2012

Annual Report and Financial Statements

SHELTER AFRIQUE

Financing Affordable Housing for Africa

Our Presence

Shelter-Afrique Centre
Longonot Road, Upperhill
PO Box 41479-00100
Nairobi, Kenya
T. +254 204978000
F. +254 2721211
E. info@shelterafrique.org
W. **www.shelterafrique.org**



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FACT SHEET ON SHELTER AFRIQUE

Sovereign Shareholders:	44 African member countries as of 31 December, 2012
Institutional Shareholders:	The 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
Authorized Capital as of 31 December, 2012:	US $ 300 million
Issued and Called up capital as of 31 December, 2012	US $ 100 million
Paid up capital as of 31 December, 2012	US $ 56.11 million
2012 loan approvals	30 projects in 12 countries for a total approval of US $ 145.65 million
Cumulative loan approvals as of 31 December, 2012	US$ 683 million
Cumulative Disbursements as of 31 December, 2012	US$ 324 million
International rating by Moody's	Ba1



LIST OF ABBREVIATIONS

AFD	Agence Française de Développement
AfDB	Africa Development Bank
Africa Re	Africa Reinsurance Corporation
AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
APPT	Apartment(s)
APPT & Off	Apartments & Offices
BHS	Banque de l'Habitat de Sénégal (Senegal Housing Bank)
F CFA	Common currency used in UEMOA zone
GDP	Gross Domestic Product
DFI's	Development Finance Institutions
DL	Direct Loan
ERM	Enterprise Risk Management
FMO	Netherlands Development Corporation
Forex	Foreign Currency Exchange difference
HR	Human Resource
KCB	Kenya Commercial Bank
KSHS	Kenya Shillings
LOC	Line of Credit
MOU	Memorandum of Understanding
MTN	Medium Term Note
NSE	Nairobi Securities Exchange
PPP	Public Private Partnership
US$	United States Dollars
WAEMU	West African Economic & Monetary Union
XOF	Amount expressed F CFA



MISSION STATEMENT

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 and provision of excellent services
- 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
- Efficient administrative and risk management systems
- High ethical standards that must make our transactions above board
- Corporate social responsibilities
- Total commitment to the ideals of Shelter Afrique and regional integration

The Chairman
General Meeting of Shareholders
Shelter-Afrique

12 June 2013

Dear Mr. Chairman,

In accordance with Regulation 9 of the General Regulation of Shelter-Afrique, I have the honor, on behalf of the Board of Directors, to submit herewith, the Annual Report of the company for the period January 1, to December 31, 2012.

The report covers the year's activities and audited financial statements.

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

Mr. Corneille Karekezi

Chairman of the Board of Directors



BOARD OF DIRECTORS

Mr. Corneille Karekezi
Chairman

Mrs. Néné LY Soumare
Vice Chairperson

Mr. Hardwork Pemhiwa

Mr. Jean Paul Missi

Mr. Samuel Mivedor

Dr. Olatunbosun Ayileka

Mr. Bernard Namachilla

Mr. Jimoh Abubakar

Mr. Tirop Kosgey

Mr. Gabindadde –Musoke

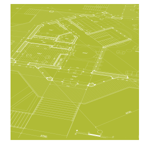
Mr. Ali Boulares

Mr. Alassane BA
Managing Director

SENIOR MANAGEMENT

L to R **Mr. Alassane BA, Mrs. Margaret Kamau, Mr. Yekini Olayanju, Mrs. Ruth Onyancha, Mr. Femi Adewole**

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



In the year 2012, the world economy continued to slow down and faced a lot of uncertainties despite the high expectations for a comeback. This was mainly attributed to failure by the developed economies to formulate policies to rebuild confidence in the medium term prospects. According to World Bank estimates, the global Gross Domestic Product (GDP) growth rate was lower at 2.3% in 2012 against projected growth of 3.3% compared to the 2.8% achieved in 2011, which would be attributed to the new challenges like the Euro zone crisis and the US fiscal cliff. It is projected that in 2013, the GDP will grow at a marginally higher rate of 2.4%.

The world economy remained full of uncertainties and challenges. The depth and complexity of the global crisis continued to defy policy responses from the developed country governments. The pursuit of tight fiscal austerity measures and reigning in interest rates to restore the fiscal credibility has not yielded the expected results. The crisis in the Euro area deepened during the year, while activity contracted, mainly due to deep cutbacks in production in some of the economies. Their sovereign debt spread rose appreciably, and banks relied increasingly on the European Central Bank (ECB) for funding. As a result, they had to cut back domestic credit, resulting in fragile confidence on the global financial system.

Closer home to Africa, the World Bank report in January 2013 shows that the GDP growth in Sub-Saharan Africa remained robust at 4.6% in 2012 averagely. Excluding South Africa, the region's largest economy, GDP output expanded 5.8% in 2012, with a third of countries in the region growing by at least 6%. Robust domestic demand, still high commodity prices, increased export volumes (due to new capacity in the natural resource sector) and steady remittance flows supported growth in 2012. However, the expansion was curtailed by domestic factors, including earlier monetary policy tightening, protracted labour disputes in South Africa, and political unrest in some countries. The region is projected to grow at its pre-crisis average of 5% during the period 2013-2015.

Against this backdrop, I am pleased to note that Shelter Afrique posted remarkable growth in the 2012 financial performance. The company recorded positive growth in profitability, increasing net profits by 20% to US$ 3.37 million, up from US$ 2.82 million in the previous year. The balance sheet remained relatively the same as the previous year, closing the year with an asset base of US$ 192 million.

On the operational front, the Company met and even exceeded most of the operational targets. Loan approvals stood at US$ 145.65 million against a target of US$ 140 million and compared to the 2011 approvals of US$ 103.8 million. Loan commitments, that is, loans signed in the year amounted to US$ 135.7 million surpassing the target of US$ 94.5 million by 44%. This was more than double the achievement of the previous year of US$ 57.5 million. Disbursements of loans to clients were right on target at US$ 65 million. Management continues to focus mainly on the quality of the portfolio in order to reduce the Non-Performing Loans portfolio, which remains a major challenge to the institution.

2012 marks the first year of the current five-year Strategic Plan (2012-2016) themed "becoming an investment grade institution". It is expected that this will position the company to meet the growing challenges of an international financial player thus enabling it to be a real estate financier of choice in Africa.

As part of the strategic priorities in 2012, management initiated the process of transforming Shelter Afrique into a High Performing Organisation. This is itself one of the requisites for transformation of Shelter Afrique into an Investment Grade Company. To this end, a leading consultancy firm was contracted to provide technical support to the human resources Unit. The ongoing assignment includes: the review of Shelter Afrique strategy, the development of a Target Operating Model and Corporate Score Card,

the design of a performance management system, the review of the organisation structure, job evaluation and rewarding, and the skills and competencies audit. Alongside this assignment, the HR initiated the review of HR policies and procedures.

"The company recorded positive growth in profitability, increasing net profits by 20% to US$ 3.37 million, up from US$ 2.82 million in the previous year."

To support the above initiatives, the Human Resources Unit was fully constituted with the appointment of a Team Leader (Human Resources and Administration). In addition, a Staff Council was established as a mechanism for staff engagement in the change initiatives being undertaken to transform the Company into a High Performing Organisation.

On resource mobilization, funding negotiations continued with development partners such as the African Development Bank, the Agence Française de Développement, the European Investment Bank and the FMO. The intention is to raise a pool of resources to fund the projected business growth. Other lines of credit were also negotiated and drawn down with banks to meet short term liquidity needs, especially within the CFA zone. On the Kenyan market, the last tranche of a bond approved in 2011 was raised towards the end of the year.

During the year, we continued to receive shareholder support through payments of share capital. Of particular mention are Burkina Faso, Ghana, Cote d'Ivoire, Kenya and Mauritania who paid in additional share capital totalling US$ 5.4 million.

It is worthy to note that Cote d'Ivoire was admitted to membership during the 31st Annual General Meeting in Kigali, Rwanda in June 2012. On behalf of the Board of Directors, I sincerely convey my appreciation to those shareholders who have remained steadfast in discharging their capital payment obligations. I also appeal to all shareholders to take up additional share capital in order to further strengthen the company's resources.

Timely increase in capital subscription obligations is the strongest and most unequivocal form of support that shareholders can demonstrate and it goes a long way in enhancing the rating of the institution. However, there's still some ground to be covered, as a total amount of US$ 44 million still remains unsubscribed against the total called up capital of US$ 100 million. An enhanced capital base will strengthen the company's balance sheet, thus enabling it to fulfil its development mandate.

On behalf of the Board of Directors, I would like to express my deepest appreciation for the support and confidence that all member countries and institutional shareholders have placed in the company and look forward to welcoming more member countries and seeing greater capital contributions in the coming year.

On corporate governance, in line with best practices, the company appointed two independent directors through competitive interviews. They were presented and approved by the 31st Annual General Meeting held in Kigali, Rwanda in June 2012. The two directors, Mr. Hardwork Pemhiwa and Abubakar Jimoh have a wealth of experience in various fields relevant to Shelter Afrique and will complement the already existing expertise at the Board level. I am

also honoured to have been elected as Chairman of the Board and wish to thank my predecessor Mr. Elias Mpondela who had ably steered the Company. I also take this opportunity to welcome a new Board member Mr. Bernard Namachilla from Zambia representing Group one (1) countries who replaced Mr. Mpondela and look forward to his support as we forge ahead to build on the firm foundation that has been laid for the organization.

My appreciation goes to all board members, who despite the many challenges in the year, managed to steer and guide the company to its current size and especially ensuring the laid down corporate governance structures were adhered to. This has ensured that our institution remains highly regarded not only regionally, but also on the global arena.

As you may have heard, our Company experienced an interpersonal crisis that started in July 2012 following a dispute between the Managing Director and the then Finance Director. It was highly regretted that this dispute escalated into political arena with negative publicity from the media. While the Board did everything possible to resolve the matter according to internal institutional mechanism, the matter landed in courts. The Board has shown leadership to manage the crisis, by ensuring fairness and respect to all stakeholders in the crisis. In this, the Board worked hand in hand with the Kenyan Government, which I would like to sincerely thank. Despite this crisis, Management with the support of the Board, has maintained a strong performance and safeguarded confidence of investors who upheld their support to the institution. I am glad to report that we have received assurances that the newly elected Government of HE President Uhuru Kenyatta will continue to support Shelter Afrique and will provide all assistance to our common institution to help us achieve the goal of "Housing for all" in Africa.

I take this opportunity to congratulate Management and Staff of the company for their dedication, team work and resilience which led to the remarkable achievements in 2012 and urge them to work even harder in the days ahead in order to surpass the record set in 2012.

Finally, on behalf of the Board, I would like to record our appreciation to the Annual General Meeting for their continued counsel, guidance and commitment in running the affairs of the company.

Thank you very much.

Corneille Karekezi
Chairman of the Board of Directors

SHELTER AFRIQUE
Financing Affordable Housing for Africa



Strategic Overview

During the reporting period, the Board of Directors approved the Company's 5-year Strategic Plan for the period 2012-2016. The Plan is based on a focused growth strategy necessary to achieve the critical mass required of a pan African financial institution to respond to the growing demand for affordable housing and related infrastructure services. It provides for strategic directions within the Company's broad mandate principally of mobilizing resources for housing development in Africa.

The Company continued to be guided by its strategic objective of building shareholder value through improvements in efficiency and growth. A key strategic objective in 2012 was the strengthening of legal and institutional framework. This was aimed at ensuring that the Company has a robust treaty with countries and governments in the member countries. 2012 financial period marked the first year of the Strategic Plan and all performance indicators were generally met.

Business Development and Operations

During the year, the company continued to diversify into new markets with entry into countries like Cote d'Ivoire and Mozambique. This enabled the Company to spread its investment risks into other geographical regions. Social housing/low cost housing financing was introduced into the portfolio with a loan approval to a housing microfinance company in Kenya.

As part of the strategic objective on product diversification, trade finance and equity participations were introduced during the year. The equity participation was in housing finance institutions in West Africa with a capital investment of CFA 960 million (about US$ 2 million) into two institutions - Caisse Régionale de Refinancement Hypothécaire (CRRH) and Banque de l'Habitat du Burkina Faso (BHBF). In each of the institutions, Shelter Afrique has a stake of at least 10% and is represented in the Board.

The year 2012 built on the success of previous year and witnessed a record level of project approval worth US$ 145.65 million, surpassing the target of US$ 140 million. This represented 39% above the 2011 achievement of US$ 103.8 million. The impressive approvals related to 30 projects in twelve (12) countries and were representative of five different products with social housing being introduced in the portfolio for the first time.

Financial Performance

In 2012 the company posted a 20% growth in net profit to close at US$ 3.37 million compared to US$ 2.82 million the previous year. Net interest income grew by 29% to stand at US$ 9.2 million resulting from growth in interest income from loans and advances as well as from investments of liquid funds.

Operating expenses grew by 39% to US$ 6.8 million as the Company continued to strengthen the human resource capacity through filling of vacant positions and salary review in course of the year. However, despite the increased costs, operational efficiency was reflected in the cost to income ratio at 56%, which was well below the budget ratio of 67%. Loans and advances portfolio grew by 44% to US$145.13 million up from US$ 100.79 million the previous year. Shareholders' funds grew 9% to stand at US$95.66 million from US$ 87.4 million the previous year buoyed by additional share capital from member countries. In addition, Cote d'Ivoire joined the Shelter Afrique membership as the 44th African country.

