poor families.*

Housing Market

Many developers cashed in on this strong demand and developed a number of housing estates for sale to those with good incomes and in Diaspora, Consequently, tremendous pressure was put on the prices of basic inputs ranging from labour, land, building materials and finance. Developers reacted by increasing the prices of houses. However, housing for the poor and low income families continued to receive limited attention from both private and public institutions due mainly to lack of serviced land, affordable finance and effective demand. Private sector intervention has been by way of provision of average quality rental housing for low income families and poor housing for poor families in the slum and squatter settlements that continue to expand in most major cities in Africa. Government policies on slum upgrading and social housing have not been translated into effective programmes for improving the housing and living conditions of the urban poor.

Shelter Afrique in its current strategic plan will work with governments, private investors and development partners to improve housing delivery for low income and poor families through the following programmes: i) neighbourhood improvement programmes; ii) land and infrastructure development; and iii) low income and social housing projects.

The housing sector is affected by general economic conditions, trends in business and finance, investor sentiments, and changes in market variables such as interest rates, currency rates among others. The Company will continue to respond to these challenges through intensive dialogue with partners, product and market development, diversification and provision of quality services to our clients.

Recent macroeconomic trends

African economy is reported to have grown at an annual rate of 6.4% over the last five years (2004-2008). The performance was driven by strong external demand, high commodity prices (until the third quarter of 2008) and relatively strong private capital inflows. The growth has been broad based with 17 economies reporting rates above the regional average growth rate. The growth momentum was however, tempered by the global financial market turbulence and economic crisis as well as infrastructure bottlenecks, high food and energy prices which induced inflationary pressures across the region in 2008. Overall, inflation rose to a five-year high of 12%, prompting some governments to tighten monetary policies and regulatory conditions.

Interest rate environment

At the local front, both the lending interest rate and the interest rate spread remained high, reflecting the high cost of liquidity, thus making access to credit very difficult for the low and middle income families. The situation has been exacerbated by the fallout of the US subprime market turmoil, liquidity squeeze, and the risk of credit defaults. High interest rate spreads are attributed to high operating costs, poorly performing loan portfolio, a weak competitive bank sector and lending environment.

Mortgage loan environment

Sub-Saharan Africa countries are the second lowest (after South Asia) in the ratio of mortgage loans to total investment (credit-to-value ratio) in both formal and informal sector. Apart from Southern African Countries where the commercial banking sector is significantly involved in mortgage lending and provides most housing finance, in most other African countries, the housing finance sector is dominated by public sector created housing finance institutions (parastatals). These institutions continued to receive financial support from the governments, offer subsidized loans but they are generally weakly institutionalized and capitalized with very limited coverage, in addition to being politically susceptible and unstable. Nevertheless, some private sector led institutions in the sector have emerged in some countries such as the Gambia, Ghana, Kenya, Nigeria and Zambia which promise to provide mortgage to low-to-medium income clients.

2008 Strategic and Operational focus

The Company directed its support in 2008 to the operational areas identified in the 2008 budget and strategic plan 2007-2011. Lending operations in the year therefore continued to focus on direct lending and extension of line of credit facilities aimed at growing the project portfolio, while other support activities have focused on the improvement of financial performance. Activities aimed at strengthening project quality and improvement in overall operational performance were implemented.

The company undertook a number of important strategic and operational policy initiatives including strengthening partnerships with key partners in the delivery of housing and mobilisation of resources. These partners include local banks and DFI's, planning for business continuity on the back of the Kenya post election crisis, and development of new sources of revenues.

Operational Highlights

In 2008, the Company approved 23 projects in 10 countries for a total of US$ 54.29 million raising cumulative approvals to US$ 285 million as at December 31, 2008. During the same period, disbursements stood at US$ 18 million with cumulative disbursements improving to US$ 158 million.

In terms of funding, construction of houses, apartments and villas received most funding (74%), followed by commercial projects (11%), development of building sites (3%) and hybrid projects (12%).

Financial and Corporate HighlightS

In 2008, the Company reported net profit of US $ 2.61 million and earnings per share of US $ 66.20 compared with net profit of US $ 4.14 million and earnings per share of US $ 109.47 in 2007.

Additional 2008 highlights include:

- Net interest income margin increased by 3.44% over 2007 levels.
- Operating Income was up 22% over 2007 levels.
- Fee and commission income grew 81% from 2007 levels.
- Operating expenses increased by 31% over 2007 levels.
- Cost-to-income ratio improved marginally to 46% from 48% in 2007.
- Dividends per share of US $ 12.98 decreased 39% when compared to 2007.
- Shareholders' funds were up 7% over 2007 levels.
- Total asset grew by 6% from 2007 to stand at US $ 81 million.
- Cash and cash equivalent amounted to US $ 18 million or 22% of total assets.
- Credit/impairment loss improved from 3% to 2% of the gross loan portfolio as at December 31, 2008.

A completed Sebel Invest Housing project in Dakar, Senegal.

SEIMAD 3: Housing project and related infrastructure services in three cities in Toamasina, Madagascar.

Table 1: Loan Approvals: 2008

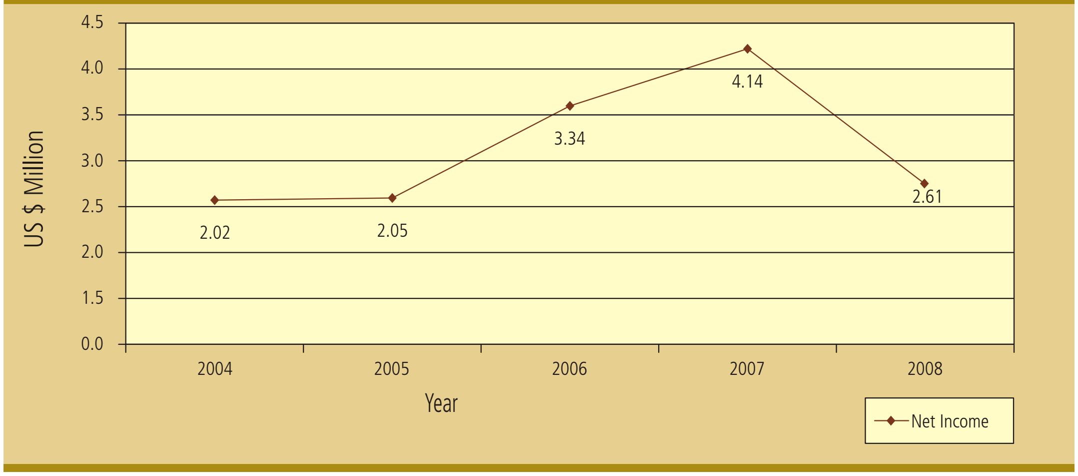
Country	Borrower	Loan Amount (US $ equiv.)	Currency	Instrument	Housing Type
BURUNDI	SESCO	500,000	US $	DL	Sites & Services
DRC	Building Bloc	4,240,000	US $	DL	Apartments
DRC	Immo Serkas	700,000	US $	DL	Apartments
KENYA	Ol Tepesi Ltd	769,231	KSHS	DL	Apartments & Offices Block
KENYA	Mwafa Court Apartments	1,000,000	US $	DL	Apartments
KENYA	Juridicon Limited	542,857	KSHS	DL	Villa
KENYA	Teejay Estates Limited	1,000,000	KSHS	DL	Apartments
MALI	SIFMA	4,500,000	US $	DL	Apartments
NIGERIA	Nigeria Limited	800,000	US $	DL	Apartments & Services
NIGERIA	Urban Housing Cooperative	950,000	US $	DL	Office block
NIGERIA	Agbara Estates Limited	4,500,000	US $	DL	Apartments
NIGERIA	ASO Savings and Loans PLC	5,000,000	US $	LoC	Mortgage Loans
NIGERIA	Moneyline LTD	4,200,000	US $	DL	Apartments
CENTRAL AFRICAN REPUBLIC	2DG SA	2,142,857	EURO	DL	Apartments
SENEGAL	SCI Sabura	1,111,111	FCFA	DL	Apartments & Offices Block
SENEGAL	Teylium Properties	4,000,000	FCFA	DL	Housing & Sites & Services
SENEGAL	Teylium Properties	3,333,333	FCFA	DL	Sites & Services
TANZANIA	Tanzania Ltd	5,000,000	US $	DL	Apartments
UGANDA	Castle Estates Limited	500,000	US $	DL	Apartments
UGANDA	Meja Properties Limited	500,000	US $	DL	Apartments
UGANDA	Simbamanyo Estates Limited	4,000,000	US $	DL	Apartments
UGANDA	Ganzu Company Limited	2,500,000	US $	DL	Office block
ZAMBIA	Finance Building Society	2,500,000	US $	LoC	Mortgage Loans
TOTAL		54,289,389			

Table 2: Key Operational and Financial Data: 1999 - 2008 (In US$ million)										
Year	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Approvals	13.88	10.96	12.07	15.17	12.26	22.62	29.75	31.09	41.22	54.29
Cumulative Approvals	55.49	66.45	78.52	93.69	105.95	128.57	158.32	189.41	230.63	284.92
Disbursement	6.59	9.3	8.02	10.14	11.44	11.19	16.62	17.39	24.15	17.81
Cumulative Disbursement	31.9	41.2	49.22	59.36	70.8	81.99	98.61	116.00	140.15	157.96
Total Assets	32.09	37.02	40.72	46.05	52.42	62.64	61.24	71.62	76.94	81.29
Net Income	0.92	1.26	1.55	1.74	1.8	2.02	2.05	3.34	4.14	2.61
Paid-Up Capital	27.64	29.52	30.83	31.6	32.94	35.51	36.29	36.99	38.65	40.23
Reserves	1.64	2.69	4.16	5.92	7.36	8.98	10.61	13.95	18.69	20.48
Provisions	0.151	0.01	0.11	0.16	0.043	0.18	0.41	0.00	0.096	0
Shareholders' Funds	29.43	32.22	35.10	37.68	40.34	44.67	47.31	50.94	57.42	61.33

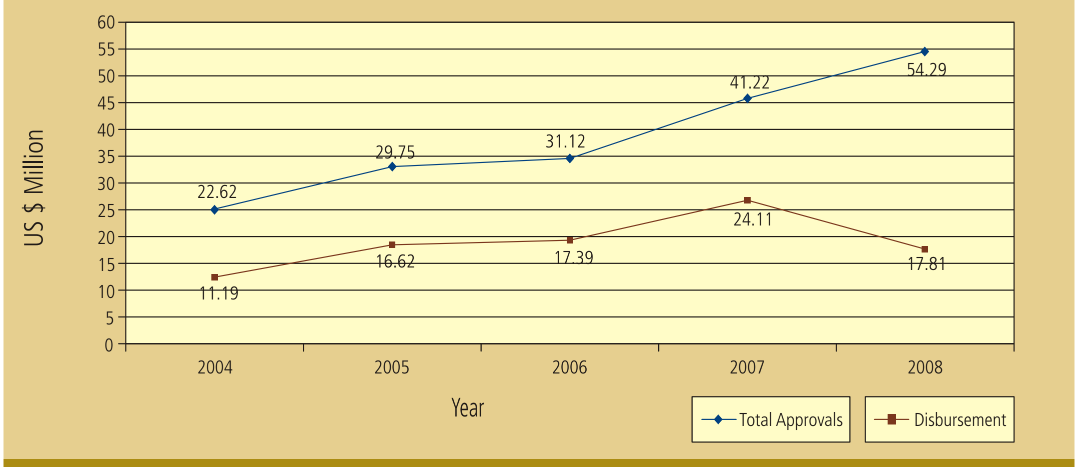
Table 3: Selected Financial Indicators: 2004 - 2008 (In US$ million)						
		2004	**2005**	**2006**	**2007**	**2008**
Operating Results						
Operating Income		3.45	3.49	4.76	5.38	6.58
Operating Expenses		1.49	1.49	1.94	2.25	2.93
Operating Profit		1.97	2.00	2.83	3.13	3.64
Net Profit		2.02	2.05	3.34	4.14	2.61
Administrative Expenses	(a)	1.37	1.39	1.84	2.12	2.78
Financial Position						
Project Loans Outstanding		32.50	40.56	44.20	53.19	52.86
Financial Investments		23.02	16.52	22.10	17.12	21.67
Total Assets		62.24	61.24	71.62	76.94	81.29
Total Equity		44.89	47.32	50.94	57.42	61.33
Total Debt		17.35	13.93	20.68	19.52	19.96
Financial Ratios						
Current Ratio (x)		29.23	15.46	26.93	10.00	10.00
Total Debt to Total Assets (%)		27.88	22.75	28.87	25.37	24.55
Administrative expense ratio (%)	(b)	4.25	3.80	4.34	4.35	5.24
Debt/Equity ratio (%)		27.03	21.65	28.22	24.13	22.80
Earnings per share (US$)		59.03	56.40	90.17	109.47	66.20
Dividend per share (US$)		11.40	11.28	18.03	21.42	12.92

(a) Administrative expenses exclude depreciation, amortisation and other provisions.
(b) Administrative expenses as a percent of average project loans outstanding.

