SHELTER AFRIQUE

Financing Affordable Housing for Africa

2014

ANNUAL REPORT AND FINANCIAL STATEMENTS

Our Presence

Shelter Afrique was established in 1982 by African governments, the African Development Bank (AfDB), African Reinsurance Corporation (Africa-Re) and CDC (UK's Development Finance Institution) with the mandate of mobilizing resources for housing development in Africa.

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Sovereign Shareholders:	44 African member countries as at 31 December, 2014
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 at 31 December, 2014	US $ one billion
Callable Capital	US $ 500 million
Issued and Called up capital as at 31 December, 2014	146,114 ordinary shares of US$ 1,000 each
Paid up capital as at 31 December, 2014	US $ 60.82 million
2014 loan approvals	25 projects in 10 countries for a total approval of US $ 141 million
Cumulative loan approvals as at 31 December, 2014	US$ 928 million
Cumulative Disbursements as at 31 December, 2014	US$ 477 million
International rating by Moody's	Ba1

LIST OF ABBREVIATIONS

AFD	Agence Francaise Development
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)
FCFA	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 FCFA

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

3 June 2015

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 and Audited Financial Statements of the company for the period January 1, to December 31, 2014.

The report also covers a review of the company's activities, the international and African economic environments under which it operated during the period.

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

Arch. Mariamu El Maawy
Chairperson of the Board of Directors

BOARD OF DIRECTORS


Mr. Jean Paul Missi
Vice Chairman


Arch. Mariamu El Maawy (Chairperson)


Mr. Sanders Mutandwa


Mr. Ali Boulares


Mr. Corneille Karekezi


Mr. Stanford Msichilli


Alhaji Yahaya Hameed Yakubu


Mr. Hardwork Pemhiwa


Ms. Kanini Mutooni


Mr. Lawal Abubakar


Mr. Ceferino Eburi Mata

MESSAGE FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS

According to the IMF's World economic Outlook, Global growth in 2014 was a modest 3.4 percent, reflecting a pickup in growth in advanced economies relative to the previous year and a slowdown in emerging markets as well as developing economies. While growth in some developed economies such as the United States gathered momentum, supported by extremely accommodative monetary policy, the Euro zone registered reduced growth and China's growth slowdown reflecting divergent global economic growth paths. Despite the slowdown, emerging markets and developing economies still accounted for three-fourths of global growth in 2014.

As per the World Bank's Global Economic Prospect report, several major forces have influenced global economic performance and outlook. These factors includes soft commodity prices, exchange rate swings triggered by actual and expected changes in monetary policies, persistently low interest rates with increasingly divergent monetary policies across major economies, as well as declining commodity prices. The sharp decline in oil prices since mid-2014 is expected to support global economic growth in oil-importing economies. However, it will dampen growth prospects for oil-exporting countries.

Sub-Saharan Africa continued to register strong economic growth in 2014. However, growth was impacted on by declining commodity prices and the epidemic in Ebola-affected countries. The economic growth of Sub-Saharan African countries was underpinned by continuing investment in infrastructure, energy, and natural resources projects. Growth was also supported by strong capital flows into Sub-Saharan African countries which issued record sovereign bonds of $8.7 billion in 2014 on the back of favorable global financing conditions. Sub-Saharan Africa is expected to continue to register healthy economic growth in 2015, maintaining the positive trend of recent years and reflecting the continuing optimism in Africa's development prospects. However, further slowdown of economic growth in China could continue to adversely affect commodity prices, impacting negatively on commodity reliant economies in Africa.

During the year under review, the Company registered mixed experiences in its operations and performance. Total disbursements decreased to US$ 73.1 million in 2014 compared to US$ 79.7 million disbursed in 2013, while loan approvals rose by 24.4% to US$ 141.1 million in 2014 against the US$ 104.5 million recorded in 2013. Loan commitments, which represent the signed loans, declined to US$ 80.84 from the US$ 84.40 million loans signed in 2013. The Non-Performing Loans ratio rose slightly to 12% from 10% in 2013. With the continued efforts and measures taken to improve assets quality at entry as well as enhanced focus on the management of the existing portfolio, the loan loss provision is expected to improve going forward.

The company posted a net profit of US$ 0.45 million in 2014 compared to US$ 4.75 million net profit registered in the previous year. The profit for the year under review was negatively impacted by increased loan loss provisions, higher costs of borrowing as well as unfavourable effect of foreign exchange movements. Loan loss provisions for the year increased by US$ 2.58 million compared to the previous year. This was due to additional provisioning on projects evaluated to be at risk as well as a thorough review and clean-up of the loan portfolio. Total assets grew by 7% to US$ 289 million at end of 2014 compared to US$ 270 million at the end of the previous year due to the net effect of additional borrowings and debt repayments, as well as additional share capital subscriptions. Total borrowings rose to US$ 177.8 million in 2014 against US$ 160.6 million in the previous year. Net loans and advances increased to US$ 216.9 million at the end of 2014 from US$ 195.4 million in 2013, representing an 11% growth.