SELECTED FINANCIAL PERFORMANCE CHARTS

Chart 1: Net Interest Income (US$ millions)

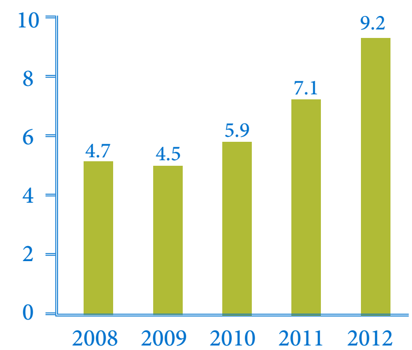


Chart 2: Total Assets (US$ millions)

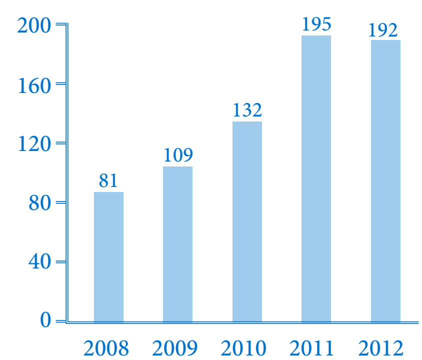


Chart 3: Shareholders' Funds (US$ millions)

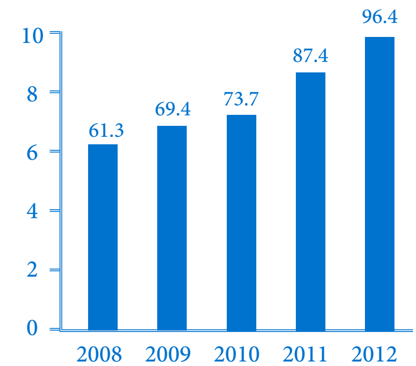


TABLE 1 - KEY OPERATIONAL AND FINANCIAL DATA (2008-2012)
(Expressed in US million Dollars)

Year	2008	2009	2010	2011	2012
Approvals	54.29	67.1	81.34	103.81	145.65
Cumulative Approvals	284.92	352.02	433.36	537.17	682.83
Disbursement	17.81	30.3	34.06	36.29	65.49
Cumulative Disbursement	157.96	188.26	222.32	258.61	324.1
Total Assets	81.29	109.11	131.99	194.72	191.99
Profit for the year	2.61	0.429	2.01	2.82	3.37
Paid-Up Capital	40.23	46.31	47.73	53.02	56.11
Revenue Reserves	18.76	18.66	20.71	23.16	26.00
Provisions	0.09	2.84	0.74	1.46	2.18
Shareholders' Funds	61.33	69.43	73.68	87.41	95.66

TABLE 2: SELECTED FINANCIAL INDICATORS
(Expressed in US million Dollars)

Operating Results		2008	2009	2010	2011	2012
Gross Income	(a)	5.15	6.20	7.90	9.41	12.29
Operating Expenses	(b)	2.93	2.94	4.17	4.90	6.43
Operating Profit before provisions		2.22	3.26	3.73	4.75	6.43
Profit for the year		2.61	0.43	2.01	2.82	3.37
Administrative Expenses	(c)	2.78	2.76	3.91	4.67	6.11
Financial Position						
Net Loans and Advances		52.86	70.63	88.87	100.79	145.13
Financial Investments		21.67	24.16	28.69	78.02	35.66
Total Assets		81.29	109.11	131.99	194.72	191.99
Total Equity		61.33	69.43	73.68	87.41	95.66
Total Debt		19.96	39.68	58.31	107.31	95.95
Financial Ratios						
Total Debt to Total Assets (%)		24.55	34.61	42.60	53.68	48.18
Administrative expense ratio (%)	(d)	5.24	4.47	4.90	4.97	4.97
Debt/Equity ratio (%)		22.80	54.38	76.31	119.59	96.31
Earnings per share (US$)		66.20	10.26	42.77	55.95	68.80
Dividend per share (US$)		12.92	0.00	8.44	10.63	13.38

(a) Gross income exclude grant income
(b) Operating Expenses exclude grant expenses
(c) Administrative expenses exclude depreciation, amortization and other provisions.
(d) Administrative expenses as a percent of average project loans.



Asset Quality

The asset quality remained stable during the year, with 76% (76% in 2011) of the loans categorized in the normal category of the internal rating system. The level of non-performing loans slightly improved to stand at 18% compared to 20% the previous year. Recovery efforts continue to focus on working out solutions for large loans within the non performing loans (NPL) portfolio. These efforts coupled with thorough monitoring of the performing portfolio are expected to lower the NPL levels in the coming year.

Human Resources and Administration

The Shelter Afrique Human Resources Strategy 2012-2016 prioritises attraction, recruitment, and retention of high calibre staff; continuous training and development; reward and recognition mechanisms; performance management; leadership and management capacity; and staff engagement.

Towards the realization of these strategic priorities, management initiated the process of transforming Shelter Afrique into a High Performing Organisation, as a step towards transforming the institution into an Investment Grade Company. To this end a major consultancy firm was contracted to provide technical support in human resources capacity development. The consultancy assignment includes; review of Shelter Afrique strategy, development of a Target Operating Model and Corporate Score Card; design of a performance management system, review of organisation structure, job evaluation and grading; and skills and competencies audit. The exercise is expected to be completed in 2013.

To support the above initiatives the Human Resources Unit was fully constituted with the recruitment of a Team Leader (Human Resources and Administration). In addition, a Staff Council was established as a mechanism for staff engagement in the change initiatives being undertaken.

Legal and Corporate Services

During the year, the Board of Directors and Management together embarked on the process of governance and institutional reform to support the realization of strategic objectives. Workshops were held to obtain Staff and Board members input and first drafts of documents were reviewed at Management level comprising the Treaty, Host Country Agreements and Board Governance Charter. Draft Terms of Reference for Board Committees were also developed at Board level and are expected to be adopted in 2013.

In response to increased business growth, a review and increase of firms of attorneys retained to support the business in member countries was carried out. This resulted in improvement of project turnaround time in terms of legal documentation as well as faster and more effective debt recovery.

To strengthen corporate governance the company recruited two Independent Directors in line with best practice in Board compositions. In accordance with the company statutes, the two directors were selected through a competitive interview and were presented to the Annual General Meeting held in Kigali Rwanda in June 2012 and were approved by the shareholders. This therefore increased the number of Board members from nine to eleven.

Risk Management & Planning

The Company's risk function is guided by various policies and procedures as well as measuring tools aimed at ensuring that the full ambit of risk categories are identified, assessed, measured, controlled and reported. Its focus is to ensure that risk management function brings impact through enhanced growth and profitability and supports the quality of the Company's assets as well as competitive positioning amongst its peers. To this end, the Company regularly reviews its risk management policies and procedures to reflect changes in the market place and emerging best practices.

In carrying out its work, the Risk management function participates in various management committees. These include Loans Committee, Asset & Liability Management Committee (ALCO), and Loans Monitoring Committee amongst others.

During 2012 the Company developed tools for the implementation of enterprise-wide risk management (ERM) framework. The tools have been developed to amongst others:

- Enhance risk management systems and processes.
- Effect meaningful changes in various credit and related policy documents.
- Develop customized toolkits to address gaps in reporting.
- Manage risk using methodologies compliant with Basel II and ERM COSSO framework.

Specifically they are being used to measure various credit risks, including calculation of probability of default (PD), loss given default (LGD), Value-at-Risk (VAR), and conducting scenario and gap analysis, on the back of a reliable and improved ICT platform.

The Annual General Meeting

The 31st Annual General meeting was held in Kigali, Rwanda on 7th June 2012 under the chairmanship of Hon. Albert Nsengiyumva, Minister for Infrastructure of the Republic of Rwanda. During the meeting the shareholders approved and adopted the audited financial statements for the financial year ended 31 December 2011. The meeting also approved the declaration of dividends in compliance with the dividend policy. The auditors, M/s Ernst and Young, were re-appointed to serve a second year as the external auditors for the financial year 2012. As in the previous years, the meeting was preceded by the Annual Symposium.

The meeting elected a new bureau comprising Rwanda as Chair, Chad as First Vice Chair and Central Africa Republic as Second Vice Chair. This was to replace Kenya, Central Africa Republic and Chad as previous Chair, First and Second Vice Chair respectively. The shareholders also considered and approved the admission of the Republic of Cote d'Ivoire to the Class "A" membership of Shelter Afrique making it the 44th member country.

The 31st Shelter Afrique AGM in Kigali, Rwanda

Meetings of the Board of Directors

The Board of Directors continued to exercise their oversight role over the institution and held nine regular Board and Committee meetings. The Board also attended workshops for Strategic Planning and Governance, as well as holding interviews for Independent Directors. In addition, some three special Board meetings and Ad hoc Committee meetings were also held. The Board considered and approved various Board papers comprising of policies, Annual Budget, and loans to clients amounting to US$ 145.65 million for the financing of 30 projects in 12 countries. The newly appointed independent directors participated in meetings from July 2012.

A cross section of participants at the 2012 Annual Symposium

The Annual Symposium

The Shelter-Afrique Symposium dubbed *"Financing Low-Cost Housing in Africa: Meeting the Challenges"* was held on 6th June 2012 in Kigali, Rwanda. The meeting drew experts, scholars and real estate stakeholders from both public and private sectors of Shelter-Afrique's member countries and beyond. The main objective of the symposium was to explore ways on the provision of low cost housing in Africa to meet the ever rising demand.

The Symposium was officially opened by the Prime Minister of the hosting country, Hon. Dr. Pierre Damien Habumuremyi who commenced by warmly welcoming the participants while noting Rwanda's hosting of the 31st Annual General Meeting and Symposium of Shelter-Afrique for a second time since 2005. This signified the country's commitment to the issue of housing. He also commended Shelter Afrique for identifying an appropriate theme for the 2012 Symposium. In his remarks, the Prime Minister challenged professionals in the housing sector to come up with

Rwandese dancers entertaining AGM delegates

innovative and sustainable ways to reduce the cost of construction and produce affordable houses.

There were eight presentations in the form of country experiences and contributions as well as submissions by participants. In summary, the appropriateness of the symposium theme cannot be over-emphasized from the reactions received during the proceedings. Pertinent issues that emerged from the discussions included the fact that about 70% of Sub-Saharan urban population currently live in slums majorly owing to rapid urbanization and the absence of a proper functioning housing sector. This has resulted negatively not only on the economic growth but also shorter life expectancy, increased illiteracy levels, hunger and unemployment of slum dwellers. Consequently, there is need for Africa to increase the supply of proper habitations through mass constructions using innovative technology that would ensure that the price of the final product is put in check.

Fortunately, the good news is that Africa understands the problem and has a good idea of how to resolve it. The next phase, and this is where we are, was to get on with the work and initiate concrete actions that will address the problem. Indeed some innovative programs are already underway such as the Jamii Bora in Kenya which has produced houses through an integrated system that has seen sale prices of houses at below US$ 12,000 where construction materials are produced at 30% below market cost. The end users are also given the option to purchase their units through a tenancy purchase system over elongated periods. The scheme has also made use of integration of hospitals, schools, commercial centres as part of the project.

The Symposium also shared the experiences of a successful housing program in Chile where subsidies were provided to help pay for utilities. A key learning point here was that successful social housing programs need to go beyond just constructing the house but should also consider maintenance of the house once constructed. Experiences from other countries including Nigeria, Mali and Morocco where Public Private Partnerships (PPP) arrangements have been successful were also discussed.

In conclusion, the Symposium successfully highlighted the scale and the consequences of the low cost housing challenge if left unaddressed. There was a general consensus that action was required NOW by the private sector, Governments and all other stakeholders in the housing industry to avoid further deterioration of the situation.

Delegates in a session during the 31st AGM in Kigali, Rwanda.

2012 was arguably Shelter Afrique's best year in terms of performance as measured from different perspectives. The institution consolidated its position as the premier Pan-African housing institution by surpassing all its performance targets. Business Development activities were focused on penetrating new markets, promoting new partnerships and proper management of existing portfolio.

A major highlight in year 2012 was the entry of Shelter Afrique into the Mozambique and Ivory Coast housing markets. In Mozambique, a US$ 8.5 million construction finance facility was approved to support construction of 150 housing units in Matola, Djuba.

Ivory Coast, arguably the biggest economy in the West African Economic and Monetary Union (WAEMU) joined Shelter Afrique membership as the 44th State Shareholder in June 2012. This was followed by the Board approving its first ever transaction with a loan value of FCFA 3.2 billion (equivalent of US$ 6 million) to support the development of a residential complex comprising 115 residential housing units of four-bedroom duplexes and related infrastructure for outright sale to the public. Shelter Afrique has positioned itself to appropriately consolidate its footprint in the country going forward. Shelter Afrique also made a re-entry into Nigeria and Togo after several years of inactivity in those markets. In this regard, three transactions with a combined loan value of US$ 21.3 million were approved in Nigeria and one amounting to US$ 8.7 million was approved in Togo.

Shelter Afrique continued to build on the new products introduced in the previous financial year. The Trade Finance product approved by the Board in 2011, for example, continues to generate a lot of interest across the Member States. Towards this end, two trade finance transactions amounting to US$ 4.25 million were approved to support the housing sectors in Guinea and in the Democratic Republic of Congo.

Another key development during the year under review was Shelter-Afrique's breakthrough in social housing. The Board approved a KShs 40 million (equivalent of US$ 487,800) loan to go towards funding the construction of low cost houses/ social housing in Kenya through individual housing micro loans.

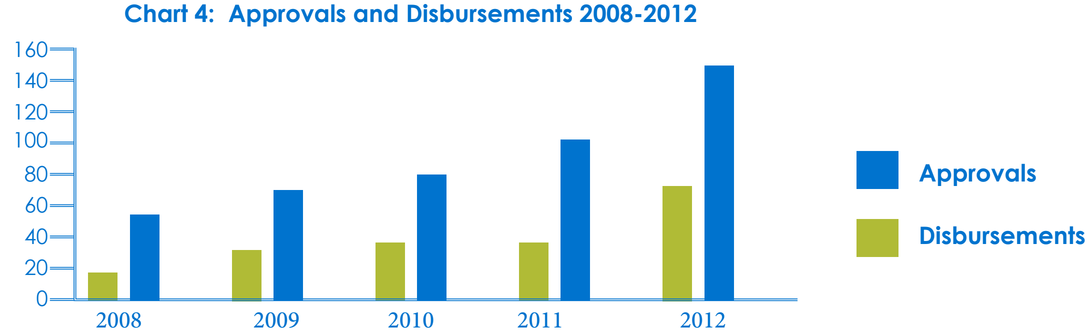
BREAKDOWN OF APPROVALS DURING 2012

Approvals grew to US$ 145.65 million during the year, reflecting a 40% increase from the US$ 103.8 million approved the previous year and 4% above the US$ 140 million budget for the year. The impressive approvals related to 30 projects in eleven (11) Member States and one (1) Non-Member State. The average loan size in 2012 was US$ 4.85 million, up from US$ 4.38 million recorded in 2011, reflecting a 10.7% growth. Direct loans to developers continued to dominate the institution's approvals attributing to 81% of all loans approved during the year

Table 3: Cumulative approvals, commitments and disbursements 2008-2012 (US$ million)

Year	2008	2009	2010	2011	2012
Annual Approval	54.29	67.1	81.34	103.82	145.65
Cumulative Approved Loans	284.92	352.02	433.36	537.18	682.83
Annual Commitment	23.5	51.3	48.85	57.5	135.69
Cumulative Commitment	162.2	213.5	262.35	319.85	455.54
Annual Disbursement	17.81	30.3	34.06	36.29	65.49
Cumulative Disbursement	157.96	188.26	222.32	258.61	324.10