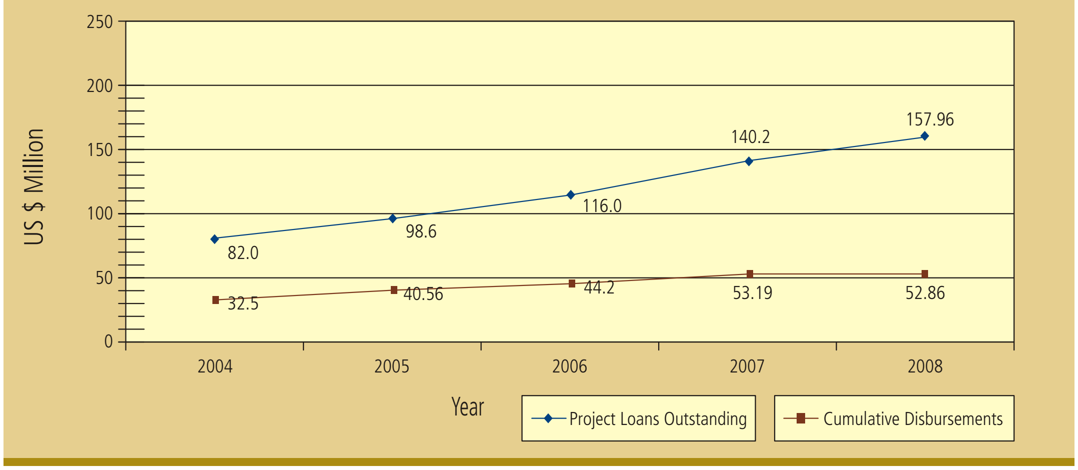
Graph 1: Net income: 2004 - 2008



Graph 2: Approvals/Disbursements: 2004 - 2008



Graph 3: Cumulative Disbursements/Projects Loan Outstanding: 2004 - 2008



BOARD AND COMMITTEE ACTIVITIES

Annual General Meeting 2008

The 27th Annual General Meeting was held in Lome, Togo from June 10 to June 12, 2008. The meeting witnessed a respectable level of participation of shareholders and potential ones including Ghana. Institutions represented included FAGACE (Benin), Federal Housing Authority (Nigeria) and United Bank for Africa (UBA) (Nigeria) among others. The high level of participation underscores shareholders' support and renewed interest in Shelter Afrique.

The Meeting elected a bureau comprising Togo as Chairperson, Namibia as First Vice Chairperson and Uganda as the Second Vice Chairperson. During the Meeting, shareholders considered and approved the Company's 2007 Audited Accounts and Reports as well as the distribution of dividends for the financial year.

Symposium 2008

The 2008 Symposium whose theme was "Financing of the Mortgage/Borrower for an increased Access to Housing in Africa" was well attended, by participants from all across Africa. Contributions were made by various speakers including delegates. The many questions raised after each communication and the vibrant discussions which ensued testify to the interest generated by the topic.

Meetings of the Board of Directors and Board Committees:

During the year under review, four meetings of the Board were successfully held during which the Board of Directors considered and approved various projects and policy documents aimed at strengthening the effectiveness of the Company's operations. These include, Revised Lending Policies and Procedures, Business disruption and continuity measures, Market Representation Policy, Internal Audit Manual and Anti-money Laundering (AML) Policies. During their meetings in 2008, the Board also considered and approved a total of 23 projects in the total amount of US$ 54.29 million. The Committees of the Board held 3 meetings to review the 2009 budget document, audit and finance reports, as well as administrative affairs and human resource policy issues. The board also took steps in accordance with existing policies to advertise the position of the Managing Director following the resignation of the incumbent.

Loan Signing Ceremony with South Development Company Ltd, Kenya.

Participants at the 2008 Annual General Meeting in Lomé, Togo.

ECONOMIC AND SECTOR ENVIRONMENT

International environment

During 2008, the global economy experienced its worst performance in decades with the developed economies facing the severest recession since world War II and the Great Depression, amidst a financial cataclysm in the United States, that culminated in the collapse of a number of financial institutions. The turmoil in the US Sub-prime market which erupted in 2007 induced financial volatility in the global markets which affected the wider economy and prompted central banks and governments to implement massive stimulus policies including monetary easing, designed to free up credit, rescue ailing banks and currencies and prevent declines from deteriorating into an all out collapse.

GDP plummeted in the United States, Europe and Japan in late 2008 on the back of contraction of economic activities, leading to negative growth. In December 2008, the US Federal Reserve lowered its funds target rate to 0 - 0.25% p.a from 4.25% p.a at the start of the reporting year, following series of interest rates cuts, while the European Central Bank also dropped rates to 1.25% p.a from 5.75% p.a to boost the economy and headoff risks of deflation and global risk aversion, among others.

Emerging markets including SSA markets were not spared from the global economic contractions but were hit by factors, including falling commodity prices, a slum in stock and bond markets, and tightening credit conditions across the world in the wake of the financial crisis. Borrowing costs rose in 2008 as the credit squeeze eroded demand. The year 2008 produced mixed fortunes for African currency markets with the local exchange rates weakening against the US Dollar, on the back of collapsing commodity prices and the unfolding global financial sector crisis. On the local front, both the Kenya Shillings and CFAF, weakened against the US dollar, which rallied in the international market, on the back of strong demand for foreign currency and a slow of inflows.

REGIONAL ENVIRONMENT

Urban & Housing Sector

The demand for housing in Africa continued to grow tremendously: partly due to the unprecedented growth in population and improved economic performance in most countries. The increased macroeconomic stability, through lower interest rates and lower inflation made mortgage loans more affordable across Africa.

However, the ongoing global financial crisis dampened the appetite and the growth. The extent and severity of this crisis that began with the bursting of the housing bubble in the USA cannot be clearly determined. The financial sector in Africa may not be severely hit as cross-border banking systems linkages are minimal. There is less exposure to complex financial products and financial systems are not well integrated with the other global financial market.

In developing countries, generally, most people spend large chunks of the disposable income in housing. Furthermore, incomes are usually low for the majority to afford decent self contained dwellings. Housing needs in the region therefore broadly include new units to meet excess demand and replacement or repair of existing units. Affordability of housing varies widely between countries and cities or urban centers. This is why there is a need to meticulously study the market to ensure that financing is done in the appropriate segments of the housing market.

Shelter Afrique has remained committed to good practices in housing finance, and continues to partner with various players in this market. We have issued numerous lines of credit for on-lending to private real estate developers and housing finance institutions to finance housing projects in various countries in Africa.

It is succinct that the growth in the housing market continues to generate employment in the construction and ancillary industries, which in the end will lead to a substantial increase in employment in the entire region.

Financial sector

As in other developing countries, financial markets in African countries are dualistic-with formal and informal sectors, and characterized by a high degree of segmentation and fragmentation. The formal financial sector is bank-dominated. The vulnerability of the financial sector has been notably characterized by a high degree of concentration of bank loan portfolios. This large credit exposure to a relatively small numbers of borrowers is said to reflect the high perception of risks of commercial banks, which prefer to lend to a few corporations,-namely those located at the upper end of the market, than to expand lending to clients that are new, but little known and are perceived too risky.

Mortgage loan environment

The mortgage market across Africa is poised for growth due to the expanding population leading to increased demand for housing units. While the wealthy can afford to pay cash for both residential and commercial units, the growing middle class in Africa (mostly salaried/employed) need mortgage financing to realise such dreams. The World Bank estimates the Sub-Saharan middle class will be 43 million plus by 2020 from 12.8 million in 2000. Although the bulk of the continent's middle class consumers are in South Africa, growing markets in countries such as Zambia, Nigeria, Kenya, Ghana, etc amongst a host of others deserve close attention by any serious financier. As a matter of fact, there is an emerging middle class in Africa with insatiable hunger for housing.

High interest rates, persistent inflation and currency fluctuation have for decades put the brakes on long term lending in Africa, with wary banks mostly ignoring the mortgage market. But with the seemingly improved economic environment in the recent years, these variables have positively improved. However, the effects of the current global financial crisis are being carefully monitored to ensure prudent investment decisions are made on the utilisation of shareholders funds. The mortgage market in Africa is growing and this set to increase the growth of the real estate development by ensuring there is consistent and sustainable demand for this market.

Courtesy visit to the Prime Minister of Swaziland by a Delegation of Shelter-Afrique.

STATUS OF OPERATIONAL ACTIVITIES

African Governments continued to make efforts to encourage the development of the housing sector through institutional and policy reforms, promotion of private sector involvement, but limited budgetary support. Current global economic crisis may however slow down progress achieved in this sector as economic growth slows down and demand is affected.

Some governments have to put in place policies and programmes that will attract private capital to low and middle income housing through public private partnership. Shelter Afrique is ready to support such programmes.

Company Operations

In accordance with the company's lending policies, interventions continued and were primarily focused on funding private developers in Member countries. During the year 2008, most approvals were for physical housing developments, followed by commercial developments and lines of credit. A few sites and services approvals were also made.

Lending Policies

New policies were developed in line with the current Strategic Plan. The Board, in its March 2008 meeting, approved the Revised Lending Policies and Procedures aimed at positioning the company to better address the new challenges and opportunities in the market. Key highlights of the revised lending policies include: the introduction of new product lines; increase in tenor of loans; increase in the approval limit by the management; and in maximum lending to 60% of the total project cost. It is hoped that these new policies will improve our competitiveness and services in the market place.

Breakdown of Approvals during 2008

In 2008, a total of US$54.29 million in new loans were approved for 23 projects in ten (10) member countries, an increase of 31.7% over the previous year. Total commitments during the year amounted to US$23.48 million representing 14 projects in 9 countries compared to US$19.35 million committed in 2007.

Loan Size

Average loan size was about US$2.36 million per project with tenors ranging between 1 and 10 years compared to US$1.47 million per project achieved in 2007. The increase resulted from the ability of the Company to on-lend more resulting from the revised lending cap of 60% of the total project cost as well as increase in the maximum loan amount for any project. This strategy was adopted to reflect improvements in risk management systems and capacities of private developers to implement bigger projects. This will improve the effectiveness and competitiveness of the Company's interventions and services in member countries. Real estate development remains the major beneficiary of Company's funding in line with the objective of increasing the supply of mortgageable housing in member countries. Development of physical housing, both residential and commercial, accounted for 74% of total loan approvals while lines of credit to financial institutions, hybrid projects and site and services accounted for the remaining 26%. Statistics for year 2007 was 75% and 25%, respectively.

Approvals by Client Type

In value terms, lending to the private sector accounted for 91% of loan approvals, while the parastatal sector and other organizations where governments are part of the shareholding accounted for the remaining 9%. Shelter Afrique supports efforts of governments in member countries to limit their roles in direct provision housing by instead facilitating and enabling the private sector to invest in the industry. It is noted that there currently exist in most member countries medium and large scale developers capable of filling gaps left by public institutions or parastatals. Shelter Afrique plans, as part of its development programme, to provide technical assistance and advisory support services to these developers to enable them to develop the necessary management, financial and corporate governance structures and systems that will enable them to produce on a sustainable basis different housing types for the market.

Partners and Leveraging

During the year, Shelter Afrique worked with a number of developers and partners including co-financiers in entering into new markets in keeping with its strategic objectives of building strategic partnerships and expanding lending activities as well as leveraging its financing. Its financing per project averaged 22% of the total cost for projects approved with the rest being provided by the developers and/or other financiers.

Performance of Project Portfolio

A comparison between approvals, commitments, disbursements to projects and evolution of the project portfolio for fiscal years 2002 to 2008 is as shown in the Table 4. The table reveals that cumulative loan approvals increased from the 2007 figure of US$ 231 million to US$ 285 million representing an increase of 24%. Cumulative commitments (signed loans) stood at US$ 186 million as at 2008 year end, an increase of 15% over the previous year. They amounted to 65% of cumulative approvals. Some US$ 17.8 million was disbursed during the year bringing the cumulative disbursements to US$158 million, an increase of about 13%. Cumulative disbursements stood at 85% of cumulative commitments by end of 2008.

Approvals by Project Type

In value terms, during year 2008 physical housing for residential purposes (estate development) accounted for 57% of total loan approvals, down from 68% registered in the previous year. Lines of credit to housing finance and related institutions for on-lending as individual mortgages and commercial properties accounted for 14% and 11% respectively, while the rest went to site and services which accounted for 3% and hybrid projects – both residential and commercial properties or site & services plus physical housing – accounted for 12%. Shelter Afrique provides US dollar denominated lines of credit on a limited basis to housing finance institutions or banks to enable them advance mortgages to home buyers with a view to improving affordability.

Geographical Distribution

West Africa failed to maintain its domination of Shelter Afrique's approved loans portfolio receiving only 39% of total approvals in 2008, down from 50% in 2007. The decrease is as a result of a corresponding increase in the total approved loans in East African region at 44%, up from 29% in the previous year. Central and Southern African regions accounted for 13% and 4%, respectively. However, since Shelter Afrique's inception till 2008, West Africa cumulative approvals dominate at 46.2% followed by East Africa at 34.9%, Central Africa at 9.7% and Southern Africa at 9.1%. Efforts are underway to increase our activities in Central and Southern African regions. Business development programmes through road shows and related activities will continue to be intensified in member countries with a view to identifying and preparing viable projects for financing.