The Company continued with resource mobilization efforts in order to meet its operational objectives and the increasing demand for housing finance in its member countries. Emphasis was put on raising well priced funding from DFIs in order for Shelter Afrique to be competitive in providing funding for affordable housing. During the year under review, US$ 136.2 million was raised from financial institutions and local capital markets. Funding was raised from development partners such as the African Development Bank, KfW, Agence Française de Développement (AFD) and the European Investment Bank. Additional financial resources were also raised from capital markets in local currencies. During the year, the Company issued a FCFA 10 billion (US$ 20.0 million equivalent) bond on the West Africa Securities Exchange (BRVM).

As a foundation for development of a high performing organization, a revised human resources policies and procedures manual was approved by the Board and implemented during 2014. The revised policies and procedures replaced the staff rules that were enacted in 2008.

The Board, through the Audit and Risk Committee, ensures that the company's risks are effectively managed. During the year, Shelter Afrique implemented an enterprise risk management (ERM) framework as well as a new country Risk assessment framework. The revision of the 2012-2016 strategic plan includes a redefinition of the Company risk appetite. The Risk function continues to champion the development of a risk culture throughout the company. The institution continues to enhance its risk management capabilities by conducting several projects around development of a credit scoring tool, reviewing its anti-money laundering policies and procedures as well as revising its environmental and social framework. Building a robust risk management function, has been a key driver of the year 2014.

During the year under review, the Internal Audit Unit implemented the work program approved by the Board at 75%. The Internal Audit Unit carried out 9 missions and the internal audit recommendations were implemented at 98%. All findings were discussed by the Audit, Risk, and Finance Committee and the recommendations presented to the Board for approval. All audit activities were based on the Audit Universe Matrix adopted previously in 2013, which summarized all activities and processes within the organization. This Matrix helped to identify new audit approach and put more focus on specific area with highest risk instead of doing a global audit approach.

Shareholder support for the Company's growth and enhancement of its operations continues to be a challenge. Only a handful of shareholders made contributions during 2014 amounting in total to US$1.8 million. This is out of an expected amount of US$14 million. A more positive outlook is anticipated for the coming year as a number of shareholders including Zambia, Zimbabwe, Uganda, and others have specifically requested clarification on their 2015 obligations.

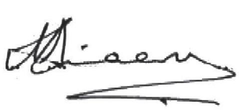
On behalf of the Board of Directors, I would like to express my deepest appreciation for the support and confidence that all member countries and institutional shareholders have continued to place in the Company and look forward to welcoming more member countries and seeing greater capital contributions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

We would like to express our gratitude to the host country for the continued support to the Company in various areas. The Government of Kenya has supported the Company in quick processing of diplomatic and immigration requirements and we continue to enjoy all the rights and privileges in the Hosting Agreement. In addition, we continue to work closely with the Ministry of Land Housing and Urban Development in Kenya, particularly in the area of social housing.

I would like to sincerely thanks all the Board Members, who have dedicated their time and knowledge to steer and guide the Company to its current size and especially ensuring the laid down corporate governance structures are adhered to. This has ensured that our institution remains highly regarded not only in the region and Africa, but also on the global arena.

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, and express my sincere gratitude to the host country for hosting and facilitating the auspicious occasion of our Annual General Meeting.

Thank you all very much.



Arch. Mariamu El Maawy
Chairperson of the Board of Directors

SENIOR MANAGEMENT

Mr. James Mugerwa
Managing Director

Mr. Mouhamadou Gueye
Director, Business Development

Mr. Godfrey W Waweru
Director, Financial Management & Control

Mr. Yekini Olayanju
Director, Risk Managment & Compliance

Mr. Vipya Harawa
Director of Corporate Affairs and secretariat

Mr. Femi Adewole
Director; Project Management

THE STRATEGIC OVERVIEW

The company has continued to implement the 5-year Strategic Plan for the period 2012-2016 which was approved by the Board of Directors in 2012. The key strategic objectives are to enhance the Company's growth and strengthen its capacity in order to respond to the growing demand for affordable housing and related infrastructure services, especially for the growing urban population.

These objectives are to be achieved by enhancing the growth of the company's operations in order to have more impact, strengthen its financial position (having a bigger and better balance sheet) and mobilising more well-priced financial resources to provide competitive funding for the increased demand for housing development and mortgage financing in member countries.

The Company also continues to be guided by its strategic objective of building shareholder value through improvements in efficiency and performance. To this end, the company continued to implement various initiatives aimed at transforming it into a high performing organisation. During the year under review, the Company registered mixed experiences in its operating performance.

Overall, operations performance for the year was in line with the strategic objectives while net profit performance was far below the strategic plan targets.

The current 5-year Strategic Plan comes to an end in 2016.