Chart 4: Approvals and Disbursements 2008-2012



SHELTER AFRIQUE
Financing Affordable Housing for Africa



TABLE 4: 2012 LOAN APPROVALS

	Country	Region	Client/Project Name	Type of Instru-ment	Amount (in US$	Type of Development	FACILITY CURRENCY
1	Cameroon	Central	Société d'Aménagement de Douala (SAD)	Direct Lending	9,000,000	Residential	EURO
2	Cameroon	Central	SIC ET & T IMMOBILIERE	Direct Lending	3,898,747	Mixed Development	EURO
3	Cote d'Ivoire	Western	INTERBAT S.A.R.L	Direct Lending	6,123,347	Residential	FCFA
4	Demcratic Rep. of Congo	Central	DEVIMCO S.P.R.L	Direct Lending	2,700,000	Residential	US$
5	Demcratic Rep. of Congo	Central	International Marketing & Distri-bution Company	Trade Finance	1,250,000	Letter of Credit	US$
6	Ghana	Western	Fidelity Bank-Ghana	Line of credit	8,700,000	Mortgage Lending	US$
7	Ghana	Western	Edlorm Housing Ghana Ltd	Direct Lending	4,000,000	Residential	US$
8	Ghana	Western	Westbay Properties Limited	Direct Lending	2,450,000	Residential	US$
9	Guinea	Western	Islamic Bank of Guinea	Trade Finance	3,000,000	Credit Guarantee	US$
10	Kenya	Eastern	Gongo Ler Apartments	Direct Lending	2,023,529	Residential	KSHS
11	Kenya	Eastern	Oasis Apartments	Direct Lending	2,505,882	Residential	KSHS
12	Kenya	Eastern	Pine City Phase II	Direct Lending	4,423,529	Residential	KSHS
13	Kenya	Eastern	Chiedo Developers Limited	Direct Lending	2,500,000	Residential	KSHS
14	Kenya	Eastern	STIMA Investment Cooperative Society	Direct Lending	4,817,073	Residential	KSHS
15	Kenya	Eastern	Serene Valley Properties Lim-ited	Direct Lending	2,256,098	Residential	KSHS
16	Kenya	Eastern	Makao Mashinani Limited	Direct Lending	487,805	Social Housing	KSHS
17	Kenya	Eastern	Kenya Building Society Ltd (Komarock Phase V)	Direct Lending	7,890,244	Residential	KSHS
18	Kenya	Eastern	Sunset Paradise Limited	Direct Lending	4,634,146	Residential	KSHS
19	Kenya	Eastern	Maha Properties Limited	Direct Lending	5,804,878	Residential	KSHS
20	Kenya	Eastern	Prism Investments Ltd	Direct Lending	3,058,824	Residential	KSHS
21	Kenya	Eastern	Itoga Investments Limited	Equity Invest-ment	3,729,412	Residential	KSHS
22	Mozambique	Southern	Project Djuba	Direct Lending	8,500,000	Housing	US$
23	Nigeria	Western	Coop Property Development Ltd	Direct Lending	7,800,000	Residential	US$
24	Nigeria	Western	Olawale Momolesho Properties Ltd	Direct Lending	8,700,000	Commercial	US$
25	Nigeria	Western	Madonna University	Direct Lending	5,500,000	Students' Hostels	US$
26	Rwanda	Eastern	Ujenge Ltd	Direct Lending	6,500,000	Mixed Devel-opment	US$
27	Rwanda	Eastern	Oxyprop Rwanda Ltd	Direct Lending	4,500,000	Residential	US$
28	Senegal	Western	Sebel Invest S.A	Mezzanine Loan	5,400,000	Residential	FCFA
29	Togo	Western	N Real Estate	Direct Lending	8,700,000	Residential	FCFA
30	Zimbabwe	Southern	Central African Building Society (CABS)	Line of credit	4,800,000	Mortgage Lending	US$
TOTAL					45,653,514		

BUSINESS DEVELOPMENT AND OPERATIONS
continued

APPROVALS BY LENDING INSTRUMENT

Real estate development remains the major beneficiary of the company's funding in line with the objective of increasing the supply of affordable housing in member states. 81% (2011: 69%) of the approvals went to direct lending products, 9% (2011: 17%) were Lines of Credit to financial institutions, 3% (2011: 6%) were equity investments, 3% (2011: 8%) of the approvals went to Trade Finance and 4%(2011: Nil) went to Mezzanine Funding.

Chart 5: 2012 Loan Approval Per Lending Instrument

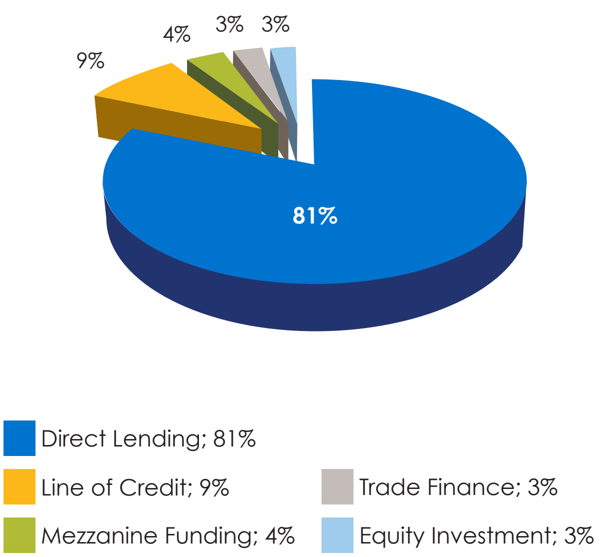
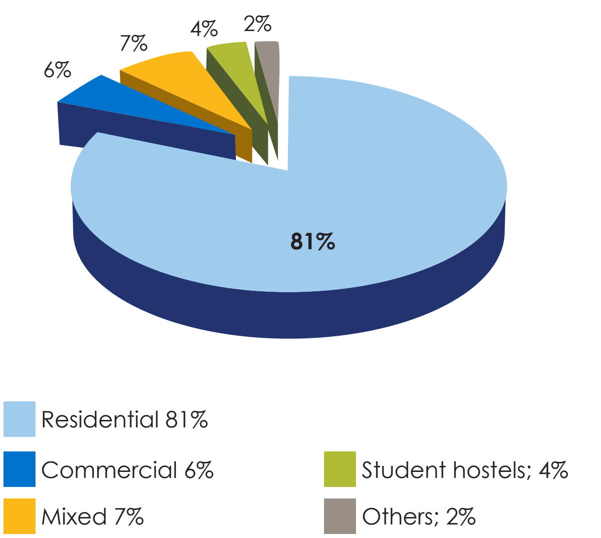
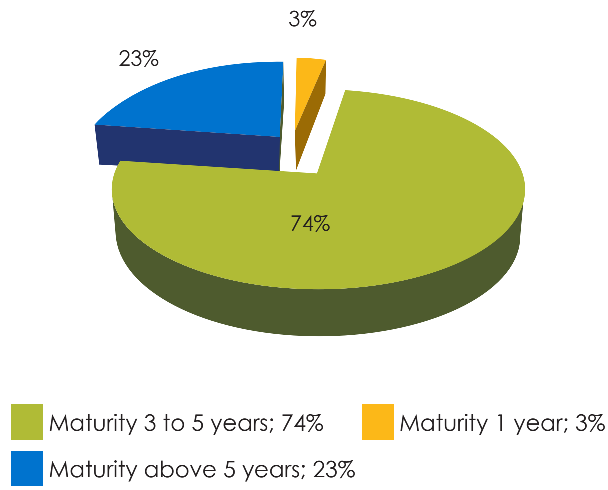


Chart 6: Approvals per project type 2012



The average loan size in 2012 was US$ 4.85 million, up from US$ 4.38 million recorded in 2011, reflecting a 10.7% growth. Tenors ranged from one year for trade finance products to 10 years for lines of credit.

Chart 7: Approval by loan Maturity 2012



REGIONAL DISTRIBUTION OF PROJECTS

Approvals during the year 2012 were a good balance of regional representation. Shelter Afrique reaped immediate benefits from its re-entry into the Nigerian and Togolese markets as well as new business opportunities identified in one of its newest markets, Ghana. As a result, at 41%, West Africa registered the highest amount of approvals during 2012. The Eastern Africa market continued to perform well too, with 38% of all approvals coming from the region. Central Africa and Southern Africa regions contributed 12% and 9% of the annual approvals respectively.

Chart 8: 2012 Regional Distribution of Approved Projects

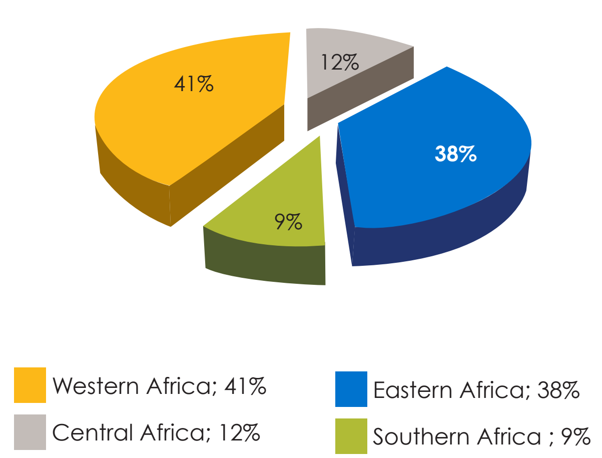
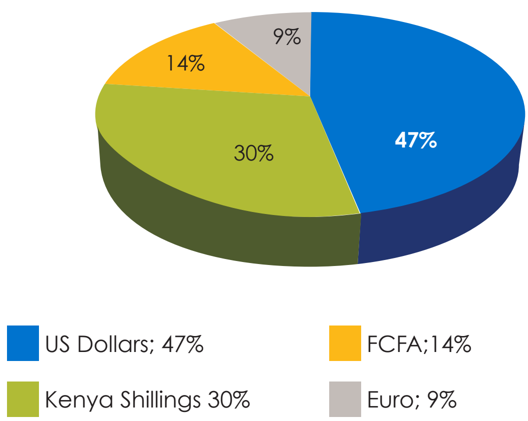


Chart 9: Distribution of 2012 Loan Approval by Currency



COMMITMENTS AND DISBURSEMENTS

During year 2012, Shelter Afrique achieved commitments of US$ 135.69 million against the annual target of US$ 94.5 million. This represented an impressive 144% achievement and a 136% growth compared to US$ 57.5 million achieved in 2011.

Annual disbursements during the year amounted to US$65.5 million against the annual target of US$ 65 million. This achievement was spot on target and an 80.5% increase from the previous year's US$ 36.29 million.

2012 PROJECTS PROFILE

RESIDENCE LES ARCARDES - 4 – COTE D'IVOIRE

The project is sponsored by SOCIETE INTERNATIONALE DE BATIMENT (INTERBAT) and is located at Cocody District in Abidjan, COTE D'IVOIRE. It entails the development of a residential complex comprising 115 residential housing units of four-bedroom duplexes and related infrastructure for outright sale to the public. The Board of Directors approved FCFA 3,200,000,000 [equivalent to US$ 6.1 million] as debt finance to the project. The transaction marked Shelter-Afrique's entry into the Ivorian market, following the country's subscription to Shelter-Afrique's membership in June 2012.

CITE DES ANGES – TOGO

The project is sponsored by N REAL ESTATE, a start up, and is located at Aflao District in Lome, TOGO. The project entails the development of residential housing units comprising 19 Villas, 93 Duplexes and 40 apartments of three and four-bedroom as well as related infrastructure for outright sale to the public. The Board of Directors approved FCFA 4,300,000,000 [equivalent to US$ 8.7 million] as debt finance to the project. The transaction is co-financed with Ecobank Togo, one of the major local commercial banks and reinforces the partnership that Shelter-Afrique and ETI (Ecobank Transnational Incorporated) entered into through a Memorandum of Understanding in July 2009. This transaction also marked Shelter-Afrique's re-entry into the Togolese market since its first investment in 1999.

CITE DU CINQUANTENAIRE - CAMEROON

The project is a Public Private Partnership and brings together the City Council of Douala and Société d'Aménagement de Douala (SAD) as the sponsors. It entails the development of 3 blocks comprising 324 apartment units, a shopping center, offices, open spaces and related infrastructure for outright sale to the public. The Board of Directors approved EURO 7,000,000 as debt finance to the project. The transaction is co-financed with Crédit Foncier du Cameroun (National Housing Finance Institution) and other local commercial banks. This project will contribute in addressing the deficit of modern accommodation as well as commercial and office space in Douala. In addition, it will enable Shelter-Afrique to increase its operational presence in Cameroon while partnering with parastatal bodies such as City Council of Douala, City Council of Yaoundé.

MADONNA UNIVERSITY – NIGERIA

The Board of Directors approved a US$ 5,500,000 facility to support Madonna University in the construction of four students' hostel blocks and associated infrastructure at the University's main campus at Okija, Anambra State. The uniqueness of this transaction is its immense social-economic impact. Upon completion, the four (4) blocks will comprise a combined total of 512 rooms providing accommodation for 2,048 students at full capacity considering that each room's maximum occupancy level will be four (4) students. The current exponential growth of the University's students' population and the resultant need for decent students' accommodation affords Shelter Afrique many more opportunities for partnership with the University as it seeks to avail a conducive learning environment for the students across its three campuses in Nigeria.

STIMA INVESTMENT COOPERATIVE SOCIETY LIMITED - KENYA

In line with its commitment to partner with like-minded institutions to address the housing gap in its Member States, Shelter Afrique approved a construction finance facility amounting to Kenya Shillings 395 million (equivalent to US$ 4.8 million) to support Stima Investment Co-operative Society Ltd. The Society's project entails construction of 76

units of two and three bedroom town houses and related infrastructure in Athi River for outright sale to its members as well as the general public. The co-operative society brings together over 4,000 employees working in the Kenyan energy sector for companies such as Kenya Power, Kenya Electricity Generating Company (KENGEN), Kenya Electricity Transmission Company (KETRACO), Rural Electrification Authority as well as employees of independent power producers.

Loan Signing with Stima Sacco, Kenya

PROJECT DJUBA – MOZAMBIQUE

Located in Matola, Djuba (approximately 25 kilometers from Mozambique's capital city of Maputo), Project Djuba has presented Shelter Afrique an opportunity to enter the Mozambique real estate market. The project entails the development of 150 units of 3 bedroom stand-alone bungalows and associated infrastructure at an envisaged total project cost of US$ 14.5 million. Shelter Afrique's loan amounting to US$ 8.5 million will be used to part-finance the construction and infrastructure components of the project. The developer is a Joint Venture Partnership between two entities; Cervino Alimentaire Limitada (CAL) and Sociedade de Desenvolvimento de Djuba Limitada (SDDL). As part of its efforts to recruit new countries to join the institution's membership, Shelter Afrique is currently in discussions with the Government of Mozambique with a view to encouraging the country to become a shareholder.

MAKAO MASHINANI COMPANY LIMITED - KENYA

The loan of Kenya Shillings 40 million [equivalent to US$ 0.5 million] to Makao Mashinani was approved by the Board of Shelter Afrique in June 2012. It represents the first facility to support low cost/social housing initiatives in a Member State. The loan will be used to support social housing initiatives through individual housing micro loans. An estimated 2,000 households are expected to benefit from this facility through provision of decent housing. Makao Mashinani Ltd is a for-profit Housing Microfinance company with a strong social mission. It provides secure livelihoods and wealth-creating financial services throughout affordable housing value chains that produce a positive impact in form of shelter to landless poor urban residents.