Lending Terms

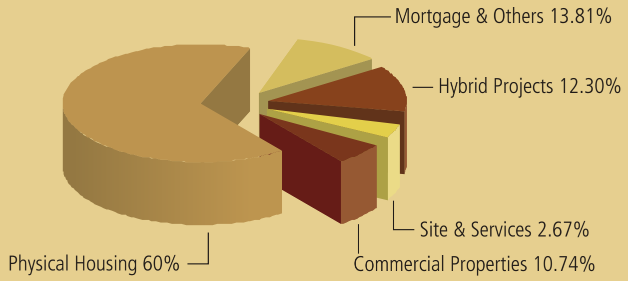
Shelter Afrique, as per its lending policies does not finance more than 60% of the total project cost or commit more than 10% of its equity funds, whichever is less in any single project. Developers are required to provide a minimum of 30% of the total project cost in equity and source the balance from other financiers.

The Company continued to adopt the policy of using its funding and the equity from developers to leverage funds from other sources, including homebuyers and other financiers. It has also continued building working relationships and partnerships with local banks as well as multilateral development institutions.

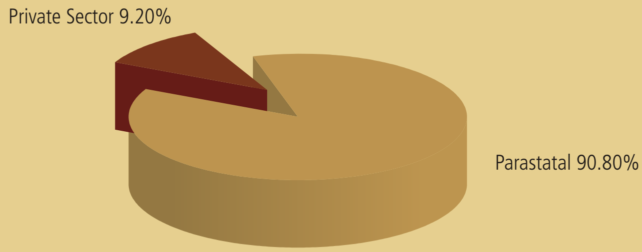
Table 4: Status of Project Portfolio: 2004 - 2008 (US $ million)

	2004	2005	2006	2007	2008
Cum. Approved Loans	128.6	158.3	189.4	230.6	284.9
Annual Approval	22.6	29.8	31.1	41.2	54.3
Cum. Commitments	105.9	124.5	142.8	162.1	185.5
Annual Commitment	20.9	18.6	18.3	19.4	23.5
Cum. Disbursements	82.0	98.6	116.0	140.2	158.0
Annual Disbursements	11.2	16.6	17.4	24.2	17.8
Cum. Disbursements/ Cum. Commitments (%)	77.4	79.2	81.3	86.0	85.2

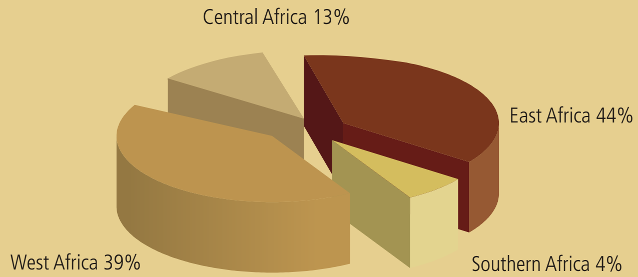
Graph 4: Approvals per Type of Projects: 2008



Graph 5: Approvals per Type of Clients: 2008



Graph 6: Approvals per Region: 2008



Box 1: Afreximbank/Shelter Afrique Co-branded Construction/Tourism-Linked Relay Facility ("ConTour Africa")

INTRODUCTION

In line with our common mandate of promoting economic development in Africa, African Export-Import Bank (the "Bank" or "Afreximbank") and The Company for Habitat and Housing in Africa (Shelter Afrique) (together "the Consortium") have decided to leverage our respective strengths to promote best practices in construction and commercial offering of tourism facilities in Africa so that Africa can achieve its full tourism potential and use it as a vehicle for economic development and regional integration.

Shelter Afrique's mandate is to mobilize and deploy resources for funding projects in the real estate sector that will facilitate urban and economic development in Africa. Since inception, Shelter Afrique has financed over 250 housing and urban infrastructure related projects across Africa through provision of project/construction finance. It has recently developed products that will provide financial support to construction projects and contractors and enhance the performance of this sector, as one of the drivers of economic development and employer of labour.

Afreximbank (www.afreximbank.com) finances tourism projects as a way of expanding Africa's services exports while promoting innovation and employment in the Sector. One of the challenges Afreximbank had experienced in tourism financing relates to risks arising from project completion to agreed standards and timeframe. Shelter Afrique has a demonstrated track record in mitigating these risks based on their many years experience in construction financing.

From the foregoing, it can be seen that the two institutions have unique strengths that when combined can result in tremendous value not only to the two institutions but to African Governments that spearheaded their creation. It is in recognition of this fact that the partnership presented herein has been formed.

Purpose

The purpose of the partnership therefore is to create a co-branded financial product that will benefit from Shelter Afrique's strengths in construction financing in delivering quality tourism facilities within budget and time schedule which will enable Afreximbank to take on the operational risk of such projects on the basis of receivable-backed financing structures it is experienced in managing.

Nature of the Partnership:

The nature of the relationship under the Partnership is one that allocates roles from project identification/conceptualization through development to operation and performance monitoring. Some of the roles are to be performed jointly while others are allocated to each party based on their special strengths, the key aspects of which are:

a) structuring, arranging and providing Construction Loans will be allocated to Shelter Afrique (the "Original Facility"); and
b) structuring, arranging and providing the tourism-linked facility by way of refinance of the Construction Loans will be handled by Afreximbank (the "Relay Facility").

The Role of Parties:

The role of parties under the partnership is outlined in more detail below:

Joint Role:

a. product definition, including eligibility criteria;
b. co-branding and joint marketing of the product to users;
c. project identification and conceptualization;
d. collaboration in the distribution of the assets arising from the initiative to lenders and equity investors;
e. collaboration in advising project promoters; and
f. collaboration in identifying service providers, including contractors, hotel operators, etc.

Shelter Afrique's Role

a. Shelter Afrique will be the lead party in project development at the construction phase.
b. evaluation and appraisal of identified projects from construction/completion risk point of view. This will entail cost and technical evaluations, completion risks identification and mitigation;
c. structuring the construction loan and the financing plan, including debt/equity mix at the construction phase;
d. lead provider of the construction loan, including acting as Lender of Record in order to give other lenders tax and country risk mitigation benefits.
e. monitoring and supervision of the construction project, including setting disbursement milestones and quality standards;
f. determining in consultation with Afreximbank and in line with the project cashflows an appropriate date for refinance of the Construction Loan.

Afreximbank's Role

a. Lead provider of loan for refinancing of the Construction Loan upon project completion and acceptance and on a date to be jointly agreed with SA. In this regard, Afreximbank to provide a contingent guarantee in support of the Original Facility (OF) which will trigger the refinance of the OF upon project completion and transfer of security to Relay Facility (RF) Lenders.
b. The financing of Furniture, Fittings and equipment (FF&E) as well as pre-operational expenses for the hotel projects.
c. Determining appropriate debt/equity mix at the point of conversion of loan from Construction Loan to a Tourism-linked loan.
d. Tourism-linked loan structuring to ensure that risks are transferred to parties best able to bear them.
e. Guarantor, on a limited recourse or contingent basis, to Lenders under the Construction Loan.
f. Loan agency, which may be outsourced to an international bank with strong working relationship with Afreximbank and which understands tourism financing.
g. Security Trustee and Lender of Record to enable mitigation of documentary taxes in respect of the RF. Afreximbank may also act as Security Trustee with respect to OF should SA's constitutional documents not permit it to enjoy certain tax and country risk privileges.

Box 1 (continued): Afreximbank/Shelter Afrique Co-branded Construction/Tourism-Linked Relay Facility ("ConTour Africa")

Why tourism?

The collaborative product is focused on tourism due to the high development impact of a unit of investment in the tourism sector. The goal is to ensure that Africa exploits fully its potential in this sector especially given that globalization, ease of air travel, rising affluence in Asia and some parts of Africa, and rising life expectancy have all combined to boost tourism globally. World Tourism Organization (WTO) forecast international tourism arrivals world wide by 2020 to reach 1.6 billion, with estimated spend in excess of USD2 trillion. Africa with its vast cultural and historical attractions as well as scenic beaches can attract a significant share of this spend if the right investments are made.

A number of factors limit the effectiveness of the tourism industry to play a more meaningful role in Africa, a major item of which is shortage of hotel rooms of decent standards as well as proper management and efficient service offering.

Some of the solutions proffered are:

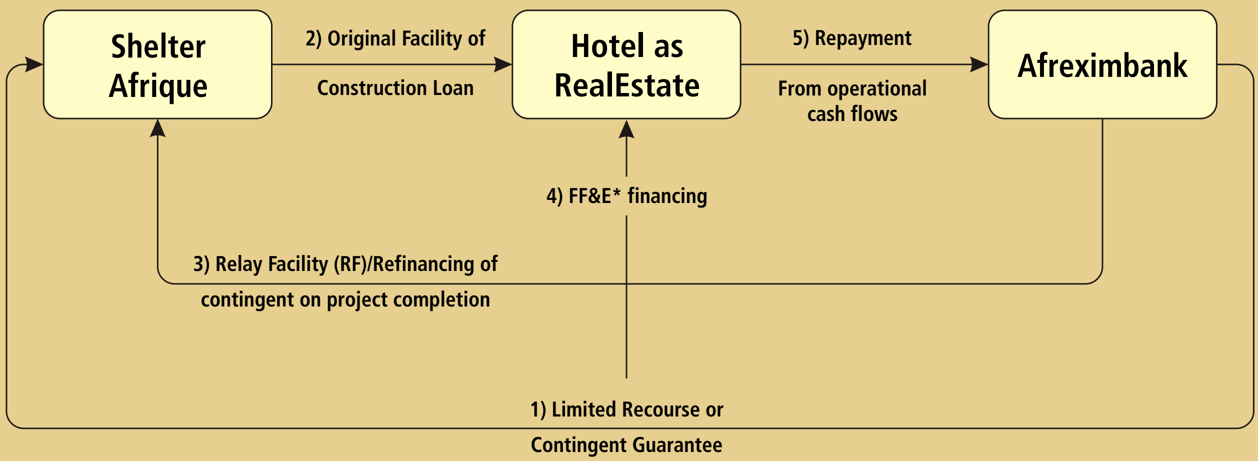
- that African banks should dedicate a tourism development fund to finance tourism enterprises and activities;
- that Africa should consider creating a concessionary financing facility to accommodate the entry of new agents into the tourism industry; and
- that technical assistance should be provided to potential entrepreneurs, utilizing as far as possible existing institutions.

Afreximbank/Shelter Afrique's collaborative initiative is intended to begin the initial steps towards providing the identified solutions which can be a precursor to a Tourism Development Fund for Africa.

a) Purpose: to promote the development of tourism infrastructure and facilities in Africa to international standards and on a commercial basis through a risk sharing arrangement likely to attract international financing to the Sector.

b) Risk Sharing Arrangement: Shelter Afrique will be responsible for the structuring of the loans for construction of hotels and facilities as a real estate project leveraging their extensive experience in that area (the "Construction Loan or the "Original Facility"). The Original Facility will be anchored on a limited recourse or contingent guarantee to be provided by Afreximbank and other banks it may arrange. Recourse to the guarantors will be limited to successful completion and hand-over of the real estate and security –taken for its financing to the guarantors. Upon Project completion, Shelter Afrique will be refinanced by Afreximbank which will also provide additional financing for FF&E and pre-operating expenses for the hotel (the "Relay Facility"). The source of repayment of the Relay will be from the hotel operating cashflows, including credit card receivables as well as receivables from tour operators. The risk sharing arrangement therefore ensures that the projects will benefit from Shelter Afrique's experience in real estate development and Afreximbank's expertise in structuring financial future flow transactions as they relate to hotels and tourism facilities. A diagrammatic presentation of the relationship is presented in Figure 1.

Figure 1: Afreximbank/Shelter-Afrique Construction – Tourism-Linked Relay Facility



* FF&E = Furniture, Fittings & Equipment

Box 2: Infrastructure and Land Development Financing Programme

Introduction:
Africa is currently the fastest urbanizing continent in the world, with an annual urban growth rate of 4.5% - 5.0%. Nearly 40 per cent of Africans now live in cities, expected to increase to 50 per cent in the next 25 years, if current trends continue. Cities in Africa contribute about 60 percent of the continent's GDP. The rapid growth in urban population is not commensurately matched by increase in the provision of infrastructure services, housing or shelter in these cities. The result is acute shortage of decent and affordable housing and poor living environment. It has been variously estimated that the total urban population and the urbanized areas in Sub-Saharan Africa can be expected to increase threefold and the flows of persons and urban goods and services to increase tenfold by 2025. Consequently, "it is essential to develop a new vision of the African city as a place of innovation, wealth creation and capital accumulation, but no longer as a place of poverty and concentration of all kinds of depravity".

Despite the urgency of the urban problem and the recognized importance of the cities in economic development, Africa cities and towns are yet to be managed efficiently with a view to meeting the needs of residents and those that interact with the urban areas. Urban management encompasses planning, infrastructure services, housing, legal and institutional frameworks, governance, financial planning and management, amongst other aspects needed to ensure sustainable development. Those responsible for managing the urban areas, who comprise mainly local, municipal and central government agencies and institutions, have however been unable to properly identify, anticipate and address the problems of these areas in innovative ways. More often than not, the legal and institutional frameworks as well as the governance structures in place are either inadequate or outdated for managing both existing and new settlement areas. Many have identified the issue of capacity in all its forms: governance, institutional, technical, financial, management amongst others, as the greatest impediment to urban development.