In order to restore shareholder value and engage widely in stakeholders supporting affordable housing in Africa, Shelter Afrique has identified market relevant operations that are sustainable and inclusive and that yield high societal impact as key focus areas going forward.
In particular, Shelter Afrique shall embed a sustainable and inclusive growth Agenda in all its operations, with a particular focus on the development of a green standard in energy and water efficient housing, and the use of the upcoming Trust Fund to support entrepreneurial job growth amongst youth and women in its member shareholder countries.

Chart 1: Net interest income (US$ millions)

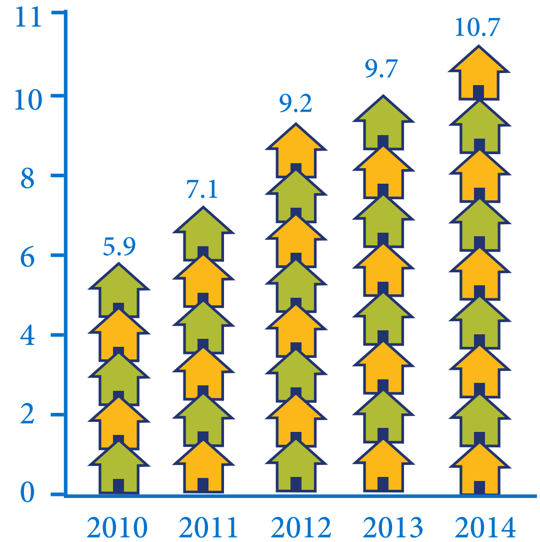
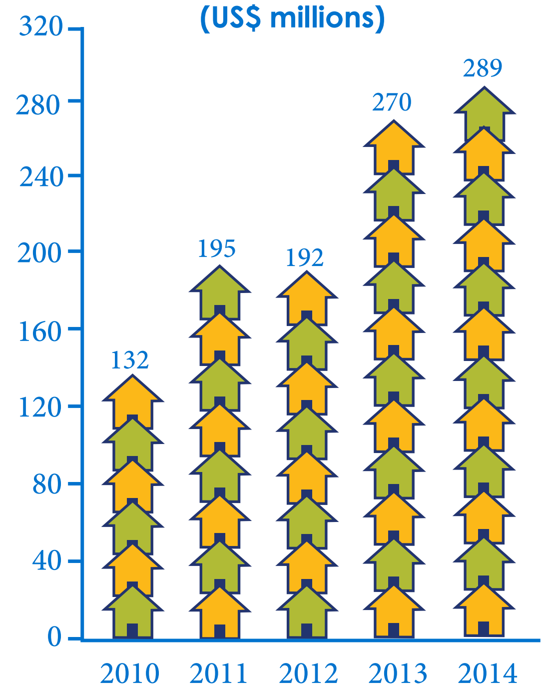


Chart 2: Total assets (US$ millions)

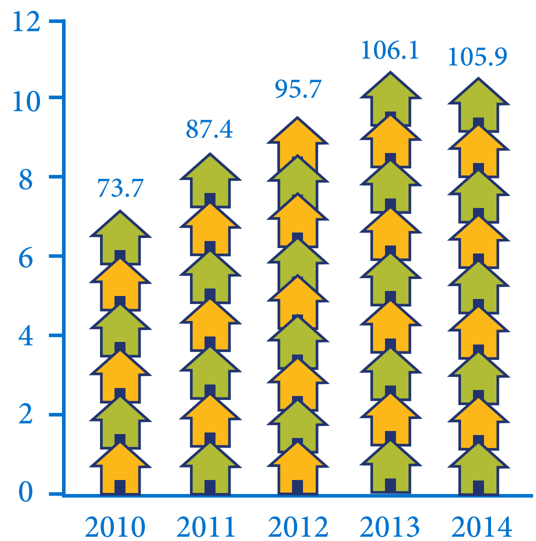


FINANCIAL PERFORMANCE

The company posted a net profit of US$ 0.45 million in 2014 compared to US$ 4.75 million net profit registered in the previous year. The profit for the year under review was negatively impacted by increased loan loss provision, higher costs of borrowing as well as high foreign exchange losses due to depreciation of local currencies against the US dollar.

Loan loss provision for the year increased by US$ 2.58 million compared to provision booked in the previous

Chart 3: Shareholders' funds (US$ millions)



year due to additional provisioning on projects evaluated to be at risk as well as a thorough review and clean-up of the loan portfolio. With the measures taken to improve assets quality at entry, the loan loss provision is expected to improve going forward. Following significant depreciation of the major trading currencies of the company against the US dollar (Kenya Shilling, CFA and Euro) in 2014, the company incurred US$ 686,972 foreign exchanges losses. Measures have been taken to control and reduce the foreign exchange risk.