Shelter Afrique's interest in the social housing echoes increasing interest in this sector from the public and private sectors across Africa and from international donors. There is a broad understanding of the large unmet demand for social housing and inadequate finance for this market. Shelter Afrique's involvement in the middle income housing segment is an asset, placing its social housing programme as part of its larger holistic efforts to expand the supply of housing and strengthen housing markets throughout Africa. It has identified social housing as a strategic priority and is interested in expanding its market and products to social housing suppliers and micro housing finance providers.

HOUSING SECTOR ENVIRONMENT

The African housing market and systems are developing in scale and diversity, creating opportunities for investors and stakeholders and most importantly contributing towards economic growth of respective countries. From economic hubs of Nairobi, Johannesburg to commodities boom center's of Lubumbashi, Niamey and Luanda and across regions from South to East to North, to West Africa, the importance of the housing sector to various economies is increasingly being recognized and responded to with effective strategies. Moreover, the housing sector enormously contributes to economic development on the continent and with the macroeconomic stability returning to many countries in Africa and deregulation of the banking sector in several countries has led to well managed banking institutions with considerable improvement in terms of liquidity. Also, the regulator (Central Banks) increase in oversight of the banking environment led to banks to become stronger in financial position.

Ansterananana, Madagascar: Constuction of 29 units and shoping Centre EJJ2

The development of the mortgage market is still in its infancy stage in most Africa countries. By international comparisons, African mortgage markets are tiny with the following ratios; South Africa at 26.4%, Namibia at 19.6%, Mauritius at 12.2%, and Kenya at 2.51% and Ghana at 0.5%. For many banks, building societies, and mortgage companies, the mismatch between the short-term nature of their deposits and the longer-term nature of the mortgage lending, in combination with the unavailability of the long term finance, remain constraints. Pension funds and insurance companies represent a potentially huge source of longer term funds, but for the most

Lilongwe, Malawi: Construction of an Ultra-Modern shopping mall and related infrastructure by MPICO Malls Ltd

part, their investment in housing finance has been very limited. Some countries, such as Nigeria, are beginning to undertake secondary mortgage market operations through investments such as the Federal Mortgage Bank of Nigeria, but these initiatives are still in very early stages. One major aspect affecting the sector is high interest rates which remains relatively high and have fallen over the past year in many countries. Additional, attributes related to high rates are mainly increases of other cost factors, such as building materials, construction finance, the need to provide basic infrastructure, and prices of suitable land. It is also worth noting that most of the mortgage financing in Africa goes to the middle and upper income segment, while low and moderate income families, that represent the bulk of the potential market, find themselves unable to qualify for conventional mortgage financing. However, there are encouraging efforts underway in several countries to find innovative ways for formal sector finance institutions to provide products for the lower end of the market. For instance, in Ghana HFC Bank, the country largest mortgage lender expanded its mortgage products to meet the needs of the lower income segment.

On balance, the sector offers ample opportunities and innovation across the board from the development of the mortgage market, new housing micro finance products and approaches and public private partnerships that enhance housing affordability for a wider spectrum of the population. Finally, it is critical that these efforts mentioned above are supported with good policies, best practices and replicated in more contexts, so that the challenges

of housing finance in Africa can be addressed together with the wave of the economic growth that is sweeping the continent.

Trends in housing finance in selective member countries in Southern Africa, East Africa, North Africa, and West Africa:

Southern Africa

Botswana: The housing sector in the country continues to expand in all sectors of the market, with high end mortgage borrowing showing particular growth. All the major commercial banks and the Botswana Building Society continue to increase the book value of their mortgage portfolios, and housing construction projects, particularly within the middle and high income earners bracket. However, the lower end of the market is not adequately addressed, and it is the segment in which substantial development impact can be derived from. In terms of the housing supply, Botswana's urbanization rate is becoming increasingly visible as its capital city is growing in size. The expansion of the capital city is among the factors leading to acute supply of housing specifically the supply of ready-built housing units is low across the board.

In order to address the needs of the housing sector the Government has announced plans to acquire approximately 5,250 hectaires of land which will be under the city of Gaborone management. Also, the Botswana Housing Corporation (BHC), a government owned entity established to become a leading developer and estate manager in the country has implemented approximately 2800 housing units between 2010 and 2012 and is aiming to complete at least 29,000 units by 2018. The country's housing sector has potential for growth especially the mortgage market. In general, the mortgage lending in the country has been increasing and there is potential for further growth. The government also recognized the need to undertake reforms and complement the sector in key areas such as land administration etc. and if followed through, this can enhance access to affordable housing and mortgages.

East Africa

Rwanda: In the past few years, Rwanda has positioned itself as a prime location for investment, and as a result its construction sector is booming. The turnover in the construction sector grew significantly by 29% in 2012. Despite the growth in the country's construction activities there is a shortage of decent housing & according to a 2012 World Bank report on Rwanda, the country's housing need is estimated at 25,000 units annually, with between 8,500 and 10,000 units for Kigali and 15,000 units for urban areas. To boost the supply of housing needs the Government of Rwanda has realized the need for affordable housing, and in 2011 announced plans to create 40,000 rentable housing units by 2015 for the low to middle income earners. Other efforts undertaken by the government includes the pilot housing scheme for civil servants aimed to become model for creating more sustainable affordable human settlements. In addition, to the government initiatives, Rwanda has few private developers undertaking housing projects and most the projects implemented are being sold between US$ 100,000 to US$ 150,000 and is not affordable to the majority of the population. The reasons cited for the high selling prices include acquisition cost of land, construction materials and limited access to finance. Also, many of the housing projects by private developers are small and number for units is between 5 to100 houses per development.

Kigali, Rwanda: Construction of 40 Nos semi-detached housing units by KTM

Access to mortgage finance is limited by household affordability as well as irregularity of incomes among borrowers. For a long time the deposit requirements of up

Nairobi, Kenya: Construction (Redevelopment) of property to provide 80 rooms and 22 shops by Oltepesi

Loan Signing Ceremony with Chiedo Developers Limited, Kenya

to 30% has been a challenge to the growth of the sector and made mortgage finance inaccessible to the majority of people without formal employment. With the entrance of banks such as the KCB Rwanda in the market the sector is undergoing transformation with the reduction of deposit requirements to 10% and mortgage tenure increase from 10 to 20 years. The Rwanda mortgage sector is small and commercial banks are estimated to have provided a total of US$ 70 million of mortgages to about 3,000 to 4,000 people in the country. The demand for mortgages is increasing substantially as commercial banks launch new products with more attractive features such as longer tenure and competitive lending rates. The mortgage sector faces a number of challenges, the most critical being the lack of liquidity. Long-term finance for mortgages as well as for micro finance has been a constant challenge and solutions identified by industry players include raising funds from the capital market through bond issues.

In terms of the sector demand- the real estate market in the country is growing and attracts investors, mainly from the Middle East. Housing finance demand, both mortgages and micro finance, in rapidly urbanizing Rwanda has barely been met, and there is a great potential for growth.

North Africa

Tunisia: The country's real estate and construction sector over the past decade has witnessed a healthy growth of 4.5% in 2012, a trend which is likely to continue through the coming years. Approximately 80% of Tunisians build their own homes. The government intervention is only 15% and mainly through social housing, while the remaining 5% is reserved for private developers. Also, compared to other countries in the north, Tunisia has been successful in dealing with urban upgrading and housing is affordable across segments.

On the housing supply it is estimated that housing stock is greater than the number of households, this includes an oversupply of high end units. The existing supply is 2.5 million units against 2.2 million households in 2012, with an annual rate of increased demand of 70,000 units in a year. The housing supply in the upper middle income and high end group is dominated by the private market. Private developers constructed about 14,000 units in 2010, against 2,875 units by public real estate developers through a state programme of pre-finance for residential property developers. Another interesting element in the Tunisian market is that some of the financiers such as the Housing Bank finance up to 80% of the total cost of the project for social housing units and 70% for economic of high end units.

Tunisia has built up a sophisticated mortgage-base housing finance system. A large number of financial institutions are offering housing loan products, including 20 commercial banks and four state-owned banks. The total value of mortgage loans has been increasing rapidly from US$ 2.3 Billion in 2005 to US$ 7.8 million as of November 2011.

Government efforts: The country has made significant achievements in progressive and successful housing policies and development of specialized public institutions to improve the availability and quality of affordable housing. State enterprises have built over 300,000 units to date and have been instrumental in upgrading informal settlements. In January 2012 the Minister of Housing announced and ambitious plan to undertake construction of 30,000 social housing units by the end of January 2013. A further opportunity in the sector is tapping into the

Loan Signing with Ujenge Rwanda

housing micro finance which has shown growth in increase clientele from 800,000 to 1 million (according to the EU estimates). These are the clients that are excluded from the formal finance sector and also need specific financial products for housing.

West Africa

Nigeria: The country has a 16 million deficit of housing units and demand for good quality housing in major urban centers far outstrips supply especially in the high income housing market segment. The low and middle income brackets have been underserved mainly due to their lack of capacity to afford housing units. The formal housing market in Nigeria is skewed towards the upper middle and high income brackets. Also, a substantial amount of work needs to be done to supply serviced land and infrastructure provision in Nigeria's main urban centers is poor.

The Nigerian housing situation can be looked at in two contexts; the Public Sector Housing and the Private Sector Housing. There are two major types of Public Sector Housing. The first type of public housing consists of Government owned housing which is provided to civil servants and senior government officials. The second major type is the Mass Public Housing which government provides for the general public. Private Sector Housing remains the dominant player in the Nigerian Housing Development. The Nigerian National Housing Policy acknowledges that the private sector accounts for over

Dakar, Senegal: Construction of Apartments by Sebel Invest

Bamako, Mali - Construction of an ultra-modern and multipurpose building to Let by Teylium Properties

90% of the housing stock in the country. Private Sector Housing is broadly made up of individuals, small scale builders, commercial estate developers, banking and non banking financial intermediaries as well as industrial and commercial organizations that invest in housing with a view to make profit.

Nigeria has a fairly sophisticated financial market, comprising of 24 deposit taking banks, 5 Development Finance Institutions, 5 Discount Houses, 101 Primary Mortgage Institutions (PMI), 658 Bureau de Change, 84 Finance Companies and 904 Microfinance Institutions. The Government uses the Federal Mortgage Bank of Nigeria (FMBN), a mortgage institution, to avail greater access to mortgages in the economy. The FMBN raises capital through the National Housing Fund (NHF) which obtains funding mostly by mandatory contributions from salaried employees, banks, registered insurance companies and the Government. While access to long term funding to finance housing remains a major challenge in Nigeria, financial institutions are now going to the capital markets to mobilize long term funding.

In terms of opportunities Nigeria represents a huge market for housing development, mortgage and housing micro finance lending. While the government and its various institutions are paying substantial attention to the mortgage market, the potential of the housing micro finance is increasingly being acknowledged. With a population of more than 70 million low income people and a small mortgage market the housing micro finance seems to have an enormous potential for the housing stakeholders to develop the segment.

SHELTER AFRIQUE

Financing Affordable Housing for Africa

Annual Report and Financial Statements

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS

Shelter Afrique Centre
Longonot Road, Upper Hill
P O Box 41479 - 00100
Nairobi
KENYA

PRINCIPAL BANKERS

Barclays Bank Plc
Barclays International Banking Centre
P O Box 391, 38 Hans Crescent, Knightsbridge
London SW1X 0LZ
ENGLAND

Kenya Commercial Bank Limited

P O Box 30012 - 00100
Nairobi
KENYA

Citibank N.A.

P O Box 30711 - 00100
Upperhill, Nairobi
KENYA

BNP Paribas

2, Place de l'opera B P 6542
75060 Paribas Cedex 02, Paris
FRANCE

Citibank New York

C/o Citibank N.A.
P O Box 30711 - 00100
Upperhill, Nairobi
KENYA

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

Ochieng Onyango, Kibet & Ohaga Advocates

P.O. Box 43170 – 00100
Nairobi, KENYA

AUDITORS

Ernst & Young
Certified Public Accountants (Kenya)
P O Box 44286-00100 Nairobi
KENYA

BOARD OF DIRECTORS

Chairperson	
Mr. Elias Mpondela	(up to 30.10.2012)
Mr. Corneille Karekezi	(from 30.11.2012)
Vice Chairperson	
Mrs. Nene LY Soumare	(from 15.06.2011)

DIRECTORS	ALTERNATE DIRECTORS	REPRESENTING
Mr. Elias Mpondela (from 15.06.2011 to 30.10.2012)	*(to be chosen from Namibia)	Botswana, Lesotho, Malawi, Namibia, Swaziland, Zambia.
Mr. Bernard Namachilla (from 30.10.2012)		
Mr. David Gabindadde-Musoke	* (to be chosen from Rwanda)	Burundi, Central African Republic, Chad, Djibouti, Equatorial Guinea, Gabon, Gambia, Liberia, Madagascar, Rwanda, Tanzania, Uganda.
Mrs. Nene LY Soumare	*(to be chosen from Togo)	Guinea, Burkina Faso, Mali, Senegal, Togo, Ivory Coast
Mr. A. Boulares	*(to be chosen from Mauritania)	Algeria, Mauritania, Morocco, Tunisia.
Mr. Jean Paul Missi	*(to be chosen from Niger)	Benin, Congo, Democratic Republic of Congo, Cameroon, Mauritius, Niger, Seychelles.
Dr. Olatunbosun Ayileka	*(to be chosen from Guinea Bissau)	Cape Verde, Guinea Bissau, Nigeria, Sao Tome & Principe.
Mr. T. Kosgey	*(to be chosen from Zimbabwe)	Kenya, Zimbabwe, Somalia, Sierra Leone, Ghana
CLASS "B" SHAREHOLDERS		
Mr. Corneille Karekezi	Ms. Eunice Mbogo	African Reinsurance Corporation
Mr. Samuel Mivedor	African Development Bank	African Development Bank

INDEPENDENT DIRECTORS:

Mr. Abubakar Jimoh
(from 07.06.2012)

Mr. Hardwork Pemhiwa
(from 07.06.2012)

SENIOR MANAGEMENT

Mr. A. Bâ	Managing Director
Mr. Y. Olayanju	Director, Risk and Planning
Mrs. R. Onyancha	Director, Corporate Affairs and Secretariat
Mr. F. Adewole	Director, Business Development & Operations
Mrs. Margaret Kamau	Acting Director, Finance

*The Alternate Directors are yet to be appointed

REPORT OF THE DIRECTORS

The Directors have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2012, which show the state of the financial affairs of the Company.

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

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 33 of the financial statements. The profit for the year transferred to retained earnings amounts to US$ 3,372,557 (2011 – US$ 2,818,344).