The consequences are obvious in most town and cities in Africa and have been variously identified: i) over 60 percent of the population lives in poor infrastructure and housing conditions; ii) continuing breakdown and deterioration of urban services where they exist due to poor maintenance; iii) low level of new investments in the maintenance and extension of urban services to new areas; iv) overcrowding and further deterioration of the quality of old settlements areas and services due to over densification occasioned by lack new settlement areas; v) lack of forward planning in cities leading to congestion, slums and inadequate services.

Throughout Africa, there is urgent need for urban renewal, to improve the delivery of serviced plots and to develop capacity in urban management. There are a number of institutions, both bilateral and multilateral, committing both financial resources and technical expertise to assists governments and their institutions at various levels to improve their capacities to manage the cities and towns. There is also a heightened level of urgency on the part of governments to address urban problems through public, private and people partnerships. Some of these partnerships have been limited to macro-infrastructure such as transportation, power generation, water and sewerage systems. Infrastructure services provision at micro-levels such as plot servicing is yet to receive the desired attention.

Shelter Afrique recognizes that the availability of serviced plots at affordable prices will not only improve housing delivery but also urban management and development in member countries. It will therefore fund viable projects that provide serviced plots through the provision of infrastructure services and renew existing settlements through upgrading of existing services. Shelter Afrique will work closely with both private and public institutions, especially the municipal authorities to develop sustainable strategies for delivering serviced plots.

Past Experience:
Shelter Afrique has been providing medium term loans (up to 5 years) to private developers and parastatals in member countries for sites and services schemes that were designed to plan, sub-divide and service urban land with essential infrastructure for outright sale to members of the public or developers. Such loans were extended to Soloprimo (Guinea), Satu (Niger), IFA-Baco, Sema and SIFMA (Mali), GM Properties (Malawi) and Maetur (Cameroon). Shelter Afrique has also funded housing projects that entailed provision of both offsite and on-site infrastructure services as well as the construction of houses. Total balance of this product in our portfolio is US$14.85 million.

The Product:
The product is designed to enable Shelter Afrique to:

i) expand its lending to private developers and municipal authorities;
ii) make available serviced plots with secure title available for housing development;
iii) improve housing affordability through self and incremental construction;
iv) participate in urban renewal and management in member countries.

Instruments:
i) medium-term (not more than 5 years) senior debt obligation to developers, real estate companies and municipal authorities;
ii) Long term (up to 10 years) senior debt to municipal authorities or private concessionaire for urban renewal;
iii) Infrastructure fund at country or sub-regional level from which funds will be made available to local authorities or private concessionaire for urban renewal and development

Denomination
Mainly US$ or Euro denominated loans. Local currency loans will be available in countries where Shelter Afrique issues bonds.

Target Markets/Countries
There is strong demand for serviced plots in all member countries. Similarly because of the poor of maintenance of urban services where they exist, there is need for upgrading and redevelopment of both middle and high income residential areas. Given high demand for these services, Shelter Afrique will concentrate in countries i) where it has experience, ii) where the private sector is actively involved in plot and housing development; iii) there is necessary framework for PPP partnership and or iv) municipal authorities or their agencies have the necessary structures and capacity in place to develop and manage services. The programme will be available for all member countries that meet the condition but

Box 2 (continued): Infrastructure and Land Development Financing Programme

following countries will be targeted with a view to improving access to housing: Niger, Guinea, Mali, Malawi, Togo, Burkina Faso, Cameroon, Madagascar, Nigeria, Tanzania and Zambia.

Partners/Competition
Shelter Afrique will operate in the market segment where it has competitive advantage while seeking to work with other institutions working in areas that will complement its products, for example off site services, urban management and governance, etc. In this regard, it will provide financing to the following institutions:

i) Municipal authorities;
ii) Utilities companies;
iii) Housing development parastatals;
iv) Housing cooperatives;
v) Private developers;
vi) Land buying and servicing companies;
vii) Families with large tracks of land

Shelter Afrique is well aware that national and municipal governments in Africa are generally responsible for urban management. It will therefore work closely with them to promote greater involvement of the private sector in the provision, maintenance and management urban services on a more sustainable basis. Public-private partnership will be critical in the areas of urban renewal and management of residential estates.

Shelter Afrique will also work closely with institutions including AfD, IFC, the World Bank, PTA Bank, FMO, AfDB and UN-Habitat which are active in providing both financial and technical assistance to governments in the area of urban development and management. It will endeavour to exchange information with these institutions with a view to ensuring the effectiveness of its programmes.

Use of Proceeds
The proceeds of Shelter Afrique's medium term loan to developers will be used to co-finance the following:

i) Subdivision and survey of land;
ii) Provision of on-site infrastructure services: roads and drainage systems, water reticulation, electricity reticulation, sewerage and sanitation systems;
iii) Provision of off-site infrastructure services: roads, drainage sewerage systems, water electricity;
iv) Environmental improvements including landscaping and planting of trees;
v) Social and community amenities. Land may also be set aside and given to the municipal authority or private developer to develop.

Funding Sources
The programme will be funded mainly through Shelter Afrique's resources, lines of credit from DFIs and bond issues in selected markets. Shelter Afrique will also seek to bring in co-financiers either on risk sharing basis or parallel co-financing;

Amount
Up to US$5 million

Tenure
Up to 5 years with a grace period of not more than 3 years. Longer tenors of up to 10 years could be given to well-established entities as per Shelter Afrique's policy.

Interest Rate
variable or floating interest rate to reflect Shelter Afrique's cost of funds. A fixed rate US$ or Euro loan could however be available, if Shelter Afrique accesses such funds.

Application Process
Any developer interested in accessing this facility must submit a formal request to Shelter Afrique in the form and substance as may be prescribed from time to time;

Documents required include project documents technical and financial, audited accounts and related financial information about the company for the past 3 years (see checklist).

Due Diligence and Appraisal Process
Shelter Afrique will only fund projects that meet its strict technical feasibility, financial viability and social desirability requirements. Shelter Afrique or its agents (consultants) will be responsible for carrying out the appraisal of each borrower/applicant using its appraisal procedures.

The outcome of the appraisal of the borrower will be reviewed and approved through the normal process obtainable in Shelter Afrique for other types of products.

Risks mitigation
Implementation risk is perhaps the most significant risk Shelter Afrique will face in any infrastructure development project. It relates to the ability of borrowers and services providers to implement and deliver the project as planned meeting both time, cost and quality.

The demand for serviced plots in member countries is very strong. This therefore reduces significantly the marketing risk. However any residual marketing risk must be closely managed and mitigated to reduce default risks. Other risks will be identified and mitigated during appraisal.

Justification
The introduction of the product is justified by the need to improve affordability of housing by the middle income groups by making serviced plot available for housing development. Investment outlay for acquisition of serviced land is not high while self construction and incremental development is allowed.

The product will help Shelter Afrique to diversify its products for better risk management and growth in line with the strategic plan.

It will improve urban management and renewal and create beneficial partnership between the public and private sectors.

2008 PROJECTS PROFILE

Mwafa Court Apartments, Nairobi-Kenya

A loan of USD 1 million was approved for Mwafa Court Ltd. (MCL) to co-finance the construction of 50Nos. 2-bedroom and 3-bedroom apartments and related infrastructure services for outright sale to the public. The project is located in Langata area, Nairobi Kenya on plot LR No. 209/11629. The loan represents about 41% of the total project cost estimated at USD 2.46 million. MCL contribution is USD 1,335,843 or 54% whereas buyers' deposits constitute 5% of total project costs .

Building Bloc, DRC

Shelter Afrique's Board of Directors approved in December, 2008 a loan of US$ 4.24 million for Building Bloc, for the construction of 56 apartments in Kinshasa, Democratic Republic of Congo. Shelter-Afrique's contribution will constitute about 50.4% of total cost of the project, estimated at US$ 8.41 million. The balance of 49.6% will be provided by the developer. The project involves the development of 56 Nos. 2 bedroom apartments in two identical 7-storey apartment blocks for rental, built on the success of phase I of the project co-funded by Shelter Afrique on the same plot.

SIFMA Housing Project, Mali

This project was approved for a loan of CFAF 2.03 billion, to co-finance the construction of 550 housing units in Mali. The loan will account for 20.8% of the project cost. The balance will be provided by the developer and other co-financiers. The project will deliver the 550 houses for sale to the public, through a private public partnership scheme. The programme will be implemented by the Société Immobilière et Foncière du Mali (SIFMA) on two SIFMA sites in Sicoro and Missabougou, located to the North-West and East of Bamako respectively.

Bahari Beach Housing Estate, Dar-es-salaam, Tanzania

The Board of Directors approved US$ 5 million in favour of Integrated Property Investments Tanzania Limited (IPITL) to co-finance the construction of Bahari Beach Housing Estate, Phase 1. The proposed project will involve the construction of 24 villas and 20 semi-detached town houses for outright sale to the public. The project is anticipated to include a retail centre, recreational centre, nursery school and community centre once all three phases have been developed. The loan represents 43% of the total project cost estimated at Tshs 14 billion or US$ 11.72 million. The developer will provide an equity contribution of Tshs 5,97 billion or US$ 4,97 million representing 42% of the total project cost. Buyers' deposits are expected to account for the balance of costs. The project site is located about 20 kilometres from the Dar-es-Salaam in the Ununio / Kunduchi area in Kawa - Kinondoni Municipality, Dar-es-Salaam.

Line of Credit to ASO, Nigeria

A Line of Credit (LoC) of US$ 5 million was approved for ASO Savings and Loans PLC. (ASO) Savings and Loans Plc, Nigeria, for on-lending to medium-sized developers of residential estates in different parts of Nigeria. In addition to its existing portfolio of loans, ASO has a large and growing pipeline of projects (commercial and residential developments) that are being actively reviewed for financing. ASO Savings and Loans PLC (ASO) is a Primary Mortgage Institution (PMI) which is quoted on the Nigerian Stock Exchange.

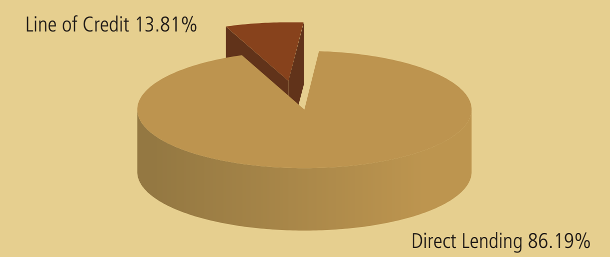
Simbamanyo Estates Ltd (SEL), Kampala-Uganda

A loan of US$ 4 million was approved in favour of Simbamanyo Estates Ltd (SEL), for the construction of 40 Nos. furnished and serviced suites for rental purposes, in Kampala-Uganda. The loan will represent about 60% of the total project cost estimated at US$ 6.67 million. Total equity contribution from developer will be US$ 2.67 million. The site for the proposed project, with an area of 2.1 acres, is located in Luzira, about 5 kms from Kampala city centre and well served by tarmac access roads, ready infrastructure of electricity, water and telephone. Simbamanyo Estates Limited is a private limited liability company incorporated in Uganda in 1978. This will be the second project Shelter Afrique will be co-financing with SEL.

Bandari Estate by KPA Pension Scheme, South C, Nairobi, Kenya.

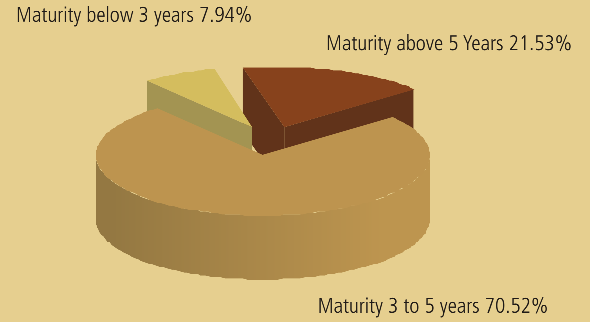
SCI MACORE: 23 furnished residential apartments for rental in Douala, Cameroon.

Graph 7: Approval per Lending Instrument: 2008



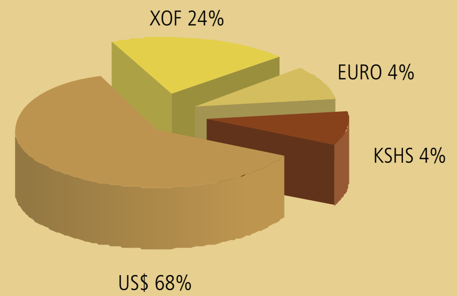
Construction of 24 Nos. apartments in Buziga,Kampala, Uganda

Graph 8: Approval per Loan Maturity: 2008



SATU: Development of phase 1 of a site and services programme at Route de Dosso, Niamey, Niger

Graph 8: Approval per Currency: 2008



GOVERNANCE AND CORPORATE MANAGEMENT

Commitment to Corporate Governance

The Board's Audit and Risk Committee has been established with the mandate of providing assistance to the Board in fulfilling its responsibility to the company and to the shareholders relating to its oversight of management and its auditors. This is in regard to corporate accounting, financial reporting practices, the quality and integrity of the financial reports of the Company. The committee is also responsible for the Company's system of internal controls and for reviewing its effectiveness and advising on financial and risk management.