Net interest income rose by 11% to US$ 10.71 million in 2014 from US$ 9.68 million in 2013. The increase in net interest income was supported by a 21% growth in interest income from loans and advances. However, this was weighed down by higher interest expense on borrowings which increased to US$ 13.31 million in 2014 from US$ 8.62 million in 2013. This was mainly due to increase in borrowings in higher interest bearing currencies from the KShs 5 billion and CFA 10 billion bond issues toward the end of 2013 and in 2014 respectively, as well as higher interest expense on increased borrowing in US dollars.

Operating expenses grew by 21% to stand at US$ 8.24 million against US$ 6.83 million in 2013. The growth in operating expenses was mainly driven by increase in staff costs as the Company continued to strengthen the human resource capacity, fill vacant positions as well as additional Board meetings for the recruitment of the Managing Director and an Independent director. Consequently the cost to income ratio increased from 52% in 2013 to stand at 58% in the year under review. The operating cost ratio was also impacted by the modest growth in net interest income. The company is focussing on cost control measures as well as increasing the net interest income in order to reduce the cost ratio.

Loans and advances to customers grew by 11% to stand at US$216.85 million, up from US$ 195.41 million the previous year. Shareholders' funds at US$106 million, remained basically at the same level as the previous year.

ASSET QUALITY

The asset quality remained stable during the year, with 76% of the loans categorized in the normal category of the internal rating system in the previous year. However, the level of non-performing loans rose slightly to stand at 12% in 2014 compared to 10% in 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.

Table 1 - KEY OPERATIONAL AND FINANCIAL DATA (2010-2014) - in US$ million

Year	2010	2011	2012	2013	2014
Approvals	81.34	103.81	145.65	104.50	141.13
Cumulative Approvals	433.36	537.17	682.83	787.33	928.46
Disbursement	34.06	36.29	65.49	79.73	73.09
Cumulative Disbursement	222.32	258.61	324.1	403.83	476.92
Total Assets	131.99	194.72	191.99	270.19	289.3
Profit for the year	2.01	2.82	3.37	4.75	0.45
Paid-Up Capital	47.73	53.02	56.11	59.84	60.82
Revenue Reserves	20.71	23.16	26.00	30.10	28.21
Provisions	0.74	1.46	2.18	2.28	4.83
Shareholders' Funds	73.68	87.41	95.66	106.09	105.90

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

Operating Results		2010	2011	2012	2013	2014
Gross Income	(a)	7.90	9.41	12.29	13.17	14.15
Operating Expenses	(b)	4.17	4.90	6.81	6.83	8.24
Operating Profit before provisions		3.73	4.75	5.39	6.65	5.28
Profit for the year		2.01	2.82	3.37	4.75	0.45
Administrative Expenses	(c)	3.91	4.67	6.49	6.51	7.87
Financial Position						
Net Loans and Advances		88.87	100.79	145.13	195.41	216.85
Financial Investments		28.69	78.02	35.66	59.67	51.87
Total Assets		131.99	194.72	191.99	270.19	289.30
Total Equity		73.68	87.41	95.66	106.09	105.90
Total Debt		58.31	107.31	92.49	160.62	177.79
Financial Ratios						
Total Debt to Total Assets (%)		42.60	53.68	48.18	59.45	61.46
Administrative expense ratio (%)	(d)	4.90	4.97	5.28	3.82	3.82
Debt/Equity ratio (%)		76.31	119.59	96.31	151.40	167.88
Earnings per share (US$)		42.77	55.95	61.81	81.86	7.47
Dividend per share (US$)		8.44	10.63	12.02	15.86	-

((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.
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RESOURCE MOBILIZATION

The company continued with the efforts on resource mobilization in order to meet its operational objectives and the growing demand for housing finance. Emphasis was put on raising well priced funding from DFIs in order for Shelter Afrique to be competitive in providing funding for affordable housing in its member countries. During the year under review US$ 136.2 million was raised from financial institutions and capital markets.

Funding was also raised from development partners such as the African Development Bank, KfW, Agence Française de Développement (AFD) and the European Investment Bank. Lines of credit were negotiated with banks to meet short term liquidity needs in the CFA zone. Additional financial resources were raised from capital markets in local currencies.

During the year, the Company issued a FCFA 10 billion (US$ 20.0 million equivalent) bond on the West Africa Securities Exchange (BRVM). The FCFA 10 billion bond issue was very successful and closed two weeks before the close date after receiving 164% oversubscription. Work to issue a 20 billion Nigerian Naira bond on the Nigerian Stocks Exchanges in order to provide local currency funding started in 2014 and it is expected that the bond issue will be concluded in 2015.

As Shelter Afrique exhaust potential funding opportunities from development partners, the company will need to raise more and more financial resources from the capital markets in order to meet its ambitious growth objectives, especially in line with the planned revamped strategy.