4. DIVIDENDS

   The Directors recommend the payment of a dividend of US$ 674,492, which represents US$ 12.02 per paid up ordinary share (2011 - US$ 563,616, representing US$ 10.63 per paid up ordinary share).

5. RESERVES

   The reserves of the Company are set out on page 35 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 27.

   In Accordance with the Company's Charter, the directors hold office for a term of three years and are, therefore not subject to retirement by rotation annually.

7. AUDITORS

   Ernst & Young have expressed their willingness to continue in office in accordance with Article 31 of the Company's Charter.

BY ORDER OF THE BOARD

Company Secretary

26th March2013

Nairobi

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

1. BOARD OF DIRECTORS

The names of the Directors who held office in the year and to the date of this report are set out on page 27.

The Board is responsible for formulating Company policies and strategies and ensuring that business objectives, aimed at promoting and protecting shareholder value, are achieved. The Board also retains the overall responsibility for effective control of the Company and implements corporate governance policies of the Company.

The Board comprises nine non-executive Directors and two independent directors. The Directors have diverse skills and are drawn from various sectors of the economy. The Chairman, Vice-Chairman and Chairmen of Board Committees are non-executive Directors.

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

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

a) Directors' Emoluments and Loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year is disclosed in Note 27 to the financial statements for the year ended 31 December 2012.

b) Related Party Transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors or Management except those disclosed in Note 27 to the financial statements for the year ended 31 December 2012.

2. BOARD COMMITTEES

The Board has in place two main committees, namely the Board Audit and Risk Committee and the Administrative Affairs & Human Resource Policy Issues Committee. To discharge its mandate effectively, the Board delegates its authority to various sub-committees, whose chairpersons report to the Board. These committees assist the Board in ensuring that proper policies, strategies, internal controls and organizational structure are in place to achieve the Company's objectives and obligations to its stakeholders. All the committees have detailed terms of reference and hold meetings as necessary. The Board may delegate some of its powers to any committee and may appoint any other committee, including ad hoc task forces, as and when it is deemed necessary. The authority for the day-to-day running of the Company is delegated to the Managing Director.

a) Board Audit and Risk Committee

The Audit Committee is chaired by a non-executive Director Mr. S. Mivedor, and meets twice a year. Other members are two non-executive Directors, Mr. A. Boulares and Mr. J.P. Missi. The responsibilities of this committee are the review of financial information and the monitoring of the effectiveness of management information and internal control systems. The Committee receives reports from both external and internal auditors, as well as

Risk Management department and also monitors implementation of audit recommendations, on behalf of the Board.

b) Administrative Affairs & Human Resource Policy Issues Committee

The Administrative Affairs & Human Resource Policy Issues Committee is chaired by a non-executive Director Mr. Tirop Kosgey. The other members are two non-executive Directors of the Board Mr. Gabindadde-Musoke and Mrs. Nene LY Soumare. The Committee meets at least once a year and is responsible for assisting in, and making recommendations on, the formulation and review of the general administrative and procurement policies of the Company and the Company's Policies on Human Resource requirements by the Board.

3. RISK MANAGEMENT AND INTERNAL CONTROL

Management, in consultation with the Board Committees, is responsible for the Company's day-to-day overall risk management to minimize potential adverse effects on its financial performance while the Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Company has an ongoing process of identifying, evaluating and managing significant risks inherent in its business, by the Risk Management department. This process is also reviewed by the internal auditor. The internal auditor reports administratively to the Managing Director and functionally to the Audit and Risk Committee. As part of the independence required by Shelter-Afrique corporate governance, the Internal Audit annual work program and budget are separately approved by the Audit and Risk Committee, which also reviews and approves Audit reports and internal audit annual report. The Company has in place controls, which include, but are not limited to, an annual budgeting process, a regular review of strategic initiatives, a well-defined organizational structure which is kept under regular review by the Board and a review of quarterly financial and operating information by Management and the Board.

4. BUSINESS ETHICS

The Company conducts its business in compliance with high ethical standards of business practice. In this respect, transactions with its intermediaries, employees and other stakeholders are conducted at arm's length, with integrity and transparency.

5. RESPONSIBILITY FOR STAFF WELFARE AND TRAINING

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

6. BOARD AND COMMITTEE MEETINGS ATTENDANCE

The Board meets quarterly for scheduled meetings to review the Company's performance against business plans as well as to formulate and implement strategy and on other occasions to deal with any issue that requires attention between the quarterly meetings. During the year, the Board held four ordinary meetings.

7. COMPLIANCE

The Company operates within the requirements of the Constituent Charter, the Shelter Afrique Act, 1985, its Statutes and General By-Laws and adopts certain universally accepted principles in the areas of human rights, labour standards and environment in its commitment to best practice. In addition, the Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs).

.... Director

26th March 2013

.... Director

26th March 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's Statutes require 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the provisions of the Company's Statutes and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments 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	Director
26th March 2013	26th March 2013

INDEPENDENT AUDITORS REPORT
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), which comprise the statement of financial position as at 31 December 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 33 to 73.

Directors' Responsibility for the Financial Statements

The Directors of the Company 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 and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, the results for the year and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Nairobi

18th April 2013

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$	2011 US$
INTEREST AND SIMILAR INCOME	3	15,870,027	12,143,026
INTEREST EXPENSE AND SIMILAR CHARGES	4	(6,668,787)	(5,025,001)
NET INTEREST INCOME		9,201,240	7,118,025
FEE AND COMMISSION INCOME	5	2,892,697	2,055,476
GRANT INCOME	6	499,643	781,570
OTHER INCOME	7	195,228	240,743
OPERATING EXPENSES	8	(6,814,472)	(4,903,052)
GRANT EXPENDITURE	9	(495,762)	(777,691)
IMPAIRMENT CHARGE ON LOANS AND ADVANCES	13(c)	(2,177,609)	(1,462,123)
NET FOREIGN EXCHANGE LOSSES		(37,749)	(225,469)
JOINT VENTURE LOSS	15(b)	(49,633)	(9,135)
PROFIT FOR THE YEAR		3,213,583	2,818,344
OTHER COMPREHENSIVE INCOME		-	-
UNREALIZED GAIN ON EQUITY INVESTMENTS	15(c)	158,974	-
TOTAL COMPREHENSIVE INCOME		3,372,557	2,818,344
EARNINGS PER SHARE	14	61.81	55.95

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	Note	2012 US$	2011 US$
ASSETS			
Bank and cash balances		1,636,963	8,322,414
Short term bank deposits	11	31,720,991	73,813,078
Corporate bonds	12	3,941,158	4,208,326
Loans and advances to customers	13(a)	145,132,521	100,791,554
Other receivables	15 (a)	1,707,335	1,626,508
Investment in joint venture	15 (b)	1,338,203	1,401,500
Equity participation	15 (c)	2,090,812	-
Property and equipment	16	3,869,198	3,952,305
Grant	17	131,903	135,782
Intangible assets	18	420,015	469,935
TOTAL ASSETS		191,989,099	194,721,402
EQUITY AND LIABILITIES			
LIABILITIES			
Bank borrowings	19(a)	2,828,927	-
Lines of credit	19(b)	44,071,287	51,848,190
Medium term notes	20	45,597,300	52,680,900
Other payables	21	2,525,587	1,838,669
Dividends payable	22	1,196,464	673,463
Deferred income	23	111,554	266,267
TOTAL LIABILITIES		96,331,119	107,307,489
SHAREHOLDERS' FUNDS			
Share capital	24(a)	56,114,000	53,021,000
Share premium	24(b)	11,598,784	9,256,656
Revaluation surplus		1,948,350	1,980,035
Revenue reserve		25,837,872	23,156,222
Available for Sale Reserve		158,974	-
TOTAL SHAREHOLDERS' FUNDS		95,657,980	87,413,913
TOTAL EQUITY AND LIABILITIES		191,989,099	194,721,402

The financial statements on pages 33 to 73 were approved by the Board of Directors on 26th March 2013 and were signed on its behalf by:-

....

Director Director

SHELTER AFRIQUE
Financing Affordable Housing for Africa

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital US$	Share premium US$	Revaluation surplus US$	Retained earnings US$	Available for Sale reserve US$	Total US$
At 1 January 2011	47,727,000	3,233,406	2,011,720	20,709,168	-	73,681,294
Share capital	5,294,000	6,023,250	-	-	-	11,317,250
Profit and total comprehensive income	-	-	-	2,818,344	-	2,818,344
Transfer of excess depreciation on revaluation	-	-	(31,685)	31,685	-	-
Dividends payable (note 23)	-	-	-	(402,975)	-	(402,975)
At 31 December 2011	53,021,000	9,256,656	1,980,035	23,156,222	-	87,413,913
At 1 January 2012	53,021,000	9,256,656	1,980,035	23,156,222	-	87,413,913
Share capital	3,093,000	2,342,128	-	-	-	5,435,128
Profit				3,213,583		3,213,583
Other Comprehensive Income	-	-	-	-	158,974	158,974
Total Comprehensive Income	-	-	-	3,213,583	158,974	3,372,557
Transfer of excess depreciation on revaluation	-	-	(31,685)	31,685	-	-
Dividends payable (note 23)	-	-	-	(563,618)	-	(563,618)
At 31 December 2012	56,114,000	11,598,784	1,948,350	25,837,872	158,974-	95,657,980

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$	2011 US$
OPERATING ACTIVITIES			
Net cash used in operations	25(a)	(33,165,098)	(3,697,795)
INVESTING ACTIVITIES			
Purchase of equipment	16	(154,220)	(59,980)
Purchase of intangible assets	18	(55,098)	(79,739)
Proceeds from disposal of equipment		77,867	-
Investment in Equity Participation		(2,090,812)	-
Investment in Joint Venture		63,297	(1,401,500)
Net cash used in investing activities		(2,158,966)	(1,541,219)
FINANCING ACTIVITIES			
Dividends paid	22	(40,617)	(264,829)
Proceeds from capital subscriptions	24(c)	5,435,128	11,317,250
Proceeds from borrowed funds - lines of credit	25(e)	2,730,656	
Additional borrowing in the year – lines of credit	25(c)	-	45,763,335
Repayment of borrowed funds - lines of credit	25(c)	(8,301,884)	(19,163,665)
Proceeds from medium term notes	25(d)	5,812,021	27,442,371
Repayment of medium term notes	25(d)	(12,914,287)	(7,476,915)
Interest paid on borrowed funds - lines of credit	25(c)	(883,467)	(536,042)
Interest paid on medium term notes	25(d)	(5,291,024)	(2,373,370)
Net cash (used in)/generated from financing activities		(13,453,474)	54,708,135
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(48,777,538)	49,469,121
CASH AND CASH EQUIVALENTS AT 1 JANUARY		82,135,492	32,666,371
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25(b)	33,357,954	82,135,492

SHELTER AFRIQUE
Financing Affordable Housing for Africa

1 ACCOUNTING POLICIES

a) Statement of compliance

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

New and amended standards and interpretations

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

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

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

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

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact on the Company, as it is not a first time adopter.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

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

Standards issued but not yet effective

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

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the

1 ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied, if applicable, in the Company's first annual report after becoming effective

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

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

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

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

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

IFRS 1 Government Loans – Amendments to IFRS 1

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

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

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

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will not have an effect on the classification and measurement of the Company's financial assets and financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

1 ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013, and the company has not yet determined what the impact of iFRS 10 will be.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application. The application of the new standard will have no impact on the company as it uses the equity method to account for its interests in joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

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

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

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

Annual Improvements May 2012

These improvements will not have an impact on the Company, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

1 ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

b) Basis of preparation

The financial statements are prepared on the historical cost basis of accounting except for the revaluation of certain property and financial instruments, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies are set out below. The Company's functional and reporting currency is the United States Dollars (US$).

c) Revenue recognition

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

In the normal course of business, the Company earns fees and commission income from a diverse range of services to its customers. Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commission income, including account servicing fees, investment management fees, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

d) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. Other borrowing costs are recognised as an expense. 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.

e) Interest in a joint venture

The Company has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the venturers. The Company recognizes its interest in the joint venture using the equity method of accounting. Under the equity method, the interest in the joint venture is initially

1 ACCOUNTING POLICIES (Continued)

e) Interest in a joint venture (Continued)

recognised at cost and the carrying amount is increased or decreased to recognise the venturer's share of profit or loss in the joint venture after the date of acquisition. The venturer's share of profit or loss is recognised in the venturer's profit or loss. Distributions received from the joint venture reduce the carrying amount of the interest.

f) Foreign currencies

The Company's financial statements are presented in United States Dollars.The functional currency is [the united states dollar].

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

g) Intangible assets

Intangible assets comprise acquired computer software programmes. Expenditure on acquired computer software programmes is capitalized and amortized using the straight-line method over their estimated useful lives, three to five years. Amortisation is recognised within the operating expenses line item.

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

h) Government and other grants

Government and other 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. These grants are subsequently amortized to profit or loss as follows:

Government of Kenya land grant	amortized over the period of the lease of the land on a straight-line basis.
The Fund for African Private Sector Assistance (FAPA) grant – African Development Bank (ADB)	amortized to profit or loss as the amounts are utilized in accordance with the grant agreement.
Agence Française de Development (AFD)	grant amortized to profit or loss as the amounts are utilized in accordance with the grant agreement.

1 ACCOUNTING POLICIES (Continued)

i) Property and equipment

Property and equipment are stated at cost or valuation, less accumulated depreciation and impairment losses, if any. Repairs and maintenance costs and borrowing costs for long-term construction projects are capitalized if the recognition criteria are met. All other repairs and maintenance costs are recognised in profit or loss as incurred.

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings

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

The annual depreciation rates in use are:

Buildings	2.38 & 2.56%
Office equipment, furniture and fittings	12.5%
Motor vehicles	25.0%
Computers	25.0%
Residential furniture and fittings	12.5%
ERP software	20.0%

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

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

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

j) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

1 ACCOUNTING POLICIES (Continued)

j) Impairment of non-financial assets (Continued)

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal of is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) Retirement benefit costs

The Company operates a defined contribution provident fund scheme for all its employees. The assets of the scheme are held in a separate trustee administered fund that is funded by both the Company and employees. 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$ 2.35 per month per employee. The Company's contributions to the above schemes are charged to profit or loss in the year to which they relate.

l) Employee entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the reporting date.

m) Financial instruments

Financial assets

Recognition and measurement

A financial instrument is recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition and re-evaluates its portfolio every reporting date to ensure that all financial instruments are appropriately classified.

As at the reporting date, the classification of the Company's financial assets was as follows:

- Loans and receivables: - Cash and bank balances, loans and advances to customers, staff loans and corporate bonds.
- Held to maturity investments: - Short term deposits, corporate bonds.
- Available-for-sale financial investments - CFA equity participation

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

1 ACCOUNTING POLICIES (Continued)

m) Financial instruments (Continued)

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

(i) Loans and receivables

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

Other receivables consist of all receivables which are of short duration with no stated interest rate and are measured are measured at amortised cost using the effective interest rate. An allowance is made for any unrecoverable amounts.