The Board's Committee on Administrative Affairs and Human Resources was appointed during the year, to advise on matters and policies relating to general administrative affairs and human resources of the company and make recommendations to the Board as well as monitor closely the implementation of the decisions of the Board on such matters amongst other duties.

Both the Board and Management remain committed to good Corporate Governance for value creation for the shareholders and enhancing the confidence of all the stakeholders in the company. To this end, the Board, during the review year 2008, continued to assume overall responsibility for the ultimate direction of the Company, the supervision and control of the executive management, while the executive management assumed the overall responsibility for the day-to-day management of the Company. The Directors meet quarterly when they review and decide on investment projects and oversee general management policies. Directors also serve on one or more of two standing committees, which help the Board discharge the oversight responsibilities through depth examinations of policies and procedures.

During the year under review, the Board's Finance, Audit and Risk Committee met to consider and review among others, the Company's draft audited financial statements for the fiscal year 2007, and the 2009 budgets.

The Board of Directors guides the Company's programmes and activities as part of its normal functions. The Board approved during the reporting year, a total of US$ 54.29 million in new investment loans for housing projects in member countries. The Board also considered and approved a domestic currency funding in CFAF in the equivalent amount of US$ 17 million, accepted the revision of the company's lending, policy adopted the 2007 Annual Report which was submitted to the 27th Annual General Assembly, supervised the implementation of the 2008 administrative and capital budgets, approved the 2009 Income and Expenditure budgets and reviewed for submission to the 28th Annual General Assembly a paper on share capital increase and revision of the Company's statutes. The Board also engaged in discussions of how the global financial crisis which erupted during the year under review was affecting the company's operations.

During the review year the Company was once again evaluated for credit rating for its local and international debts by Global Credit Rating Co. (GCR), South Africa, together with its International Ratings Group affiliates. The Company maintained its favourable ratings of "AA" (double A) long-term credit status, and A1+ (Single A one plus) short-term credit status, on the Company's domestic Debt Issues in the Kenya Market and in the FCFA currency market zone. The Rating Agency also re-affirmed a "BBB-"(Triple B MINUS) long-term credit status on its international (US$) denominated debts. The ratings reflect the Company's improved asset quality, healthy capital adequacy, growth in net income, prudent financial management and well diversified shareholdings among other protection factors. The ratings, with a stable outlook would continue to improve the Company's profile in the capital markets of member countries.

RISK MANAGEMENT

The Company's risk management strategies help to maximise asset quality and reduce volatility in operating performance.

The Company's lending activities expose it to many risks that are continually monitored, evaluated and managed. The risk management process relies largely on procedures, guidelines and controls. The Company's Risk Management Policy has established certain controls and guidelines as alternatives to hedging techniques. Risk Management sets and monitors lending, country and obligor limits, which may not be exceeded without prior approval. Policies and procedures have been established with the objective of protecting against losses, which include reviewing and establishing limits for credit exposure, limiting transactions with clients and setting limits for funds investment within the parameters set by the Company's Investment Guidelines. However, given the current financial crisis and the lessons that have been learnt, the company will, in 2009, address perceived weaknesses in risk identification, assessment and management, particularly in the area of foreign currency risk management. In this regard, the Company has created the Risk Management and Compliance department to lead risk management within the organisation.

An Asset and Liability Management Committee (ALCO) is set up to manage risks and regularly meets to review, analyse and evaluate the Company's exposure to the variety of financial and operational risks with a view to achieving an appropriate balance between risk and return on shareholders' funds. An internal audit unit exists to supplement the efforts of ALCO in the management of risks while a risk evaluation function through the development of an internal integrated control framework is being created.

KPA Bandari Housing Project (135 units), Nairobi, Kenya

Housing Project by Bellway Gardens, Kenya.

Bahari Beach Housing Estate, Dar-es-salaam, Tanzania (under construction).

20 Apartments by GCC in Gombe, Kinshasa.

32 apartments by Building Bloc in Gombe, Kinshasa.

Loan Agreement Signing at Shelter Afrique Headquarters with Intergrated Property Investments Tanzania Limited (IPITL) for Bahari Beach Project in Dar- es- salaam, Tanzania.

Mr Birama Sidibe, outgoing Managing Director of Shelter Afrique addressing delegates at the Annual General Meeting in Lome, Togo.

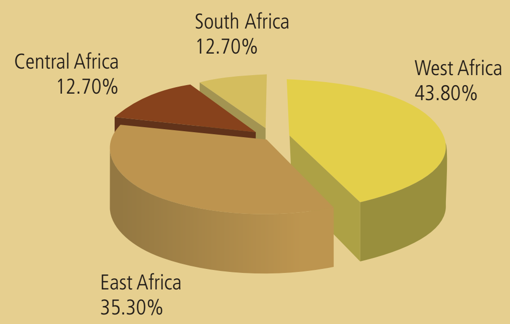
Loan Signing with Simbamanyo Estate, Uganda.

Staff of Shelter Afrique with members of ADB mission to Shelter Afrique

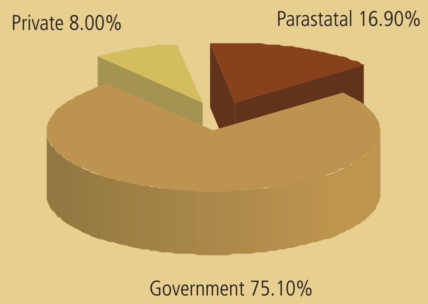
Loan Signing with Lubowa Apartments Ltd, Uganda.

Management of Shelter Afrique with some clients

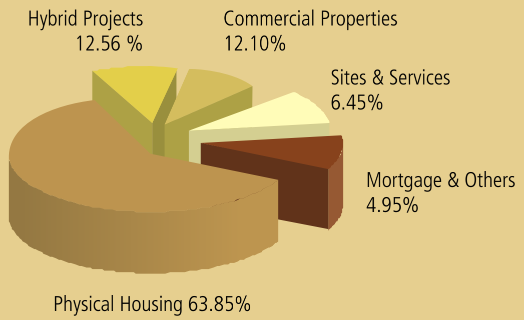
Graph 10: Cumulative Approval per Region: (US$ 284.9 Million)



Graph 11: Approval per Type of Client: (Millions US$)



Graph 12: Cumulative Approval Per Type of Projects (Millions US$)



SHELTER - AFRIQUE

THE COMPANY FOR HABITAT AND HOUSING IN AFRICA

Annual Report and Financial Statements

31 December 2008

Deloitte & Touche

PRINCIPAL PLACE OF BUSINESS	**Shelter Afrique Centre** Longonot Road Upper Hill P.O. Box 41479 00100 Nairobi GPO KENYA
PRINCIPAL BANKERS	**Barclays Bank Plc** Barclays International Banking Centre P.O Box 391 38 Hans Crescent, Knightsbridge London SWIX 7NT ENGLAND
	Kenya Commercial Bank Limited P O Box 30012 00100 Nairobi GPO KENYA
	Citibank N.A. P O Box 30711 - 00100 Upperhill, Nairobi KENYA
	UBS International inc. 1285 Avenue of Americas New York, NY 10019
	BNP Paribas 2, Place de l' opera BP 6542 75060 Paribas Cedex 02 Paris, France
	Citigroup Institution Group New York Citigroup Centre 153 East 53 Street New York, NY U.S.A
	Ecobank 8, Avenue L.S. Senghor B.P. 9095 CD Dakar SENEGAL
	Merrill Lynch International Bank Limited 2 World Financial Centre New York, NY U.S.A
SOLICITORS	**M/s Waruhiu K'Owade & Ng'ang'a Advocates** P.O. Box 47122 Nairobi KENYA
AUDITORS	**Deloitte & Touche** Certified Public Accountants (Kenya) "Kirungii" Ring Road Westlands P O Box 40092 - 00100 Nairobi KENYA

BOARD OF DIRECTORS

Chairman	Mr D. Nacer
Vice Chairperson	Ms. E. M. Tembo

DIRECTORS	ALTERNATE DIRECTORS	REPRESENTING
Class "A" Shareholders		
Mr. V. Ndayitwayeko (Appointed 11/06/08)	Mr B. Bassoukpalo (Appointed 11/06/08)	Burundi, Central Africa Republic, Chad, Congo, Djibouti, Equatorial Guinea, Gabon, Madagascar, Rwanda, Sao Tome & Principe, Somalia, Tanzania, Uganda.
Ms. E. M. Tembo (Appointed 08/07/08)	Mr. J. Kaoma (Appointed 11/06/08)	Botswana, Lesotho, Malawi, Mauritius, Namibia, Seychelles, Swaziland, Zambia, Zimbabwe.
Mr. E. M. Baba Diarra (Appointed 11/06/08)	Mr. T.O. BAH (Appointed 11/06/08)	Cape Verde, Democratic Republic of Congo, The Gambia, Guinea, Guinea Bissau, Mali, Senegal.
Mr. N Djama (Appointed 11/06/08)	*	Algeria, Mauritania, Morocco, Tunisia.
Mr. F. M. Carbah (Appointed 11/06/08)	Monsieur A. Serkindia (Appointed 11/06/08)	Benin, Burkina Faso, Cameroon, Liberia, Niger, Sierra Leone, Togo.
Mrs. C.F. Sibeudu (Deceased) (Appointed 14/09/06) till (05/12/08)	Mr. L. Y. Abubakar (Appointed 06/10/08)	Nigeria
Mr. T. Kosgey (Appointed 11/07/08)	Arch. M. N. Mugwanja (Appointed 10/09/07)	Kenya
Class "B" Shareholders		
Mr. B. Kamara (Appointed 11/06/08)	Mr. G. Otieno (Appointed 11/06/08)	African Reinsurance Corporation
Mr. J.M. Gharbi (Appointed 11/06/08)	Mr. T. de Kock (Appointed 11/06/08)	African Development Bank

SENIOR MANAGEMENT

Mr. B. Sidibe	Managing Director
Mr. O. Okonkwo	Deputy Managing Director
Mr. L.R. Ouandji	Company Secretary
Mr. Y. Olayanju	Director, Finance & Administration
Mr. A. Shilimi	Senior Legal Officer

* The Directors / Alternate Directors are yet to be appointed.

Report of the Directors

The directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2008 which show the state of the company's affairs.

1. **Legal Capacity**
   The company is a Pan-African housing finance and development institution, established by African Governments, the African Development Bank, the African Reinsurance Corporation and the CDC Group plc (now ACTIS) in 1982 to address the need for an innovative and sustainable housing delivery system 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.

2. **Principal Activity**
   The principal activity of the company is the provision of financial and technical assistance for housing and urban development activities in Africa.

3. **Results**
   The results for the year are set out on page 39 of the financial statements. The profit for the year transferred to revenue reserve amounts to US$ 2,610,965 (2007 – US$ 4,139,773).

4. **Dividends**
   The directors recommend the payment of a dividend of US$ 522,172, which represents US$ 12.98 per paid up ordinary share (2007 - US$ 827,821 representing US$ 21.42 per paid up ordinary share).

5. **Reserves**
   The reserves of the company are set out on page 41 of the financial statements.

6. **Directors**
   The directors who served during the year and to the date of this report are as stated on page 35.

7. **Auditors**
   Deloitte & Touche, having expressed their willingness, continue in office in accordance with the Companies Statutes.

By Order of the Board

L. R. Ouandji
Company Secretary
24th March, 2009

Statement of Directors' Responsibilities

The company's Statutes requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the company's statutes. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Director
24th March, 2009

Director
24th March, 2009

To the Members of the Company for Habitat and Housing in Africa (Shelter - Afrique)

We have audited the accompanying financial statements of The Company For Habitat And Housing In Africa (Shelter - Afrique), set out on pages 39 to 66 which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the company's Statutes. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31 December 2008 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the company's Statutes.