Financial resources raised from the capital markets are becoming increasingly more expensive with the

The Bell is rung by the DG BVRM, Mr. Edoh Kossi Amenounve, to announce the official trading of bond

The Prime Minister of Ivory Coast, Mr. Daniel Kablan Duncan addressing delegates at the 33rd AGM & Symposium

continuing changes in the financial market conditions, especially the expected normalization of monetary policy and interest rates in the US. This will require further diversification of the Company's funding base as well as building of new partnerships.

The challenge which must be addressed continuously will be to raise funds at competitive interest rates and pricing that is affordable to Shelter Afrique's borrowers.

CORPORATE AFFAIRS AND SECRETARIAT

Management finalized its report to the Board on the review of the company's legal and governance framework. This remains a work in progress as some of the proposals have far reaching consequences and require further examination. The Board has however adopted, a Charter to govern the qualifications, ethics, and conduct of its work. Other aspects of the review of the legal and governance framework will be implemented incrementally through proposed amendments to the current Statutes of the company.

Another front to corporate services has been the successful hosting of the Board meetings and the Annual General meeting for the year. They all went according to plan and the year demonstrated growth in Board and shareholder ownership of the meetings.

The Legal Unit continues to provide objective and timely counsel to the company and its operations. During 2014, the Unit was a crucial partner in the reduction of non-performing loans through debt collection and determination of portfolios to be written off. The Unit also embarked on an ambitious process of breaking the barrier

The Former Managing Director, Mr. Alassane Ba [right] cuts his cake with the former chairman of the board [Centre] Mr. Cornielle Karakezei and the Managing Director [Left] Mr. James Mugerwa

between separation of services to Anglophone and Francophone project in order to achieve greater business support.

As a foundation for development of a high performing organization, a revised human resources policies and procedures manual was approved by the Board and implemented during 2014. The revised policies and procedures replaced the staff rules that were enacted in 2008. The shift from staff rules to human resource policies and procedures reflects a shift from regulation to creating an enabling environment and culture in the management of people. The revised manual is more comprehensive and contains guiding principles and procedures on management of people. Clear processes, procedures and responsibilities makes it more user friendly, easier to understand, interpret and apply. The manual incorporates various policies and executive instructions enacted overtime into one reference document for management of human resources.

During the year Shelter Afrique carried out a job evaluation of all existing positions as well as a skills audit of existing staff. This exercise is intended to ensure equity and fairness in grading and reward. It is also intended to ensure that Shelter Afrique has the right people in the right places. A review of the organization structure, job grading and salary structure was equally undertaken to ensure that the organization structures supports the strategy and salary structure and remuneration policy support high performance. The results of these processes have been approved by the Board for implementation in 2015.

During the year 2014, various initiatives were implemented to improve efficiency, cost effectiveness and value for money in the delivery of administrative services. These include automation of procurement using oracle procurement module, review and retendering of contracted services, development of employee and manager self-service platforms in oracle, centralization of procurement of goods and services with an oversight contracts committee, and review of the travel policy. This initiatives are expected to make significant improvements in the management of administrative costs.

'Building a high performing organisation', culminated into a retreat to review business performance and generate new strategic and organisational options. The valuable outputs generated from this retreat will greatly impact the 2016-2020 strategic direction and organisation.

2014 is also the year that the Board recruited a new Managing Director for the Company. Joining at the end of July, Mr. James Mugerwa brought into SHELTER-AFRIQUE a wide range of networks and financial experience from the private and multilateral sector. He is a national of Uganda.

RISK MANAGEMENT

Risk is an inherent part of the business activities of Shelter Afrique and risk management is a key focus area for the company. Accordingly, the company has designed a risk management framework and governance structure to achieve an appropriate risk and reward equilibrium.

The risk management framework comprises a comprehensive set of policies, procedures and processes designed to identify, measure, monitor, and mitigate risks. The focus of the risk management function is to ensure that risk management 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, reviews the risk register and updates it to reflect changes in the market place and emerging best practices.

During 2014, the Company operationalized the tools developed for the implementation of enterprise-wide risk management (ERM) framework. The tools have been developed to amongst other things:

- 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 COSO framework.

- Implementation of risk control self-assessment (RCSA) process in order to strengthen operational risk as well as enterprise wide risk management.

Specifically, tools are 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 company's financial position as well net income may be adversely affected by changes in market prices. To mitigate against market risks, the company has established market risk control and management policies which are aimed at protecting it against unexpected losses arising from changes in market conditions in order to contribute to income stability. This is achieved through identification, assessment and understanding of market risks such as foreign exchange risks, interest rate risks and liquidity risks in line with international best practices.

Capital risk is managed and monitored regularly in order to ensure that there is adequate capital for the company's operations. The minimum capital adequacy ratio (CAR) is calculated in accordance with Basel II capital framework. At the end of 2014, the common equity tier 1 capital stood at US$ 106 million with risk-weighted assets of US$ 390.9 million and capital adequacy ratio of 27.1% which was within the minimum internally set ratio of 25%.