For the purpose of the statement of cash flows, cash equivalents include short-term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired, less advances from banks repayable within three months from date of disbursement or confirmation of the advance. Cash and cash equivalents are measured at amortised cost.

(ii) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included other income in profit or loss. The losses arising from impairment are recognised in profit or loss in operating expenses.

If the Company were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Company would be prohibited from classifying any financial asset as held to maturity during the following two years.

(iii) Available-for-sale financial assets

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to profit or loss in operating expenses. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

SHELTER AFRIQUE
Financing Affordable Housing for Africa

1 ACCOUNTING POLICIES (Continued)

m) Financial instruments (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Impairment of financial assets

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.. A financial asset or group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably determined. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that are correlated with default.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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

1 ACCOUNTING POLICIES (Continued)

m) Financial instruments (Continued)

Available for sale financial investments

For available-for-sale financial investments, the company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

1 ACCOUNTING POLICIES (Continued)

m) Financial instruments (Continued)

Derecognition

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

n) Comparatives

When the company changes the presentation or classification of items in its financial statements, it reclassifies the comparative amounts unless reclassification is impracticable. When the company reclassifies comparative amounts, it discloses:

(a) the nature of the reclassification;
(b) the amount of each item or class of items that is reclassified; and
(c) the reason for the reclassification.

However, when it is impracticable to reclassify the comparative amounts, the company discloses:

(a) the reason for not reclassifying the amounts, and
(b) the nature of the adjustments that would have been made if the amounts had been reclassified.

There were no changes in comparative figures in the current year.

o) Provisions

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

In accordance with IAS 37, for each class of provision, the company discloses:
(a) the carrying amount at the beginning and end of the period;
(b) additional provisions made in the period, including increases to existing provisions;
(c) amounts used (i.e. incurred and charged against the provision) during the period;
(d) unused amounts reversed during the period; and
This is reflected in the specific notes in the explaining the financial statements.

p) Dividends

In accordance with IAS 37 ,the distributions of profits to holders of equity investments in proportion to their holdings of the capital is done at the year end provided the company has made profits in excess of united states dollar of one million. The maximum amount that can be distributed is 20% of the profits after approval by the annual general meeting

q) Revaluation surplus

In accordance with IAS 16, the nature of revaluation surplus results from valuation of assets with significant changes in fair value. The fair value of land and buildings is usually determined from market-based evidence by appraisal that is done by professionally qualified valuers.

1 ACCOUNTING POLICIES (Continued)

q) Revaluation surplus (Continued)

Changes in fair value are recognized in other comprehensive income and accumulated in equity under revaluation surplus

r) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

s) Leases

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Impairment losses on loans and advances

The company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Impairment losses on loans and advances (Continued)

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and advances is disclosed in more detail in Note 15.

When a loan is known to be uncollectible, when all the necessary legal procedures have been completed, and the final loss has been determined, the loss it is written off against the related provision for impairment losses. Subsequent recoveries are credited to the profit or loss for the year. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the profit or loss for the year.

Held-to-maturity investments

The Company follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity. If the Company fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as available for sale. The investments would therefore be required to be measured at fair value and not amortized cost.

Property, plant and equipment

Critical estimates are made by the Directors in determining useful lives and depreciation rates for property and equipment.

	2012 US$	2011 US$
3. INTEREST AND SIMILAR INCOME		
Loans and advances	13,337,297	10,480,628
Placements with financial institutions	2,532,730	1,662,398
	15,870,027	12,143,026
4 INTEREST EXPENSE AND SIMILAR CHARGES		
Funds from financial institutions and capital markets	6,626,709	4,985,059
Bank charges	42,078	39,942
	6,668,787	5,025,001
5 FEES AND COMMISSIONS INCOME		
Commitment fees	435,323	372,946
Appraisal fees	757,969	492,628
Front-end fees	943,810	519,746
Penalty fees	305,228	386,538
Other project fees	450,367	283,618
	2,892,697	2,055,476
6 GRANT INCOME		
Government of Kenya land grant (note 23)	3,881	3,880
FAPA grant (note 23)	53,848	554,264
AFD interest advantage grant (note 23)	441,914	223,427
	499,643	781,571
7 OTHER INCOME		
Rental income	130,809	143,395
Gain on disposal of equipment	11,742	-
Miscellaneous income	52,677	97,348
	195,228	240,743
8 OPERATING EXPENSES		
Staff costs (note 10)	4,054,499	3,041,396
Depreciation on property and equipment	213,931	200,258
Amortization of prepaid operating lease	3,879	3,879
Amortization of intangible assets	105,018	32,678
Auditors' remuneration	23,500	20,500
Directors expenses	561,020	318,185
Other administration costs	1,852,625	1,286,156
	6,814,472	4,903,052

9 GRANT EXPENDITURE

	2012 US$	2011 US$
FAPA grant (note 23)	53,848	554,264
AFD interest advantage grant (note 23)	441,914	223,427
	495,762	777,691

10. STAFF COSTS

	2012 US$	2011 US$
Salaries and wages	3,466,246	2,270,411
Terminal benefits(Defined contribution plans)	388,711	612,355
Leave pay	189,477	113,612
Other costs	10,065	45,018
Total staff costs (Note 8)	4,054,499	3,041,396

11 SHORT TERM BANK DEPOSITS

	2012 US$	2011 US$
Held to maturity:		
Call and fixed deposits	31,720,991	73,813,078

The effective interest rate for the bank deposits during the year was 2.64 % (2011 – 4.3 %) per annum.

The bank deposits include amounts equivalent to US$ 7,656,170 (2011 – US $25,569,918) in local currencies of member countries. All the bank deposits mature within three months from the dates of placement

12 CORPORATE BONDS

	2012		2011	
	Amortized cost US$	Market Value US$	Amortized cost US$	Market Value US$
Corporate bonds – held to maturity	3,641,158	3,677,639	4,008,326	3,623,194
Corporate bonds – loans and receivables	300,000	281,221	200,000	119,000
	3,941,158	3,958,860	4,208,326	3,742,194

The average effective interest rate for the corporate bonds during the year ended 31 December 2012 was 5.49 % (2011 – 5.49) per annum. The market value is as quoted on the New York Stock exchange where the securities are quoted.

Maturity profile of corporate bonds:

	2012 US$	2011 US$
Maturing:		
One year to five years	596,743	695,765
Over five years	3,115,615	3,383,761
Held to perpetuity (with a maturity of over 50 years)	300,000	200,000
	4,012,358	4,279,526
Impairment provision for credit risk	(71,200)	(71,200)
	3,941,158	4,208,326

The Company has reviewed the valuation of the corporate bonds. In the opinion of the Directors, the current levels of provisions reflect a prudent assessment of the quality of the Company's corporate bonds.

13 LOANS AND ADVANCES TO CUSTOMERS

(a) (i) Analysis of loans and advances

	2012 US$	2011 US$
At 1 January	98,428,288	86,961,131
Disbursements during the year	63,464,815	36,291,806
Repayment during the year	(21,265,924)	(25,145,209)
Currency translation adjustment	229,820	320,560
At 31 December		
Principal loans and advances	140,856,999	98,428,288
Interest and fees receivable	11,365,870	7,664,622
Gross loans	152,222,869	106,092,910
Impairment provision for credit risk	(7,090,348)	(5,301,356)
Net loans and advances	145,132,521	100,791,554

Currency translation adjustment relates to translation of loans denominated in currencies other than the US$ as at the end of the reporting period.

(a) (ii) Analysis of loans and advances - profiling

	2012 US$	2011 US$
Current portion	63,612,974	48,107,294
Non Current portion	81,519,548	52,684,260
Net loans and advances	145,132,522	100,791,554

(b) Impairment on loans and advances

	2012 US$	2011 US$
At 1 January	5,301,356	3,916,192
Amounts written off	(226,683)	-
Charge for the year	2,078,365	1,412,434
Currency translation adjustment	(62,690)	(27,270)
At 31 December	7,090,348	5,301,356

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 10.14% (2011 – 11.7%) per annum.

(c) Provision for credit risk during the year

	2012 US$	2011 US$
Impairment provision on principal	1,099,809	445,756
Project loans interest in suspense	978,556	966,678
	2,078,365	1,412,434
Provision on rent debtors	5,928	-
Provision on HQ service Charge	91,649	-
Provision on other receivables	1,667	49,689
At 31 December	2,177,609	1,462,123

13 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Analysis of gross loans by maturity

	2012 US$	2011 US$
Maturing		
Within one year	70,866,224	53,408,650
One year to five years	56,528,998	46,771,127
Over five years	24,827,647	5,913,133
	152,222,869	106,092,910

14 EARNINGS PER SHARE

	2012 US$	2011 US$
Profit for the year (US$)	3,372,557	2,818,344
Weighted average number of ordinary shares in issue	54,568	50,374
Basic earnings per share (expressed in US$ per share)	61.80	55.95

Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares has been computed as a reasonable approximation of the number of ordinary shares outstanding during the period, which is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. There were no discontinued operations and no potentially dilutive shares outstanding at 31 December 2012 and 31 December 2011.

15 (a) OTHER RECEIVABLES

	2012 US$	2011 US$
Staff loans	682,970	612,874
Other debtors and prepayments	1,056,771	1,089,802
	1,739,741	1,702,676
Less: provision for doubtful amounts	(32,406)	(76,168)
At 31 December	1,707,335	1,626,508

(a) (i) OTHER RECEIVABLES

	2012 US$	2011 US$
Current portion	1,280,246	1,338,946
Non Current portion	427,089	287,562
At 31 December	1,707,335	1,626,508

(a) (ii) Movement Provision doubtful amounts

	2012 US$	2011 US$
As at 1 Jan	76,168	26,478
Additional Provision	5,928	49,690
	82,096	76,168
Less: amount written off	(49,690)	-
At 31 December	32,406	76,168

Staff loans and advances are granted in accordance with the Staff Rules and Regulations approved by the Board of Directors. The effective rate on staff loans and advances was 5.8% (2011 - 5.8 %) per annum. These staff loans and advances have various terms.

15 (b) INVESTMENT IN JOINT VENTURE

	2012 US$	2011 US$
1 January	1,401,500	1,410,635
Share of loss	(49,633)	(9,135)
Currency translation adjustment	(13,664)	-
At 31 December	1,338,203	1,401,500

This is a joint venture arrangement between Shelter Afrique and Everest Limited with effect from 01.02.2011. The purpose of the joint venture is to own, develop, construct and sell the subject property and improvements as an investment for production of income. The property is located within Mavoko Municipality in Kenya.

The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 50% and Everest Limited - 50%. The term of the joint venture is expected to be 5 years, but may be extended beyond that period, by mutual written agreement of the venturers.

(c) CFA EQUITY PARTICIPATION

	2012 US$	2011 US$
Caisse Régionale de Refinancement Hypothécaire (CRRH)	925,672	-
Addition through fair valuation	158,974	-
Banque de L'Habitat du Burkina Faso (BHBF)	1,006,166	-
	2,090,812	-

Investment in Caisse Régionale de Refinancement Hypothécaire de l'UEMOA - CRRH

Caisse Régionale de Refinancement Hypothécaire (CRRH) is a regional mortgage-refinancing fund, created on 17th July 2010 as a limited company under Togolese law. The initial capital was FCFA 3,426 million comprising of 342,600 shares with a nominal value of FCFA 10,000 fully subscribed and paid up. Its main responsibility is to support the issuance of long-term loans by major mortgage lenders from the West African Economic and Monetary Unit (WAEMU) area. The main sponsor of CRRH is the Banque Ouest Africaine de Développement (West African Development Bank), while other shareholders include local banks. Shelter Afrique's investment comprises 46,000 shares at a par value of FCFA 10,000..

Investment in Banque de l'Habitat du Burkina Faso

Banque de L'Habitat du Burkina Faso (BHBF) is a limited company with a share capital of 5,000 million CFA Francs, with its headquarters in Ouagadougou, Burkina Faso. It was created by the government of Burkina Faso in 2006 to support the development of the housing sector and to strengthen the mortgage market in Burkina Faso. Shelter Afrique's investment comprises 52,632 shares..The par value of the shares is CFC Francs 10,000.

The available for sale financial instruments were purchased in the current year and therefore a reconciliation from the beginning balances to the ending balances, disclosing separately changes during the period has not been provided.

The valuation of CRRH is based on the latest valuation at which new shares were offered to investors in December 2012.

Fair value hierarchy

The company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In recognizing the instruments at fair value the company uses level 3 of non market observable valuation technique in disclosing the fair value of financial instruments. Additionally, a change of one or more of the inputs in the fair value calculation will not result in a significant change in fair value

16 PROPERTY AND EQUIPMENT

	Freehold land and buildings US$	Office equipment, furniture and fitting US$	Computers US$	Motor vehicles US$	Residential equipment, furniture and fittings US$	Total costs US$
COST OR VALUATION						
At 1 January 2011	3,706,155	495,720	223,304	77,866	85,037	4,588,082
Additions	-	28,925	28,225	-	2,830	59,980
At 31st December 2011	3,706,155	524,645	251,529	77,866	87,867	4,648,062
Comprising:						
At cost	2,427,380	524,645	251,529	77,866	87,867	3,369,287
At valuation	1,278,775	-	-	-	-	1,278,775
	3,706,155	524,645	251,529	77,866	87,867	4,648,062
At 1 January 2012	3,706,155	524,645	251,529	77,866	87,867	4,648,062
Additions	-	17,583	38,985	97,652	-	154,220
Disposals	-	-	-	(77,876)	-	(77,876)
At 31 December 2012	3,706,155	542,228	290,514	97,642	87,867	4,724,406
DEPRECIATION						
At 1 January 2011	-	296,035	138,822	29,717	30,925	495,499
Charge for the Year	100,815	36,224	36,851	16,509	9,859	200,258
As at 31 December 2011	100,815	332,259	175,673	46,226	40,784	695,757
At 1 January 2012	100,815	332,259	175,673	46,226	40,784	695,757
Charge for the Year	100,851	38,014	39,923	25,188	9,955	213,931
Disposals	-	-	-	(54,480)	-	(54,480)
As at 31 December 2012	201,666	370,273	215,596	16,934	50,739	855,208
NET CARRYING AMOUNT						
As at 31 December 2012	3,504,489	171,955	74,918	80,708	37,128	3,869,198
As at 31 December 2011	3,605,340	192,386	75,856	31,640	47,083	3,952,305

16 PROPERTY AND EQUIPMENT (Continued)

(i) The Company's buildings were revalued on 31 December 2010 by Gimco Limited, independent professional valuers, on the basis of open market value. The revaluation surplus of 320,731 was credited to other comprehensive income. The Company's policy is to revalue its property every five years.

(ii) Included in property and equipment are assets with a cost of US$ 410,600 (2011 - US$323,733) which were fully depreciated. The normal annual depreciation charge on these assets would have been US$ 73,095 (2011 - US$ 52,637).