Deloitte & Touche

Nairobi
26th March 2009

Income Statement

For the Year Ended 31 December 2008

	Note	2008 US$	2007 US$
INTEREST AND SIMILAR INCOME	3	6,027,630	5,995,560
INTEREST EXPENSE AND SIMILAR CHARGES	4	(1,313,844)	(1,438,491)
NET INTEREST INCOME		4,713,786	4,557,069
FEE AND COMMISSION INCOME	5	1,335,533	739,295
OTHER INCOME	6	133,382	180,969
OPERATING EXPENSES	7	(2,933,087)	(2,246,794)
IMPAIRMENT WRITE BACK/(CHARGES) ON LOANS AND ADVANCES	11(ii)	395,746	(95,864)
NET FOREIGN EXCHANGE (LOSSES)/GAINS		(1,034,395)	1,005,098
PROFIT FOR THE YEAR		2,610,965	4,139,773
EARNINGS PER SHARE	12	66.20	109.47

Balance Sheet

At 31 December 2008

	Note	2008 US$	2007 US$
ASSETS			
Bank and cash balances		1,921,677	1,781,536
Short term bank deposits	9	16,082,570	9,973,659
Held to maturity investments	10	5,585,655	7,144,239
Loans and advances to customers	11	52,865,300	53,190,968
Other receivables	13	597,693	614,857
Property and equipment	14 (a)	3,798,267	3,817,929
Prepaid operating lease	14 (b)	147,421	151,300
Intangible assets	15	291,744	270,364
TOTAL ASSETS		81,290,327	76,944,852
EQUITY AND LIABILITIES			
LIABILITIES			
Bank borrowings	16	5,568,723	2,487,648
Medium term notes	17	12,550,426	15,778,588
Other payables	18	583,655	536,118
Dividends payable	19	1,105,222	568,541
Deferred income	22	147,421	151,300
TOTAL LIABILITIES		19,955,447	19,522,195
SHAREHOLDERS' FUNDS			
Share capital	20(a)	40,229,000	38,647,000
Share premium	20(b)	627,896	80,817
Revenue reserve		18,723,625	16,908,796
Revaluation surplus		1,754,359	1,786,044
TOTAL SHAREHOLDERS' FUNDS		61,334,880	57,422,657
TOTAL EQUITY AND LIABILITIES		81,290,327	76,944,852

The financial statements on pages 39 to 66 were approved by the Board of Directors on 24th March 2009 and were signed on its behalf by:-

Director
24th March, 2009

Director
24th March, 2009

Statement of Changes in Equity

For the Year Ended 31 December 2008

	Share capital US$	Share premium US$	Revaluation surplus US$	Revenue reserve US$	Total equity US$
At 1 January 2007	36,988,974	-	513,660	13,436,058	50,938,692
Capital subscriptions received	1,671,891	80,817	-	-	1,752,708
Reclassification of overpayment on subscriptions to liabilities	(13,865)	-	-	-	(13,865)
Profit for the year	-	-	-	4,139,773	4,139,773
Revaluation surplus for the year	-	-	1,272,429	-	1,272,429
Transfer of depreciation	-	-	(45)	45	-
Dividends declared for year 2006	-	-	-	(667,080)	(667,080)
At 31 December 2007	38,647,000	80,817	1,786,044	16,908,796	57,422,657
At 1 January 2008	38,647,000	80,817	1,786,044	16,908,796	57,422,657
Capital subscriptions received	1,582,000	547,079	-	-	2,129,079
Profit for the year	-	-	-	2,610,965	2,610,965
Transfer of excess depreciation on revaluation	-	-	(31,685)	31,685	-
Dividends declared for year 2007	-	-	-	(827,821)	(827,821)
At 31 December 2008	40,229,000	627,896	1,754,359	18,723,625	61,334,880

The revaluation reserve relates to the revaluation of the company's buildings which are carried at revaluation less accumulated depreciation and impairment, if any.

Cash Flow Statement

For the Year Ended 31 December 2008

	Note	2008 US$	2007 US$
OPERATING ACTIVITIES			
Net cash generated/(used in)/ from operations	21(a)	2,859,322	(2,266,709)
INVESTING ACTIVITIES			
Purchase of property and equipment	14(a)	(108,498)	(38,699)
Purchase of intangible assets	15	(27,776)	(253,963)
Proceeds from sale of equipment		7,664	8,722
Sale of investment securities		1,550,000	100,000
Interest received on placements		663,131	995,931
Net cash generated from investing activities		2,084,521	811,991
FINANCING ACTIVITIES			
Proceeds from borrowed funds	21(c)	7,185,551	2,482,015
Repayments of borrowed funds	21(c)	(3,664,461)	(2,871,201)
Proceeds from debt securities	21(d)	5,213,147	-
Repayments of debt securities	21(d)	(7,989,067)	(3,202,962)
Proceeds from capital subscriptions	20(c)	2,129,079	1,752,708
Reclassification of overpayment on subscriptions to liabilities	20(c)	-	(13,865)
Dividends paid	19	(291,140)	(415,890)
Interest paid		(1,277,900)	(1,429,108)
Net cash generated from/(used in) financing activities		1,305,209	(3,698,303)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,249,052	(5,153,021)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		11,755,195	16,908,216
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21(b)	18,004,247	11,755,195

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards.

Adoption of new and revised International Financial Reporting Standards

(i) Standards and interpretations effective in the current period

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

- IFRIC 12, Service Concession Arrangements (effective 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective 1 January 2008);
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 January 2008);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008).
- IAS 39, Financial Instruments: Recognition and Measurement: Reclassification of financial assets (effective for accounting periods beginning on or after 1 November 2008)
- IFRS 7, Financial Instruments: Presentation: Reclassification of financial assets (effective for accounting periods beginning on or after 1 November 2008)

Adoption of these interpretations has not led to any changes in the company's accounting policies.

(ii) New and revised standards and interpretations in issue but not yet adopted

At the date of authorisation of these financial statements, the following revised standards and interpretations were in issue but not yet effective.

- IFRIC 15, Agreements for the construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for accounting periods on or after 1 January 2009).
- IFRIC 18, Transfers of Assets from Customers (effective for accounting periods on or after 1 July 2009).
- IFRS 1, First-Time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009).
- IFRS 3, Business Combinations – Comprehension revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009).
- IFRS 8, "Operating Segments", replaces IAS 14, "Segment reporting", and requires a management approach under which segment information is presented on the same basis as that for internal reporting purposes. (effective for accounting periods beginning on or after 1 January 2009).
- IAS 1 (Revised), Presentation of Financial Statements : Comprehensive revision including requiring a statement of comprehensive income, Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
- IAS 23 (Revised), Borrowing Costs: Comprehensive revision to prohibit immediate expensing of borrowing costs relating to qualifying assets for which the commencement date of capitalisation is on or after 1 January 2009. (effective for accounting periods beginning on or after 1 January 2009).
- IAS 27, Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 28, Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 31, Interests in Joint Ventures: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009).
- IAS 32, Financial Instruments: Presentation: Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
- IAS 36, Impairment of Assets: Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
- IAS 38, Intangible Assets: Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

1 PRINCIPAL ACCOUNTING POLICIES (continued)

- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items. (effective for accounting periods beginning on or after 1 July 2009).
- "Improvements to IFRSs" was issued in May 2008 and its requirement s are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project.

(iii) Impact of the new and revised standards and interpretations in issue but not yet adopted

The following standard, in particular, will be of considerable relevance to the financial statements of the company, when effective:

IAS 1 (Revised), 'Presentation of financial statements'

IAS 1 (Revised), 'Presentation of financial statements' was issued in September 2007 and will be effective for annual periods beginning on or after 1 January 2009. The revised standard introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a company's equity resulting from transactions with owners separately from non-owner changes.

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but provides the option of presenting items of income and expense and components of other comprehensive income either as a single statement of comprehensive income or in two separate statements, the income statement and statement of comprehensive income. Where the company restates or reclassifies comparative information, it will be required to present a restated balance sheet as at the beginning comparative in addition to the current requirement to present balance sheets at the end of the current and comparative periods.

The previous version of IAS 1 used the titles 'balance sheet' and 'cash flow statement' to describe two of the statements within a complete set of financial statements. The revised IAS 1 uses 'statement of financial position' and 'statement of cash flows' for those statements.

Impact of other standards and interpretations

The directors anticipate that the adoption of the other standards and interpretations and amendments resulting from the International Accounting Standards Board (IASB)'s annual improvements project published in May 2008, when effective, will have no material impact on the financial statements of the company.

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting except for the revaluation of certain property.

Income recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Penalty fees are accounted for upon receipt of payment.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Discounts and premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity are calculated on an effective interest basis.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currencies

The results and financial position of the Company are expressed in United States Dollar, which is the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than its functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Exchange differences are recognised in the income statement in the period in which they arise.

Intangible assets

Intangible assets comprise the cost of acquired computer software programmes. Expenditure on acquired computer software programmes is capitalised and amortised using the straight-line method over their estimated useful lives, generally not exceeding five years.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received after which they are then recognised at their fair value.

Property plant and equipment

Property and equipment are stated at cost or valuation, less accumulated depreciation and impairment losses.

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

The annual depreciation rates in use are:

Leasehold buildings	2 & 2.27%
Office equipment, furniture and fittings	12.5%
Motor vehicles	25.0%
Computers	25.0%
Residential furniture and fittings	12.5%

Leasehold buildings are written off over the estimated useful life of the building, or the lease, whichever is less. No depreciation is charged in the year of acquisition but full depreciation is charged in the year of disposal. Excess depreciation on the revaluation surplus is transferred from the revaluation reserve to revenue reserve.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its financial, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

Retirement benefit costs

The company operates a provident fund 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. For the Kenyan employees, the company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to approximately US$ 2.60 per month per employee.

1 PRINCIPAL ACCOUNTING POLICIES (continued)

Retirement benefit costs (continued)

The company's contributions to the above schemes are charged to the income statement account in the year to which they relate.

Employee entitlements

The monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

Financial instruments

Financial assets and liabilities are initially recognised on the Company's balance sheet at cost using settlement date accounting, when the Company has become a party to the contractual provisions of the instrument.

Loans and receivables originated by the Company and not held for trading

Loans and receivables including advances originated by the Company and held to maturity are measured at amortised cost.

Held to maturity investments

Financial assets with fixed or determinable payments and fixed maturity where the Company has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Company, are measured at amortised cost.

Financial assets held for trading

Financial assets acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin are measured at their fair value.

Available-for-sale financial assets

Financial assets that are not (a) loans and receivables originated by the Company, (b) held-to-maturity investments, or (c) financial assets held for trading are measured at their fair value or at cost where fair value is not determinable.

Impairment and uncollectability of financial assets

At each balance sheet date, all financial assets are subject to review for impairment.

If it is probable that the Company will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of a provision account. The amount of the loss incurred is included in the income statement for the period.

Impairment and uncollectability of financial assets (continued)

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised directly in equity is removed from equity and recognised in the income statement for the period even though the financial asset has not been derecognised.

Financial Liabilities

After initial recognition, the Company measures all financial liabilities including borrowings other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Company reviews its loan portfolios to assess impairment on an ongoing basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Company, or national or local economic conditions that correlate with defaults on assets in the Company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

	2008 US$	2007 US$
3 INTEREST AND SIMILAR INCOME		
Interest on loans and advances	5,373,083	5,001,334
Interest on placements with financial institutions	654,547	994,226
	6,027,630	5,995,560
4 INTEREST EXPENSE AND SIMILAR CHARGES		
Interest on funds from financial institutions and capital markets	1,290,373	1,408,485
Bank charges	23,471	30,006
	1,313,844	1,438,491
5 FEE AND COMMISSION INCOME		
Penalties and guarantee fees	729,489	252,917
Appraisal fees	300,146	182,966
Commitment fees	242,367	296,996
Other project fees	63,531	6,416
	1,335,533	739,295
6 OTHER INCOME		
Rent income	99,889	142,700
Deferred income - amortisation of donated land (note 22)	3,879	9,080
Gain on disposal of equipment	1,312	8,722
Miscellaneous income	28,302	20,467
	133,382	180,969

	2008 US$	2007 US$
7 OPERATING EXPENSES		
Staff costs (note 8)	1,887,573	1,320,587
Depreciation of property and equipment	121,808	89,035
Amortisation of prepaid operating lease	3,879	9,080
Amortisation of intangible assets	6,396	7,284
Auditors' remuneration	20,000	20,000
Directors' costs	258,481	222,211
Other administration costs	634,950	578,597
	2,933,087	2,246,794
8 STAFF COSTS		
Salaries and wages	1,325,042	1,120,659
Terminal benefits	373,551	114,591
Leave pay	22,977	55,163
Staff welfare	2,245	3,197
Other costs	163,758	26,977
	1,887,573	1,320,587
9 SHORT TERM BANK DEPOSITS		
Held to maturity:		
Call and fixed deposits	16,082,570	9,973,659
The effective interest rates for the bank deposits during the year were as follows:		
	2008	2007
Call and fixed deposits	5.02%	5.10%

The bank deposits include amounts equivalent of US$ 5,705,461 (2007 – US $ 4,434,898) in local currencies of member countries.

All the bank deposits mature within three months of date of placement.

10 HELD TO MATURITY INVESTMENTS

	2008		2007	
	Amortised Cost US$	Market value US$	Amortised Cost US$	Market value US$
Corporate bonds	5,585,655	4,297,878	7,144,239	6,357,728

The average effective interest rates for the corporate bonds as at 31 December 2008 were 5.6% per annum (2007 – 5.3 % per annum).

The company has reviewed the valuation of the corporate bonds and the directors are of the view that the decline in market values of the corporate bonds is not permanent. Consequently, no impairment provision has been made in that respect.

10 HELD TO MATURITY INVESTMENTS (Continued)

	2008 US$	2007 US$
Analysis of corporate bonds by maturity		
Maturing:		
Within one year	1,013,069	2,121,653
One year to five years	100,000	550,000
Over five years	4,472,586	4,472,586
	5,585,655	7,144,239

11 LOANS AND ADVANCES TO CUSTOMERS

(i) Analysis of loans and advances

	2008 US$	2007 US$
Balance as at 1 January	50,649,953	42,838,432
Disbursed during the year	17,822,343	24,147,633
Repayments during the year	(17,075,566)	(18,743,279)
Interest capitalised	154,784	-
Adjustments on revaluation	(1,287,559)	2,407,167
Principal loans	50,263,955	50,649,953
Interest receivable	3,524,592	3,860,008
Gross loans	53,788,547	54,509,961
Impairment provision for credit risk	(923,247)	(1,318,993)
Net loans	52,865,300	53,190,968

Adjustments on revaluation are for loans denominated in currencies other than the US$, which are revalued at the year end rate for balance sheet reporting purposes.