INTERNAL AUDIT UNIT

The primary function of internal audit is to give objective and independent assurance to the Board that adequate management processes are in place to identify and monitor the organization highest risks, and effective internal controls and risk management are in place to manage those risks. Shelter Afrique Internal Audit Unit independently audits and evaluates the effectiveness of the organization's risk management, internal controls and governance. The Unit operates under internal audit charter approved by the Board after the recommendation of Audit, Risk and Finance committee in 2012. This charter defines the role and objective, authority and responsibility of audit function.

During 2014, the internal audit annual plan approved by the Audit committee in October 2013 was executed at 75%. 5 projects and 4 internal processes were reviewed and the conclusions reported to the Board through the Audit, Risk and Finance Committees held in March, September, and December 2014.

The Internal Audit Unit introduced with management support, a follow up approach which is pro-active and more supportive. As a result, 98% of internal audit recommendations has been implemented. Since the organization is embarking on a new strategy, the internal audit has been reinforced in term of capacity and skills in order to support the institutional transformation.

THE ANNUAL GENERAL MEETING

The 33rd Annual General Meeting of Shelter Afrique took place on 6th June 2014 at the Golf Hotel, Abidjan, Cote d'Ivoire. It was chaired by Honourable Mamadou Sanogo, Minister of Construction, Habitat, Sanitation, and Urban Planning in the Government of Cote d'Ivoire. Falling at the end of a three-year term, the General Meeting elected the 10th Board of Directors of Shelter Afrique.

Following the exceptional performance and net income of US$ 4,745,791 registered in 2013, the General Meeting approved (a) the declaration of a dividend for the financial year 2013 amounting to US$ 949,135, which represented US$ 15.86 per share; (b) appropriation of US$ 1,423,737 from the net income to be held in a Trust Fund for special initiatives; and (c) that the balance of US$ 2,372,919 after the above appropriations be ploughed back into the Company and transferred into Revenue Reserves.

Other important decisions of the Annual General Meeting included reconstitution of the country groupings, and reappointment of Messrs Ernst & Young as Shelter Afrique's External Auditors for the Financial Year 2014 at an audit fee of US$ 28,413 exclusive of disbursements, being a 7% increase on the audit fee for the year 2013.

The 33rd Annual General meeting also elected a new Bureau of Shelter Afrique comprising Hon. Mamadou Sanogo, Minister of Construction, Habitat, Sanitation, and Urban Planning of the Government of Côte d'Ivoire (Chairman); Hon. Ahi Sampson, Deputy Minister of Water Resources, Works and Housing of the Republic of Ghana (1st Vice-Chairman); and Hon. Mrs. Akon Eyakenyi, Minister of Housing and Urban Development of the Federal

The Minister of Housing, Mr. Sanogo Mamadou addressing delegates at the 33rd AGM & Symposium

Hennie Botes [Right] of Moladi Formwork chats with Majorie Cota of International Green Structures during the 2014 symposium cocktail in Abidjan

Republic of Nigeria (2nd Vice-Chairman)

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met for all scheduled meetings and continued to exercise their oversight role over the institution. The Board also scheduled special meetings to short list and conduct interviews for the position of Managing Director. The board also considered and approved various Board papers including the Annual Budget, and loans to clients amounting to US$ 141.1 million.

THE ANNUAL SYMPOSIUM

Shelter Afrique held its 33rd Annual General Meeting & Symposium at Hotel Golf Abidjan, Côte d'Ivoire from the 1st to 6th of June 2014.

The symposium focused the attention of participants on Alternative Building Technologies (ABT) and the role they can play to address the housing deficit on the continent. By proposing this topic, Shelter Afrique hoped to address the bias home owners have to homes built with ABTs and how they may become a more acceptable method of bridging the housing deficit on the continent. The housing deficit in Africa is significant and millions of units are required to meet this demand. With urbanisation expected to hit 70 per cent by 2030, the need for solutions to address the increasing housing requirements is critical.

The symposium was held on the 3rd of June 2014. We take this opportunity to express our sincere thanks to the participants and to our excellent speakers who took the audience through their different Alternative Building Technologies and shared with them experiences and lessons learned. In addition to one week exhibition activities, four presentations were made on the proposed

SHELTER AFRIQUE
Financing Affordable Housing for Africa

Delegates visiting Our Lady of Peace Basilica in Yamoussoukro in Ivory Coast

topic by our esteemed speakers such as:

i) Moladi Construction Systems (South Africa) presented by Mr. Hennie Botes, Chief Executive Officer, Moladi Construction Systems;

ii) STRAWTEC Building Solution (Germany) presented by Eckardt M.P. DAUCK, STRAWTEC Group AG;

iii) IGS-International Green Structures (USA) presented by Mr. Richard China, President & CEO, International Green Structures (IGS);

iv) Alternative Building Technologies, Case Study (COTE D'IVOIRE) represented by a group of experts led by Mr. Celestin Koalla, Director of Housing and Condominium.