(iii) No items of PPE have been disclosed as security. There are no restrictions on the titles.

17 GRANT

	2012 US$	2011 US$
COST		
At 1 January and 31 December	200,000	200,000
AMORTIZATION		
At 1 January	64,218	60,339
Charge for the year	3,879	3,879
	68,097	64,218
NET CARRYING AMOUNT		
At 31 December	131,903	135,782

The grant relates to leasehold land donated by the Government of Kenya for the construction of the Company's Headquarters Building. The land was donated in 1996 and its deemed value capitalised on acquisition is amortised over the duration of the remaining lease period. The related deferred income has been set out in Note 24 to these financial statements.

18 INTANGIBLE ASSETS

	2012 US$	2011 US$
COST		
At 1 January	550,095	470,356
Additions	55,098	79,739
At 31 December	605,193	550,095
AMORTIZATION		
At 1 January	80,160	47,482
Charge for the year	105,018	32,678
	185,178	80,160
NET CARRYING AMOUNT		
At 31 December	420,015	469,935

The intangible assets relate to computer software, the major component being Oracle ERP which has been used since October 2011. Included in intangible assets are assets with a cost of US$ 49,044 (2011 - US$ 36,808) which have been fully amortised. The normal annual amortisation charge on these assets would have been US$ 12,261 (2011 – US$ 9,202).

19 (a) BANK BORROWINGS

	2012 US$	2011 US$
Banque De L'Habitat Du Senegal	882,972	-
Banque Atlantique	1,912,452	-
Interest payable on loans	33,503	-
	2,828,927	-
Analysis of borrowings by maturity:		
Maturing:		
Within one year	2,828,927	-

Bank borrowings relate to short-term facilities obtained in the year with two banks in West Africa - FCFA 450 million from Banque de L'Habitat du Senegal (BHS) at an interest rate of 6.5% and FCFA 950 million from Banque Atlantique at an interest rate of 6.875%. Both facilities are unsecured.

19 (b) (i)LINES OF CREDIT

	2012 US$	2011 US$
AfDB line of credit	26,394,737	29,500,000
AFD line of credit	10,725,000	12,129,375
FMO line of credit	6,668,000	10,000,000
Interest payable	283,550	218,815
	44,071,287	51,848,190
Analysis of borrowings by maturity:		
Maturing:		
Within one year	8,370,814	8,168,065
One year to five years	27,112,316	25,137,000
Over five years	8,588,157	18,543,125
	44,071,287	51,848,190

(ii) LINES OF CREDIT - Profiling

	2012 US$	2011 US$
Current portion	8,370,814	8,168,065
Non Current portion	35,700,473	43,680,125
	44,071,287	51,848,190

African development bank (AFDB) line of credit amounts to US$ 30Million. The first drawdown of US$ 10million was obtained in 2010. The second draw down of US$ 20million was obtained in 2011. Both loans are currently charged an interest rate of 1.9264% which is reset every six months. The loan will be fully repaid by February 2021.

Agence Française De Development (AFD) credit amounts to Euro 10Million. The first drawdown of Euro 5million was obtained in 2010 at an interest rate of 1.03%. The second draw down of Euro 5million was obtained in 2011 at 0.92%. Both loans are currently charged an interest rate of 1.9264% which is reset every six months. The loan will be fully repaid by April 2019.

Nederlandse Financierings-Maatschappij Voor Ontwillelingslanden N.V. (FMO) credit amounts to US$ 10million. The first drawdown of US$ 5million was obtained in October 2010 at an interest rate of 3.56%. The second draw down of US$ 5Million was obtained in oct 2011 at 3.83%.. The loan will be fully repaid by October 2014.

All the above lines of credit are all unsecured.

20 MEDIUM TERM NOTES

	2012 US$	2011 US$
CFA Loan – (2008 – 2014)	3,211,590	4,721,634
CFA Loan – (2009 – 2014)	6,036,995	8,875,637
Kenya Shilling bond – 2012 – 2015	5,812,021	-
Kenya Shilling bond – 2011 - 2014	29,060,103	29,388,220
Kenya Shilling bond – 2009 - 2012	-	8,228,701
Interest payable on loans	1,832,957	2,054,782
Deferred charges on medium term notes	(356,366)	(588,074)
	45,597,300	52,680,900

	2012 US$	2011 US$
Maturity analysis for the medium term notes:		
Maturing:		
Within one year	16,143,875	14,227,772
One year to five years	29,453,425	38,453,128
	45,597,300	52,680,900

The Communauté Financière Africaine-Franc (FCFA (2008-2014) was for FCFA 2.79 billion-(US$5,502,895) and was raised in 2008 through CGF Bourse for the duration 2008 to 2014 at an interest rate of 6% p.a. The CFA Loan (2009-2014) for FCFA 6 billion (US$11,834,182) was raised in 2009 through CGF Bourse for the duration 2009 to 2014 at an interest rate of 6.75% p.a.

The Kenya Shilling Bond 2009 - 2012 for KShs 1 billion (US$11,755,288) was launched in 2009 through the Nairobi Securities Exchange for the duration 2009 to 2012. Interest rate is at a fixed rate of 11% for KShs 904.8 million (US$ 10,636,184) and 1.5% above the 182-day Treasury bill rate for KShs 95.2 million (US$ 1,119,104).

The Kenya Shilling Bond 2011 – 2014 for KShs 2.5 billion (US$29,388,220) and was launched in 2011 through the Nairobi Securities Exchange for the duration 2011 to 2014. Interest rate is at 12.5% for some KShs 1,083,210,000 (US$ 12,733,445) and 1.5% above the 182-day Treasury bill rate for KShs 1,416,790,000 (US$ 16,654,775).

The Kenya Shilling Bond 2012 – 2015 for KShs 500 million (US$5,812,021) was launched in 2012 through the Nairobi Securities Exchange for the duration 2012 to 2015 at a fixed interest rate of 12.75%

The medium term notes are all unsecured.

21 OTHER PAYABLES

	2012 US$	2011 US$
Accruals	1,812,551	1,243,999
Leave pay	264,511	160,635
Terminal benefits	357,154	340,775
Rent deposits	69,551	65,348
Share capital subscriptions (fractional shares)	21,820	27,912
	2,525,587	1,838,669

These are fractional shares resulting from the payment of subscriptions by shareholders. Since they do not add up to a full share price,they are held as amounts payable to the shareholders.Once the shareholders make subscriptions with additional fractions,those adding up to a full share price are transferred to shareholder's equity contribution,otherwise they are held as amounts payable.

22 DIVIDENDS PAYABLE

	2012 US$	2011 US$
At 1 January	673,463	535,317
Dividend declared	563,618	402,975
Dividend paid	(40,617)	(264,829)
At 31 December	1,196,464	673,463

The Directors recommend the payment of a dividend of US$674,492 which represents US$ 12.02 per paid up ordinary share (2011 - US$ 563,616, representing US$ 10.63 per share). 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.

23 DEFERRED INCOME

	2012 US$	2011 US$
At 1 January	266,267	440,732
FAPA grant received in the year	-	313,231
FAPA grant expended in the year (note 6 and 9)	(53,848)	(554,264)
Amortization of Government of Kenya grant (note 6)	(3,881)	(3,880)
AFD interest advantage grant for the year	344,924	293,875
AFD grant expenditure for the year (note 6 and 9)	(441,914)	(223,427)
At 31 December	111,548	266,267

The Fund for African Private Sector Assistance (FAPA) grant relates to amounts advanced to the Company by the African Development Bank to assist in the fulfilment of the Company's mandate to provide sustainable housing on the African continent. The natures of the activities funded include building Shelter Afrique's capacity in program management, human resource development and assisting in the diversification and product development. The deferred income is amortised to profit or loss as the amounts are utilised.

The Government of Kenya grant relates to the carrying value of the land that was donated by the Government of Kenya in 1996 for the purpose of constructing the Company's Headquarters Building. The deferred income is amortised over the same period of the lease of the land and at equivalent amounts.
The related leasehold land has been included in Note 17 to these financial statements.

The AFD interest advantage grant arises from a credit facility obtained in 2010/2011 of Euro 10 million from Agence Française de Développement (AFD) at preferential interest rates below market rates. The AFD technical assistance is at 3.02% (adjusted discount rate) of the drawn down amount of Euro 10 Million on a reducing balance. The adjusted discount rate is the difference between what Shelter Afrique is paying on the credit facility and what it would have paid at the prevailing market rate. This is as per the credit facility agreement between AFD and Shelter Afrique. The interest advantage is what is classified as a grant since the funds are received at concessionary rates (different from the existing market rates).

24 SHARE CAPITAL AND SHARE PREMIUM

(a) SHARE CAPITAL

	2012 US$	2011 US$
Authorised: 300,000 ordinary shares of US$ 1,000 each	300,000,000	300,000,000
Issued: 100,000 ordinary shares of US$ 1,000 each	100,000,000	100,000,000
Paid up: Class A: Issued and fully paid: 43,018 ordinary shares of US$ 1000 each (2011 -39,925)	43,018,000	39,925,000
Class B: Issued and fully paid: 13,096 ordinary shares of US$ 1,000 each	13,096,000	13,096,000
	56,114,000	53,021,000

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

(b) SHARE PREMIUM

	2012 US$	2011 US$
At end of year	11,598,784	9,256,656

Share premium arises from shareholders both new and current who take up additional shares in the Company. The share premium is the difference between the par value (US$ 1,000 per share) and the current share price. The current share price is US$1,706 (2011-US$1,706) for current shareholders and US$2,236 (2011 - US$2,236) for new shareholders.

(c) MOVEMENT IN PAID UP CAPITAL

	Number of shares	Ordinary shares US$	Share premium US$	Total US$
At 1 January 2011	47,727	47,727,000	3,233,406	50,960,406
Paid up in the year	5,294	5,294,000	6,023,250	11,317,250
At 31 December 2011	53,021	53,021,000	9,256,656	62,277,656
At 1 January 2012	53,021	53,021,000	9,256,656	62,277,656
Paid up in the year	3,093	3,093,000	2,342,128	5,435,128
At 31 December 2012	56,114	56,114,000	11,598,784	67,712,784

25 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2012 US$	2011 US$
Profit for the year	3,372,557	2,818,344
Adjustments for:		
Interest expense on funds from financial institutions and capital markets	6,211,971	4,959,227
Gain on disposal of property and equipment (note 7)	(11,742)	-
Depreciation of property and equipment (note 16)	213,931	200,258
Amortization of grant (note 17)	3,879	3,879
Amortization of intangible assets (note 18)	105,018	32,678
Net foreign exchange loss - lines of credit (note 25(c)	528,560	565,899
Net foreign exchange loss/ (gain) – medium term notes (note 25(d))	33,149	(879,402)
Cash flows from operating profits before changes in operating assets and liabilities	10,457,323	7,700,883
Movements in:		
Loans and advances to customers	(44,340,967)	(11,923,009)
Corporate bonds	267,168	355,411
Other receivables	(80,827)	(391,493)
Other payables	686,918	734,878
Deferred income	(154,713)	(174,465)
Net cash used in operations	(33,165,098)	(3,697,795)

(b) Cash and cash equivalents:

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

	2012 US$	2011 US$
Bank and cash balances	1,636,963	8,322,414
Short term bank deposits	31,720,991	73,813,078
Cash and cash equivalents	33,357,954	82,135,492

(c) Analysis of movement in line of credit:

	2012 US$	2011 US$
At 1 January	51,848,190	25,726,589
Additional borrowings in the year	-	45,763,335
Repayments in the year	(8,301,884)	(19,163,665)
Interest expense for the year	947,192	623,872
Interest paid in the year	(883,467)	(536,042)
Net foreign exchange loss	461,256	(565,899)
At 31 December	44,071,287	51,848,190

25 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(d) Analysis of movement in medium term notes

	2012 US$	2011 US$
At 1 January	52,680,900	30,501,064
Additional borrowings in the year	5,812,021	27,442,371
Repayments in the year	(12,914,287)	(7,476,915)
Interest expense for the year	5,276,541	3,708,348
Interest paid in the year	(5,291,024)	(2,373,370)
Net foreign exchange loss/ (gain)	33,149	879,402
At 31 December	45,597,300	52,680,900

(e) Analysis of movement in bank borrowings

	2012 US$	2011 US$
At 1 January	-	-
Additional borrowings in the year	2,730,656	-
Repayments in the year	(2,131)	-
Interest expense for the year	33,097	-
Net foreign exchange loss/ (gain)	67,304	-
At 31 December	2,828,926	-

26 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments:

	2012 US$	2011 US$
Approved project loans	85,167,836	55,725,600
Office furniture and computerization	200,240	245,300
Headquarter building structural repairs	215,234	263,000
Motor vehicles	-	100,000
	85,583,310	56,333,900

(b) Contingent liabilities:

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

SHELTER AFRIQUE
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27 RELATED PARTY TRANSACTIONS

The related party transactions relate to key management personnel and Interest in joint venture

a) Key management Personnel

Except for staff loans and advances(amounting to US$ 220,712) disclosed in Note 16(a), there were no other related party transactions undertaken during the year. The new staff loans advanced to key management staff in the year 2013 amounted to US$ 274,000. Interest income received on staff loans and advances during the year amounted to US$38,422 (2011– US$25,718).

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

	2012 US$	2011 US$
Salaries and other short-term benefits	816,750	695,022
Post employment benefits	131,518	86,012
	948,268	781,034
Directors' remuneration		
Fees for services as directors	257,200	120,000

b) Investment in Joint Venture

There is a joint venture arrangement between Shelter Afrique and Everest Limited with effect from 01.02.2011. The purpose of the joint venture is to own, develop, construct and sell the subject property and improvements as an investment for production of income. The property is located within Mavoko Municipality in Kenya.

The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 50% and Everest Limited - 50%. The term of the joint venture is expected to be 5 years, but may be extended beyond that period, by mutual written agreement of the venturers.

	2012 US$	2011 US$
1 January	1,401,500	1,410,635
Share of loss	(49,633)	(9,135)
Currency translation adjustment	(13,664)	-
At 31 December	1,338,203	1,401,500

28 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance. The Company's risk management policies are designed to identify and analyze 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. The risk management programme is premised on active Board and Senior Management oversight, adequate policies and procedures, adequate internal controls and risk monitoring as well as management information systems.