(ii) Impairment on loans and advances

The movement in impairment provision is as follows:	2008 US$	2007 US$
At 1 January	1,318,993	1,223,129
Provision written back	(395,746)	-
Charge for the year	-	95,864
At 31 December	923,247	1,318,993

In the opinion of the directors, the current levels of provisions reflect a prudent assessment of the quality of the company's loan portfolio. The effective interest rate was 10.6% (2007 – 10.5%) per annum.

11 LOANS AND ADVANCES TO CUSTOMERS (Continued)

	2008 US$	2007 US$
(iii) Analysis of gross loans by maturity		
Maturing:		
Within one year	31,879,890	33,373,794
One year to five years	21,023,651	20,120,570
Over five years	885,006	1,015,597
	53,788,547	54,509,961

12 EARNINGS PER SHARE

	2008 US$	2007 US$
Net profit attributable to shareholders (US$)	2,610,965	4,139,773
Weighted average number of ordinary shares in issue	39,438	37,818
Basic earnings per share (expressed in US$ per share)	66.20	109.47

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the company by the weighted average number of ordinary shares in issue during the year. The weighted average has been computed as a reasonable approximation of the number of ordinary shares outstanding during the period 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 potentially dilutive shares outstanding at 31 December 2008 and 31 December 2007. There were also no discontinued operations.

13 OTHER RECEIVABLES

	2008 US$	2007 US$
Staff housing loans	150,671	176,179
Other debtors and prepayments	595,179	586,835
	745,850	763,014
Less: Provision for doubtful amounts	(148,157)	(148,157)
	597,693	614,857

14 (a) PROPERTY AND EQUIPMENT

	Freehold land and buildings US$	Office equipment, furniture and fittings US$	Computers US$	Motor vehicles US$	Residential furniture US$	Total US$
COST OR VALUATION:-						
At 1 January 2007	2,709,631	357,774	120,911	99,150	49,427	3,336,893
Additions	1,975	2,370	19,096	-	15,258	38,699
Disposals	-	(9,345)	(1,750)	(53,924)	-	(65,019)
Revaluation increase	958,933	-	-	-	-	958,933
At 31 December 2007	3,670,539	350,799	138,257	45,226	64,685	4,269,506
At 1 January 2008	3,670,539	350,799	138,257	45,226	64,685	4,269,506
Additions	-	47,753	60,745	-	-	108,498
Disposals	-	(7,978)	-	-	(10,044)	(18,022)
At 31 December 2008	3,670,539	390,574	199,002	45,226	54,641	4,359,982
Comprising						
At cost	2,427,380	390,574	199,002	45,226	54,641	3,116,823
At valuation	1,243,159	-	-	-	-	1,243,159
	3,670,539	390,574	199,002	45,226	54,641	4,359,982

14 (a) PROPERTY AND EQUIPMENT (continued)

	Freehold land and buildings US$	Office equipment, furniture and fittings US$	Computers US$	Motor vehicles US$	Residential furniture US$	Total US$
DEPRECIATION						
At 1 January 2007	252,705	277,974	98,917	99,150	12,311	741,057
Charge for the year	60,791	14,751	8,605	-	4,888	89,035
Disposals	-	(9,345)	(1,750)	(53,924)	-	(65,019)
Reversal on revaluation	(313,496)	-	-	-	-	(313,496)
At 31 December 2007	-	283,380	105,772	45,226	17,199	451,577
At 1 January 2008	-	283,380	105,772	45,226	17,199	451,577
Charge for the year	93,305	11,248	10,516	-	6,739	121,808
Disposals	-	(7,978)	-	-	(3,692)	(11,670)
At 31 December 2008	93,305	286,650	116,288	45,226	20,246	561,715
NET BOOK VALUE						
At 31 December 2008	3,577,234	103,924	82,714	-	34,395	3,798,267
At 31 December 2007	3,670,539	67,419	32,485	-	47,486	3,817,929
NET BOOK VALUE (Cost basis)						
At 31 December 2008	1,822,875	103,924	82,714	-	34,395	2,043,908
At 31 December 2007	1,884,495	67,419	32,485	-	47,486	2,031,885

14 (a) PROPERTY AND EQUIPMENT (continued)

(i) The company's buildings were last revalued on 31 December 2007 by Saad Yahya and Associates, independent professional valuers on the basis of replacement cost. The revaluation surplus was credited to revaluation reserve. The company's policy is to revalue its property every three years.

(ii) Included in property and equipment are assets with a cost of US$ 418,880 (2007 - US$ 406,482) which were fully depreciated. The normal annual depreciation charge on these assets would have been US$ 69,801 (2007–US$ 67,728).

(iii) Included in land and buildings is US$ 5,200 which relates to survey fees incurred on land donated to the company by the Government of Nigeria. The land itself has not been recognized in these financial statements because all conditions attached to the receipt of the grant are yet to be met.

14 (b) PREPAID OPERATING LEASE

	2008 US$	2007 US$
COST:		
At 1 January and at 31 December	200,000	200,000
AMORTISATION:		
At 1 January	48,700	39,620
Charge for the year	3,879	9,080
At 31 December	52,579	48,700
NET BOOK VALUE		
At 31 December	147,421	151,300

The prepaid operating lease relates to leasehold land donated by the Government of Kenya for the construction of the Company's headquarters building in 1996. The related deferred income has been set out in Note 22 of these financial statements.

15 INTANGIBLE ASSETS

	2008 US$	2007 US$
COST:		
At 1 January	291,248	37,285
Additions	27,776	253,963
At 31 December	319,024	291,248
AMORTISATION:		
At 1 January	20,884	13,600
Amortised during the year	6,396	7,284
At 31 December	27,280	20,884
NET BOOK VALUE		
At 31 December	291,744	270,364

The intangible assets relate to computer software.

Included in intangible assets are assets with a cost of US$ 11,084 (2007 - US$ 8,099) which were fully amortised. The normal annual amortisation charge on these assets would have been US$ 1,386 (2007 – US$ 1,012).

16 BANK BORROWINGS

	2008 US$	2007 US$
Euro Loans from Merrill Lynch International Bank Limited	4,530,550	616,456
CFA Bank overdraft with Ecobank Senegal	935,134	1,868,788
Interest payable on loans	103,039	2,404
	5,568,723	2,487,648
Analysis of bank borrowings by maturity:		
Maturing:		
Within one year	5,568,723	2,487,648

The Euro loans from Merrill Lynch International Bank Limited were under a renewable revolving facility, at an average interest rate of 5.4% p.a. The loan is secured against the company's investments administered by Merill Lynch. The overdraft facility with Ecobank Senegal is unsecured and was offered on the strength of the company's balance sheet. The effective interest rate for the overdraft facility from Ecobank was 6% p.a. The company has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (2007 - 2008: nil).

17 MEDIUM TERM NOTES

	2008 US$	2007 US$
CFA Loan – 1st tranche	2,255,407	3,926,785
CFA Loan – 2nd tranche	1,790,006	3,739,795
CFA Loan – 3rd tranche	5,998,889	-
Kenya Shilling bond	2,573,671	7,968,127
Interest payable on loans	143,507	231,668
Deferred charges on medium term notes	(211,054)	(87,787)
	12,550,426	15,778,588
Maturity analysis for the medium term notes:		
Maturing:		
Within one year	5,968,783	8,984,391
One year to three years	2,553,503	6,794,197
Three to five years	4,028,140	-
	12,550,426	15,778,588

Analysis of medium term notes:

The first tranche of the Communauté Financière Africaine-Franc (FCFA) Loans (FCFA3.5 billion) CFA loans was raised through a floatation by la Campaigne de Gestion Financiere et de Bourse SA (CGF Bourse). They are for the duration 2003 to 2010 at an interest rate of 6.25% p.a.

The second tranche of CFA Loans (FCFA 2.5 billion) was raised in 2005 through CGF Bourse for the duration 2005 to 2009 at an interest rate of 6% p.a.

The third tranche of CFA Loans (FCFA 2.79 billion) was raised in 2008 through CGF Bourse for the duration 2008 to 2014 at an interest rate of 6% p.a.

The Kenya Shilling Bond (KSh500 million) was launched in 2006 through the Nairobi Stock Exchange for the duration 2006 to 2009 at an interest rate of 1% (Ksh 200 million) and 1.25% (Ksh 300 million) above the 91 day treasury bill rate.

18 OTHER PAYABLES

	2008 US$	2007 US$
Accruals	420,085	318,971
Leave pay	100,926	131,389
Terminal benefits	17,325	40,661
Rent deposits	31,454	31,232
Overpayment of share capital subscriptions*	13,865	13,865
	583,655	536,118

* All amounts received in relation to capital subscriptions had previously been accounted for as part of the share capital. These amounts were at times in excess of amounts receivable from the respective shareholders. The element of overpayment was reclassified to other liabilities to reflect their true substance.

19 DIVIDENDS PAYABLE

	2008 US$	2007 US$
At 1 January	568,541	317,351
Dividend declared	827,821	667,080
Dividend paid	(291,140)	(415,890)
At 31 December	1,105,222	568,541
Proposed dividends per share	12.98	21.42

The proposed dividend of US$ 827,821 for the year ended 31 December 2007 was approved by the shareholders on 11 June 2008.

In respect of the current year, the directors propose a dividend of US$ 12.98 per share totalling US$ 522,172. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been recognised as a liability in these financial statements.

20 SHARE CAPITAL STRUCTURE

	2008 US$	2007 US$
(a) SHARE CAPITAL		
Authorised:		
300,000 ordinary shares of US$1,000 each	300,000,000	300,000,000
Less shares not yet issued	(250,000,000)	(250,000,000)
Issued share capital:	50,000,000	50,000,000
Paid up ordinary shares:		
Class A: Issued:		
42,480 ordinary shares of US$ 1000 each	42,480,000	42,480,000
Less shares not yet subscribed	(9,771,000)	(11,353,000)
Paid up	32,709,000	31,127,000
Class B: Issued and fully paid:		
7,520 ordinary shares of US$ 1,000 each	7,520,000	7,520,000
Total paid up ordinary shares	40,229,000	38,647,000
(b) SHARE PREMIUM		
At end of year	627,896	80,817

Membership in the company is open to both African Governments and African and non-African institutions, which are grouped into Class A and Class B shareholders respectively. The classification of type of shareholding is for distinction purposes only and does not imply any difference in rights attached to the shares.

20 SHARE CAPITAL STRUCTURE (Continued)

(c) MOVEMENT IN PAID UP CAPITAL:

	Number of shares	Ordinary shares USD	Share premium USD	Total USD
At 1 January 2007	36,989	36,988,974	-	36,988,974
Paid up in the year	1,658	1,671,891	80,817	`1,752,708
*Reclassification of overpayment on subscriptions to liabilities	-	(13,865)	-	(13,865)
At 31 December 2007	38,647	38,647,000	80,817	38,727,817
At 1 January 2008	38,647	38,647,000	80,817	38,727,817
Paid up in the year	1,582	1,582,000	547,079	2,129,079
At 31 December 2008	40,229	40,229,000	627,896	40,856,896

* All amounts received in relation to capital subscriptions had previously been accounted for as part of the share capital. These amounts were at times in excess of amounts receivable from the respective shareholders. The element of overpayment was reclassified to other liabilities in the previous year to reflect their true substance.

21 NOTES TO THE CASHFLOW STATEMENT

(a) Reconciliation of profit for the year to cash generated from/(used in) operations

	2008 US$	2007 US$
Profit for the year	2,610,965	4,139,773
Adjustments for:-		
Interest income on placements with financial institutions	(654,547)	(994,226)
Interest expense on funds from financial institutions and capital markets	1,290,373	1,408,485
Amortisation of deferred income	(3,879)	(9,080)
Gain on sale or disposal of equipment	(1,312)	(8,722)
Depreciation of property and equipment	121,808	89,035
Amortisation of prepaid operating lease	3,879	9,080
Amortisation of intangible assets	6,396	7,284
Net foreign exchange (gain)/loss - bank borrowings and medium term notes	(904,730)	1,936,065
Cash flows from operating profits before changes in operating assets and liabilities	2,468,953	6,577,694
–Net decrease/(increase) in loans and advances to customers	325,668	(8,994,232)
–Net decrease/(increase) in other receivables	17,164	(51,799)
–Net increase in other liabilities	47,537	201,628
Net cash generated from/(used in) operations	2,859,322	(2,266,709)

21 NOTES TO THE CASHFLOW STATEMENT (continued)

(b) Cash and cash equivalents

	2008 US$	2007 US$
Bank and cash balances	1,921,677	1,781,536
Short term bank deposits	16,082,570	9,973,659
Cash and cash equivalents	18,004,247	11,755,195

(c) Analysis of change in bank borrowings:

	2008 US$	2007 US$
At 1 January	2,487,648	2,648,670
Additional borrowings in the year	7,185,551	2,482,015
Repayments in the year	(3,664,461)	(2,871,201)
Interest expense for the year	219,628	102,077
Interest paid in the year	(118,993)	(114,546)
Net (gain)/loss on foreign exchange	(540,650)	240,633
	5,568,723	2,487,648

(d) Analysis of change in medium term notes

	2008 US$	2007 US$
At 1 January	15,778,588	17,294,272
Additional borrowings in the year	5,213,147	-
Repayments in the year	(7,989,067)	(3,202,962)
Interest expense for the year	1,070,745	1,306,408
Interest paid in the year	(1,158,907)	(1,314,562)
Net (gain)/loss on foreign exchange	(364,080)	1,695,432
	12,550,426	15,778,588

22 DEFERRED INCOME

	2008 US$	2007 US$
As at 1 January	151,300	160,380
Amortisation – note 6	(3,879)	(9,080)
At 31 December	147,421	151,300

Deferred income relates to land that was donated to the Company by the Government of Kenya in 1996 for the purpose of constructing the company's Headquarters. The recognition and disclosure of the related leasehold land has been set out in Note 14 (b) of these financial statements.