All the four presentations showed common points and key specificities which vary in function of implementation strategies. The ABTs' common mission is to improve the speed of construction and eventually reduce the overall cost of construction by delivering acceptable quality standards of housing programs. These technologies range from dry construction, use of indigenous materials, use of green or recycled materials and use of composite structural materials among others. The ABTs' presented had common basic characteristics as summarized below:

- Pre-fabrication method;
- Optimization of construction costs and implementation schedule;
- Durability;
- And competitiveness.

For these Alternative Building Technologies to achieve the expected competitive advantage compared to the standard brick and mortar construction method, the key stakeholders including developers, banks, governments etc. must work together to ensure proper strategies are put in place including but not limited to:

- Governments to define specific tax regulation framework with the necessary tax incentive for developers, buyers and other professionals;
- Banks to strengthen their financial capacity and redesign their financing process to support developers and end users;
- Professionals to strengthen their knowledge and trainings in such way to create specialists for ABTs sector in order to be able to provide accurate advices on the technical feasibility of the proposed Alternative Building Technologies;
- Lastly to communicate with the population and potential buyers to reassure them about the quality and the benefits of using these new technologies in the housing programs.

NIGERIA REGIONAL OFFICE

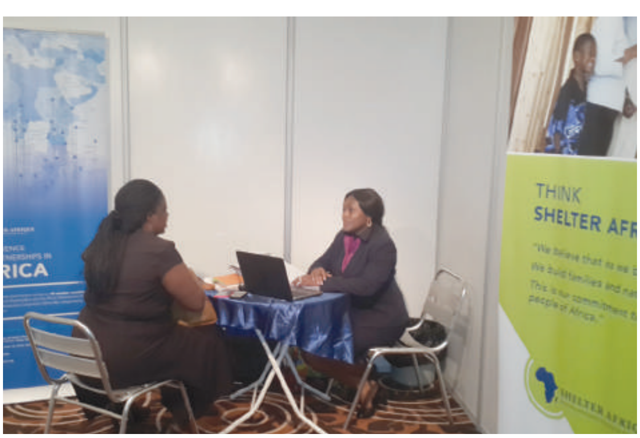
A major highlight of year 2014 was the Nigeria Regional Office becoming fully operational. This was one of the key goals that was set to be achieved under Shelter Afrique current Strategic Plan by the Board. The office commenced operations on 26th May, 2014 in Abuja to service the West African Region focusing on Nigeria, Benin, Chad and Togo.

Nigeria has a population of 162.5 million. The housing deficit is estimated at 16-17 million with an annual housing demand of 700,000. Mortgage loans are estimated to be barely 1% of GDP with Primary Mortgage Banks accounting for 70.3% of the mortgage loan outstanding. Challenges to housing in Nigeria can be summarised as:

- Complex land tenure system and bureaucratic land titling processes;
- High cost of land registration and titling;
- High cost of building materials;
- Cumbersome mortgage registration processes and slow foreclosure policies;
- Few reputable developers.

However, there are clear opportunities in the Nigeria market which have been identified as:

- Unmet effective demand far outstrips supply, housing deficit estimated to be between 16-18 million units;
- Supply of housing finance at affordable rates and adequate tenure;
- Efforts are being made to tackle land and property registration issues: Lagos and Abuja are upgrading and automating their title registration system;
- We plan to do a short term debt issuance in domestic currency in Q4 2015, thereby widening customer base and winning business from developers shying away from forex risk;
- Investors' confidence is very high following the peaceful outcome of the 2015 elections.



The Regional Office at the Real Estate Unite Summit in Lagos 2014

Benin has a population of 8.8 million. Housing finance is scarce, most housing loans are provided by banks in forms of medium term construction material loans and group lending. Togo has a population of 6.6 million; housing demand per annum is 23,000 units. Access to credit is limited and most lending from the banking sector is short to medium. Chad has a population of 10.5 million. Housing demand per annum is 21,000 units. Mortgage loans are less than 1% of the overall credit facilities extended by the banking sector. Challenges of housing in Benin, Chad and Togo include:

- Cumbersome land tenure system;
- Low financial capacity of developers over relying on instalment payments from off takers;
- Housing construction very expensive, limiting affordability;
- Few reputable developers.