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

a) Capital Management

	2012 US$	2011 US$
Share capital and share premium	67,712,784	62,277,656
Retained earnings	25,996,846	23,156,222
Revaluation surplus	1,948,350	1,980,035
	95,657,980	87,413,913
Bank borrowings	2,828,927	-
Lines of Credit	44,071,287	51,848,190
Medium term notes	45,597,300	52,680,900
	92,497,514	104,529,090
Total Capital	188,155,494	191,943,003
Gearing ratio	49%	54%

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28 FINANCIAL RISK MANAGEMENT (Continued)

a) Capital Management (Continued)

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

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- To maintain financial strength to support new business growth;
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- To allocate capital efficiently to support growth; 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 optimize its debt to equity structure in order to ensure that it can consistently maximize returns to shareholders. Capital adequacy is monitored regularly by the Company's management and quarterly by the Board of Directors. The Company has undertaken to comply with Basel II capital adequacy framework which consists of setting an amount of minimum risk capital to cushion against unexpected losses. The capital structure of the Company consists of debt, which includes the borrowings and medium term notes disclosed in notes 20 and 21, respectively, and equity attributable to equity holders, comprising issued and paid capital, reserves and retained earnings as disclosed in note 25. Cash and bank balances are not offset against the borrowings in determining the total debt as the Company considers this not relevant to its risk management process in determining gearing ratios.

b) Credit Risk Management

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Company by failing to discharge a contractual obligation. Credit risk is the most important risk for the Company's business and 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. The credit risk management and control function is exercised primarily by the Loans Monitoring Committee for the project loans, and the Assets and Liabilities Committee for the investment activities.

In measuring credit risk on loans and advances to customers, the Company uses a risk analysis and pricing framework to derive the risk rating and risk premium of the facility. The risk ratings are derived through consideration of the following components:

(i) The country business environment
(ii) The borrower's financial strength and condition
(iv) The project viability
(v) The security package

All new projects undergo a minimum initial credit rating and are subjected to a rigorous project appraisal to ensure asset quality at the entry level. The appraisal process includes among others, enhanced due diligence conducted by international Credit Reference Bureaus, thorough screening against international financial sanction lists, Anti Money Laundering risk clearance, summary credit notes issued by the Risk Management Department, and approval by the Loans Committee and the Board of Directors. The Assets and Liabilities Committees supervises the projects portfolio risk rating on a quarterly basis and may recommend adequate actions on loan recovery, in case of changes in country and project risk conditions. For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Company for managing 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 group of borrowers. The Assets and Liabilities Committee reviews the country risks and project risk on a quarterly basis to ensure compliance with country exposure limits and single obligor as stipulated by the risk management policy.

28 FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk Management (Continued)

The concentration of risk is spread across the various geographical spheres of operation as the company has operations throughout Africa. . 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 reporting 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

The composition of the Company's project loan portfolio as at year-end was as follows:

Class/Status	2012 US$	2012 %	2011 US$	2011 %
Normal	115,633,427	76%	80,200,390	76%
Watch	9,841,840	6%	3,885,129	4%
Substandard	14,855,647	10%	10,311,837	10%
Doubtful	7,675,928	5%	8,713,213	8%
Loss	4,216,028	3%	2,982,341	2%
Total	152,222,870	100%	106,092,910	100%
Less Provision	(7,090,348)	-	(5,301,356)	-
Total	145,132,522	-	100,791,554	-

Classification of credit risk bearing assets

The maximum exposure to credit risk before collateral held or other credit enhancements is US$ 152,222,867 (2011 - US$106,092,910) for project loans. This represents a worst-case scenario of credit risk exposure to the Company at the comparative reporting dates, without taking account of any collateral held or other credit enhancements. For reported assets, this exposure is based on the net carrying amounts as reported in the statement of financial position.

As at 31 December 2012, collateral was held on project loans totalling US$ 152,222,780 which provided sufficient cover against credit risk.

28 FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk Management (Continued)

Credit quality of financial assets

The table below represents a classification of the Company's project loans and other receivables as at 31 December 2012.

	Gross amounts US$	Impairment allowances US$	Net amounts US$	%
Neither past due nor impaired	77,191,478	-	77,191,478	52
Past due but not impaired	49,991,126	-	49,991,126	34
Impaired	26,780,006	(7,122,754)	19,657,252	14
	153,962,610	(7,122,754)	146,839,856	100

The table below represents a classification of the Company's project loans and other receivables as at 31 December 2011.

	Gross amounts US$	Impairment allowances US$	Net amounts US$	%
Neither past due nor impaired	54,085,563	-	54,085,563	53
Past due but not impaired	31,626,463	-	31,626,463	31
Impaired	22,083,560	(5,377,524)	16,706,036	16
	107,795,586	(5,377,524)	102,418,062	100

Of the total gross amount of impaired receivables, the following amounts have been individually assessed as impaired:

	2012 US$	2011 US$
Loans and advances	7,090,348	5,301,356
Other receivables	32,406	76,168
	7,122,754	5,377,524

Ageing of arrears for past due but not impaired project loans

	2012 US$	2011 US$
0-3 months	44,755,255	29,572,308
3-6 months	4,358,954	1,651,167
1-2 yeras	876,912	402,988
	49,991,121	31,626,463

28 FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk Management (Continued)

Credit quality of financial assets (Continued)

All Current projects

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:

- The amounts under the past due but not impaired categories are backed by bank guarantees from reputable banks and /or legal charges over the projects..
- 76% of the loans are categorized in the normal category of the internal rating system
- All of its investments in debt securities are in entities with good credit rating
- Countries are assessed and grouped into risk categories and maximum exposure limits set per country.

Credit risk from balances with banks and financial institutions is managed by the company's treasury unit in accordance with the company's policy. Investment of surplus funds is made only with approved counterparties who meet the minimum threshold requirement under the counterparty risk assessment process. The company's maximum exposure to credit risk for other financial assets is s shown below.

	2012 US$	2011 US$
Bank and cash balances	1,636,963	8,322,414
Short tem bank deposits	31,720,991	73,813,078
Corporate bonds	3,941,158	4,208,326
	37,299,112	86,343,818

c) Market Risk Management

The Company is exposed to market risks, which is the risk that the fair values or future cash flows of financial instruments will fluctuate because of changes in market prices, such as interest rates and foreign exchange rates. 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 exposure is 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.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company undertakes certain transactions denominated in foreign currencies mainly the Kenya Shilling, CFA and Euro. This results in exposures to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters utilizing matching of assets and liabilities. This is achieved primarily by borrowing and lending in the same foreign currencies and limiting the assets and liabilities mismatches to less than 5% of the Company's total assets. The table below summarizes 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.

28 FINANCIAL RISK MANAGEMENT (Continued)

c) Market Risk Management (continued)

Currency Risk (continued)

AT 31 DECEMBER 2012	US$	EUR	CFA	KSHS	ZAR	Total
ASSETS						
Bank and cash balances	361,044	207,622	225,252	841,872	1,173	1,636,963
Short term deposits	24,064,821	3,388,907	219,806	3,894,185	153,272	31,720,991
Corporate bonds	3,941,158	-	-	-	-	3,941,158
Loans and advances to customers	93,217,983	2,697,197	17,131,789	31,995,287	90,265	145,132,521
Total financial assets	121,585,006	6,293,726	17,576,847	36,731,344	244,710	182,431,633
LIABILITIES						
Bank borrowings	-	-	2,828,927	-	-	2,828,927
Debt securities	-	-	9,332,748	36,264,551	-	45,597,299
Lines of credit	33,328,574	10,742,713	-	-	-	44,071,287
Total financial liabilities	33,328,574	10,742,713	12,161,675	36,264,551	-	92,497,513
Net position	88,256,432	(4,448,987)	5,415,172	466,793	244,710	89,934,120

AT 31 DECEMBER 2011	US$	EUR	CFA	KSHS	ZAR	Total
Total financial assets	120,736,337	7,493,357	20,578,641	38,163,769	-	186,972,104
Total financial liabilities	39,698,180	12,233,448	13,129,015	39,551,885	-	104,612,528
Net position	81,038,157	(4,740,091)	7,449,626	(1,388,116)	-	82.359,576

28 FINANCIAL RISK MANAGEMENT (Continued)

c) Market Risk Management (continued)

Currency Risk (continued)

The following table details the sensitivity of the Company's profit 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	EUR	CFA	KSHS	ZAR	TOTAL
Impact 2012	(444,899)	541,517	46,679	24,471	167,768
Impact 2011	(474,009)	744,962	(138,812)	16,326	148,467

Interest Rate Risk

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

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

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

28 FINANCIAL RISK MANAGEMENT (Continued)

c) Market Risk Management (Continued)

	Up to 1 month US$	1-6 months US$	6-12 months US$	1-5 years US$	over 5 years US$	Total sensitive balance US$	Non-interest bearing US$	Fixed interest rate US$	Total US$
AT 31 December 2012									
Assets									
Bank and cash balances	-	-	-	-	-	-	1,636,963	-	1,636,963
Short term deposits	23,048,516	8,672,475	-	-	-	31,720,991	-	-	31,720,991
Corporate bonds	250,000	-	-	-	-	250,000	-	3,691,158	3,941,158
Loans and advances to customers	-	77,531,408	-	-	-	77,531,408	11,365,868	56,235,240	145,132,516
Total financial assets	23,298,516	86,203,883	-	-	-	109,502,399	13,002,831	59,926,398	182,431,628
Liabilities									
Bank borrowings	-	-	-	-	-	-	-	2,828,927	2,828,927
Lines of credit	-	1,552,632	1,552,632	15,526,316	7,763,158	26,394,738	-	17,676,550	44,071,288
Medium term notes	987,512	5,489,454	5,489,454	5,489,454	-	17,455,874	(356,365)	28,497,793	45,597,300
Total financial liabilities	987,512	7,042,086	7,042,086	21,015,770	7,763,158	43,850,612	(356,365)	49,003,270	92,497,515
Net interest rate sensitivity gap	22,311,004	79,161,797	(7,042,086)	(21,015,770)	(7,763,158)	65,651,787	13,359,196	10,923,128	89,934,114
AT 31 DECEMBER 2011									
Total financial assets	34,112,924	72,911,043	-	-	-	107,023,967	16,583,442	64,098,669	187,706,078
Total financial liabilities	-	9,728,702	(1,500,000)	41,388,220	14,500,000	67,116,921	-	37,412,170	104,529,091
	34,112,924	63,182,341	1,500,000	41,388,220	14,500,000	39,907,046	16,583,442	26,686,499	83,176,987

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$ 331,538 (2011 – US$ 415,885). A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

28 FINANCIAL RISK MANAGEMENT (Continued)

d) Liquidity Risk Management

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

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

- Day-to-day funding which is managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Company maintains an active presence in 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 mobilization strategy aimed at increasing lines of credit and other resources for lending.
- Investments in property and equipment that are properly budgeted for and performed when the Company has sufficient cash flows.

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

Assets available to meet all 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 reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected cash flows:

28. FINANCIAL RISK MANAGEMENT (Continued)

d) Liquidity Risk Management (Continued)

	Up to 1month US$	1-6 months US$	6-12 months US$	1-5 years US$	over 5 years US$	Total US$
AT 31 DECEMBER 2012						
Financial assets						
Bank and cash balances	1,636,963	-	-	-	-	1,636,963
Short term deposits	23,048,516	8,672,475	-	-	-	31,720,991
Corporate bonds	-	71,214	-	525,529	3,388,615	4,012,358
Loans and advancesto customers	37,196,764	18,967,516	14,539,041	56,835,492	24,684,056	152,222,870
Total financial assets	61,882,243	27,711,205	14,539,041	57,361,021	28,072,671	189,593,182
Financial liabilities						
Bank borrowings	893,109	1,935,817	-	-	-	2,828,926
Lines of credit	885,699	3,441,483	4,043,632	27,112,316	8,588,157	44,071,287
Medium term notes	1,718,854	12,112,912	2,312,109	29,453,425	-	45,597,300
Total financial liabilities	3,497,662	17,490,212	6,355,741	56,565,741	8,588,157	92,497,513
Net interest rate sensitivity gap	58,384,581	10,220,993	8,183,300	795,280	19,484,5144	97,095,669
AT 31 DECEMBER 2011						
Total financial assets	62,611,364	55,602,413	12,029,009	47,466,892	9,425,694	187,135,372
Total financial liabilities	3,099,181	15,910,106	12,451,460	54,525,220	18,543,125	104,529,092
	59,512,183	39,692,307	(422,451)	(7,058,328)	(9,117,431)	82,606,280

29. TAXATION

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

30. CURRENCY

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

Appendix 1
THE COMPANY FOR HABITAT AND HOUSING IN AFRICA (SHELTER - AFRIQUE)MANAGEMENT INFORMATION SCHEDULE
FOR THE YEAR ENDED 31 DECEMBER 2012

	Class A: Countries	No of shares 31 December 2011	No of shares 31 December 2012	% of shareholding 31 December 2012
1	Algeria	4,220	4,220	7.52%
2	Benin	306	306	0.55%
3	Botswana	839	839	1.50%
4	Burkina Faso	904	926	1.65%
5	Burundi	300	300	0.53%
6	Cameroon	2,392	2,393	4.26%
7	Cape Verde	16	16	0.03%
8	Central Afr. Rep	271	271	0.48%
9	Chad	314	315	0.56%
10	Congo	516	516	0.92%
11	Democratic Republic of Congo	600	600	1.07%
12	Djibouti	300	300	0.53%
13	Gabon	1,283	1,283	2.29%
14	Gambia	300	321	0.57%
15	Ghana	4,472	6,315	11.25%
16	Guinea	419	419	0.75%
17	Guinea Bissau	25	25	0.04%
18	Guinea Equatorial	301	301	0.54%
19	Ivory Coast	-	855	1.52%
20	Kenya	6,321	6,375	11.36%
21	Lesotho	500	500	0.89%
22	Liberia	309	309	0.55%
23	Madagascar	322	322	0.57%
24	Malawi	517	517	0.92%
25	Mali	1,236	1,236	2.20%
26	Mauritania	344	639	1.14%
27	Mauritius	115	115	0.20%
28	Morocco	437	437	0.78%
29	Namibia	327	327	0.58%
30	Niger	310	310	0.55%
31	Nigeria	5,511	5,511	9.82%
32	Rwanda	304	305	0.54%
33	Sao Tome & Principe	16	16	0.03%
34	Senegal	1,407	1,407	2.51%
35	Seychelles	300	300	0.53%
36	Sierra Leone	74	74	0.13%
37	Somalia	10	10	0.02%
38	Swaziland	228	228	0.41%
39	Tanzania	317	317	0.56%
40	Togo	162	162	0.29%
41	Tunisia	300	300	0.53%
42	Uganda	526	526	0.94%
43	Zambia	2,054	2,054	3.66%
44	Zimbabwe	200	200	0.36%
	Class B: Institutions			
1	African Development bank	10,576	10,576	18.85%
2	Africa Reinsurance Corp.	2,520	2,520	4.49%
	TOTAL	53,021	56,114	100.00%

SHELTER AFRIQUE
Financing Affordable Housing for Africa

Our Presence

Shelter-Afrique Centre
Longonot Road, Upperhill
PO Box 41479-00100
Nairobi, Kenya
T. +254 204978000
F. +254 2721211
E. info@shelterafrique.org
W. **www.shelterafrique.org**

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