23 COMMITMENTS

	2008 US$	2007 US$
Approved project loans	36,485,400	30,488,000
Computerisation and networking	284,652	204,400
Office furniture and equipment	208,775	77,600
Motor vehicles	49,500	76,000
Headquarters building structural repairs	-	102,600
	37,028,327	30,948,600

The Company's management is confident that future net revenues and funding will be sufficient to cover these commitments.

24 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Except for staff loans and advances disclosed in Note 13, there were no other related party transactions undertaken during the year.

Interest income received on staff loans and advances during the year amounted to US$ 18,722 (2007 – US$ 16,742).

The remuneration of members of key management during the year was as follows:

	2008 US$	2007 US$
Salaries and other short-term benefits	527,888	461,792
Post employment benefits	69,873	61,942
	597,761	523,734
Directors' remuneration		
Fees for services as directors	71,100	64,200

25 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 minimise 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 risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

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. Management in conjunction with these committees then identifies, evaluates and addresses financial risks in close cooperation with the Company's operating units.

25 RISK MANAGEMENT POLICIES (Continued)

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, an internal audit department has now been established and is to be responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk.

a) Capital Risk Management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, 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 satisfy the requirements of its policyholders and rating agencies;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To allocate capital efficiently to support growth; and
- To manage exposures to movement in exchange rates.
- 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 a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. Capital adequacy is monitored regularly by the Company's management and quarterly by the Board of Directors. The capital structure of the Company consists of debt, which includes the borrowings and medium term notes disclosed in note 16 and 17 respectively and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in note 20.

	2008 US$	2007 US$
Share capital and share premium	40,856,896	38,727,817
Revenue reserves	18,723,625	16,908,796
Revaluation surplus	1,754,359	1,786,044
Equity	61,334,880	57,422,657
Bank borrowings	5,568,723	2,487,648
Debt securities in issue	12,550,426	15,778,588
Net debt	18,119,149	18,266,236
Total capital	79,454,029	75,688,893
Gearing ratio	22.80%	24.13%

25 RISK MANAGEMENT POLICIES (Continued)

b) Credit Risk Management

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Company's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control function is exercised primarily by the Loans Committee for the project loans and the Asset and Liabilities Committee for the investment activities.

In measuring credit risk of loan and advances to customers, the Company reflects three components

(i) the 'probability of default' by the client or counterparty on its contractual obligations;
(ii) current exposures to the counterparty and its likely future development, from which the Company derive the 'exposure at default'; and
(iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

To mitigate the probability of default, all loan applications are thoroughly vetted and are subject to approval by the Loans Committee. Exposure at default is based on the amounts the Company expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Company includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur. Loss given default or loss severity represents the Company's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Company for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

The Company manages limits and controls concentrations of credit risk wherever they are identified. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and are subject to regular review. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Exposure to credit risk is also managed in part by obtaining collateral and corporate guarantees. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. The Company classifies its loans according to five categories namely Normal, Watch, Substandard, Doubtful or Loss. This internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Company:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral

25 RISK MANAGEMENT POLICIES (Continued)

b) Credit Risk Management (Continued)

The maximum exposure to credit risk before collateral held or other credit enhancements attached is USD 12,114,149 (2007 - USD 12,154,800) for project loans. This represents a worst case scenario of credit risk exposure to the Company at the comparative balance sheet dates, without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets, this exposure is based on net carrying amounts as reported in the balance sheet.

The composition of the Company's loan portfolio as at year end is:

Class/Status	Amount	%
Normal - neither past due nor impaired	27,451,520	54.6
Normal - past due but not impaired	8,770,058	17.4
Watch - past due and impaired	7,148,540	14.2
Substandard - past due and impaired	4,629,818	9.2
Doubtful - past due and impaired	1,954,178	3.9
Loss - past due and impaired	309,841	0.6
Total	50,263,955	100.0

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Company resulting from both its loan and advances portfolio and debt securities based on the following

- All mortgage loans are either backed by collateral or other attached credit enhancements
- 72% of the loans are categorised in the normal category of the internal rating system
- All of its investments in debt securities are in entities with good credit rating

c) Market Risk Management

The Company takes on exposure to market risks, which is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Monitoring of market risk is done by the Assets and Liabilities Committee which in turn reports to the Board of Directors.

Market risk exposures are measured by the use of sensitivity analyses. There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk. The market risk exposure for the company relates primarily to currency and interest rate risk.

25 RISK MANAGEMENT POLICIES (Continued)

c) Market Risk Management (Continued)

Currency Risk

The Company undertakes certain transactions denominated in foreign currencies mainly the Kenya Shilling, CFA 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. The table below summarises the Company's exposure to foreign currency exchange risk as at 31 December. Included in the table are the Company's financial instruments at carrying amounts, categorized by currency.

AT 31 DECEMBER 2008	US$	EURO	CFA	KSHS	TOTAL
ASSETS					
Bank and cash balances	1,336,004	248,073	185,394	152,206	1,921,677
Short term investments	10,377,106	3	2,707,713	2,997,748	16,082,570
Investment securities (held-to-maturity)	5,585,655	-	-	-	5,585,655
Loans and advances to customers	30,167,797	7,358,075	12,583,387	2,756,041	52,865,300
Other receivables	417,465	-	-	180,228	597,693
Total Financial Assets	47,884,027	7,606,151	15,476,494	6,086,223	77,052,895
LIABILITIES					
Bank borrowings	-	4,633,589	935,134	-	5,568,723
Debt securities in issue	-	-	9,936,340	2,614,086	12,550,426
Other liabilities	552,201	-	-	31,454	583,655
Dividends payable	1,105,222	-	-	-	1,105,222
Total Financial Liabilities	1,657,423	4,633,589	10,871,474	2,645,540	19,808,026
Net On-Balance Sheet Financial Position	46,226,604	2,972,562	4,605,020	3,440,683	57,244,869
AT 31 DECEMBER 2007					
Total Financial Assets	46,194,699	3,090,714	12,485,691	11,021,942	72,793,046
Total Financial Liabilities	1,073,427	618,860	9,646,927	8,119,468	19,458,682
Net On-Balance Sheet Financial Position	45,121,272	2,471,854	2,838,764	2,902,474	53,334,364

The following table details the sensitivity of the Company's profits to a 10% increase and decrease in the functional currency against the relevant foreign currencies. This sensitivity rate 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.

Currency	EURO	CFA	KSHS	TOTAL
Impact (2008)	297,256	460,502	344,068	1,101,826
Impact (2007)	247,185	283,876	290,247	821,308

25 RISK MANAGEMENT POLICIES (Continued)

c) Market Risk Management (Continued)

Interest Rate Risk

The company is exposed to both cash flow and fair value interest rate risks.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest rates on loans to customers are pegged to the company's specific cost of funds which is usually Libor based. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The company also invests in fixed interest rate instruments.

Interest rate risk is managed principally through monitoring interest gaps and by Board of Directors involvement in repricing brands. 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 below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month US $	1 - 6 Months US $	6 - 12 Months US $	1 - 5 years US $	Over 5 years US $	Total US $
AT 31 DECEMBER 2008						
ASSETS						
Bank and cash balances	1,921,677	-	-	-	-	1,921,677
Short term investments	16,082,570	-	-	-	-	16,082,570
Investment securities (held-to-maturity)	-	-	1,013,069	100,000	4,472,586	5,585,655
Loans and advances to customers	15,112,550	7,904,719	7,939,374	21,023,651	885,006	52,865,300
Other receivables	10,941	128,287	65,644	392,821	-	597,693
Total financial assets	33,127,738	8,033,006	9,018,087	21,516,472	5,357,592	77,052,895
LIABILITIES						
Borrowings	935,134	4,238,037	395,552	-	-	5,568,723
Debt securities in issue	2,614,086	1,751,058	1,647,966	5,039,150	1,498,166	12,550,426
Total financial liabilities	3,549,220	5,989,095	2,043,518	5,039,150	1,498,166	18,119,149
Net interest rate sensitivity gap	29,578,518	2,043,911	6,974,569	16,477,322	3,859,426	58,933,746
At 31 DECEMBER 2007						
Total financial assets	24,934,490	12,308,657	6,698,966	20,691,097	8,159,836	72,793,046
Total financial liabilities	2,390,438	1,951,974	6,598,391	7,413,220	-	18,354,023
Net interest rate sensitivity gap	22,544,052	10,356,683	100,575	13,277,877	8,159,836	54,439,023

Based on a sensitivity rate of 50 basis points, all other variables held constant, the company's profit for the year would increase/decrease by US$ 294,669 (2007 – 272,195). A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

25 RISK MANAGEMENT POLICIES (Continued)

d) Liquidity Risk Management

Liquidity risk is the risk that the Company will be unable to meet its payment 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 depositors and fulfill 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 global 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, banking facilities and reserve borrowing facilities
- Entering into lending contracts subject to availability of funds.
- An aggressive resource mobilisation 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 of 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 balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash flows:

25 RISK MANAGEMENT POLICIES (Continued)

d) Liquidity Risk Management (Continued)

	Up to 1 month US $	1 - 6 Months US $	6 - 12 Months US $	1 - 5 years US $	Over 5 years U S$	Total US $
AT 31 DECEMBER 2008						
ASSETS						
Bank and cash balances	1,921,677	-	-	-	-	1,921,677
Short term investments	16,082,570	-	-	-	-	16,082,570
Investment securities (held-to-maturity)	-	-	1,013,069	100,000	4,472,586	5,585,655
Loans and advances to customers	15,112,550	7,904,719	7,939,374	21,023,651	885,006	52,865,300
Other receivables	10,941	128,287	65,644	392,821	-	597,693
Total financial assets (expected maturity dates)	33,127,738	8,033,006	9,018,087	21,516,472	5,357,592	77,052,895
LIABILITIES						
Borrowings	935,134	4,367,198	415,723	-	-	5,718,055
Debt securities in issue	2,622,912	1,993,454	1,874,901	6,625,803	760,890	13,877,960
Other liabilities	583,655	-	-	-	-	583,655
Dividends payable	110,522	994,700	-	-	-	1,105,222
Total financial liabilities (contractual maturity dates)	4,252,223	7,355,352	2,290,624	6,625,803	760,890	21,284,892
Net liquidity gap	28,875,515	677,654	6,727,463	14,890,669	4,596,702	55,768,003
At 31 DECEMBER 2007						
Total financial assets (expected maturity dates)	24,934,490	12,308,657	6,698,966	20,691,097	8,159,836	72,793,046
Total financial liabilities (contractual maturity dates)	5,442,921	2,495,313	5,442,904	7,231,232	-	20,612,370
Net Liquidity gap	19,491,569	9,813,344	1,256,062	13,459,865	8,159,836	52,180,676

26 TAXATION

The company is exempted from all forms of taxation as provided for in the Shelter – Afrique Act 1985 (No. 18) laws of Kenya.

27 FAIR VALUE

The company considers that there is no material difference between the fair value and carrying value of its financial assets and liabilities where fair value details have not been presented.

28 CURRENCY

These financial statements are presented in US Dollars (US$).

Class A: Countries

1. Algeria
2. Benin
3. Botswana
4. Burkina Faso
5. Burundi
6. Cameroon
7. Cape Verde
8. Chad
9. Central African Republic
10. Congo
11. Democratic Republic of Congo
12. Djibouti
13. Gabon
14. Gambia
15. Guinea
16. Guinea Bissau
17. Guinea (Equatorial)
18. Kenya
19. Lesotho
20. Liberia
21. Madagascar
22. Malawi
23. Mali
24. Mauritius
25. Mauritania
26. Morocco
27. Namibia
28. Niger
29. Nigeria
30. Rwanda
31. Sao Tome & Principe
32. Senegal
33. Sierra Leone
34. Somalia
35. Seychelles
36. Tanzania
37. Togo
38. Tunisia
39. Uganda
40. Zambia
41. Zimbabwe
42. Swaziland

Class B: Institutions

1. African Development Bank
2. Africa Reinsurance Corporation