Just as in Nigeria, we note some opportunities in these three countries where we can strategically place Shelter Afrique to contribute towards reducing the housing deficit. They include:

- The respective Governments' commitment to deliver on housing, the Government of Chad's 15,000 affordable housing scheme with the Moroccan Group Addoha; Government of Togo's 1,000 affordable housing scheme; and Government of Benin's 10,000 affordable housing scheme with Agence Fonciere de l'Habitat;
- New policies for land and property registration are being put in place. Examples include Chad's Urban Development plans for N'Djamena and several other cities and Benin's new national land use planning policy which was adopted in 2002 and voted by parliament of the new Benin Land code, early in 2013;
- Unmet effective demand far outstripping supply;

In brief, our competitive advantage in our selected pilot
In brief, our competitive advantage in our selected pilot countries overseen by the Nigeria Regional Office include: firstly, Development Mandate: we act as a catalyst in raising capital from foreign and domestic sources, in both private and public markets for projects. Secondly, Advisory Services to Real Estate Industry Stakeholders: we provide advisory services to Primary Mortgage Banks on how to improve corporate governance, strengthen risk management, and become more sustainable and also to developers and other stakeholders on Project

Mr. Guillaume Roux of Lafarge and Mr. Mugerwa of Shelter Afrique put pen to paper

Management. Thirdly, Advisory Services to Government and Related Agencies: on how to improve the Housing Environment and strengthen the delivery processes. Lastly, Presence & Expertise: we operates in 44 countries and use internationally recognised best practices and lesson learnt from previous experiences for the benefit of various stakeholders.

So far, the achievements made in the Nigeria Regional Office in year 2014 include: A strong pipeline of projects of over US$90M; Board approval for $19m and commitment $10m achieved in a span of seven months. The office also carried out aggressive business development activities and managed to sign a Memorandum of Understanding with Lafarge, the Government of Zamfara State and Real Estate Developer Association of Nigeria (REDAN). The Regional Office Team also met with over 18 cooperative societies, 50 private developers, and 13 Primary Mortgage Banks and participated in the Lagos Real Estate Unite Event, the World Habitat Day and National Urban Forum organized by the Federal Ministry of Lands & Urban Development as well as the 3rd Abuja Cooperative Housing Summit. We were also able to create brand awareness by granting interviews in Business Day & CNBC Africa and organised a breakfast event at Transcorp Hilton Abuja with over 60 participants.

Part of the Business Development initiative of the Regional Office is to promote an exemplar affording housing project in Abuja which will be executed under partnership with the Federal Ministry of Lands, Housing and Urban Development. The Regional Office has been able to align its mode of operation with local business practice using land as security in Lagos, Abuja and Port Harcourt. It has also established strong relationships with stakeholders in the industry, in particular, the Central Bank of Nigeria, Federal Housing Authority, Nigerian Mortgage Refinance Company, French Development Bank, UN-Habitat and Federal Mortgage Bank of Nigeria. Tremendous support has been received from the Ministry of Foreign Affairs, the Ministry of Lands, Housing and Urban Development and other stakeholders.

OTHER OPERATIONAL ACTIVITIES

A major highlight in year 2014 was the approval of four facilities in support of affordable housing units and mortgage market development in member states; this was a major milestone for us as we increased our efforts to provide long lasting-solutions for delivering affordable homes to the low and middle income segment coupled with increasing the number of mortgages on the continent.

Towards this end, the Board approved two transactions to deepen the mortgage market in Tanzania. An equity investment of US$1 million was advanced to the Tanzania Mortgage Refinancing Company (TMRC) to support the institution's bond issuance for mortgage refinancing. Similarly an approval of US$ 3 million to the Nigerian Mortgage Refinancing Company (NMRC) to enable the institution to deepen the Nigerian financial sector through provision of long term capital. On balance both investments in the respective countries will encourage social benefits associated with the increased housing production, finance, home-ownership including job creation.

Over the past 4 years, Shelter Afrique has placed strategic emphasis on large-scale housing programmes and

Mr. Manuel Moses of the International Finance Corporation receives a gift from the CITICC team during a MOU signing ceremony with Shelter Afrique

Wallace Kantai of the Nation Media Group anchors the African Rental Housing Conference Media briefing at the Serena Hotels Nairobi

supporting member states' efforts to implement Public Private Partnership models. A partnership was successfully concluded between Shelter-Afrique, Banque Rwandaise de Development & City of Kigali to begin the construction of 2,700 homes to be sold to the middle income segment for less than US$ 80,000 per home. The project "RUGARAMA" will be undertaken in phases with a total estimated cost of US$ 165 million. In 2014 the Board approved an equity investment of US$ 3 million to commence the financing of the project's pre-development activities.

As part of our efforts in reducing the housing deficit in our member countries, we strongly believe in strengthening partnerships with our existing clients and seeking new prospects delivering affordable housing units. Towards this end, the Board approved a KSHS 720 million (US$ 8 million) to the Kenya Medical Association Housing Cooperative to construct 160 housing units for sale to its members at affordable price points. The Kenya Medial Association Housing Cooperative have consistently been a reliable partner and graduated from being a 1st time developer into a seasoned housing delivery partner through our advisory services. Through the partnership about 467 housing units have been constructed to the benefit of the housing cooperative members. The total loans advanced to the cooperative to date amounts to KSHS 1.65 Billion (US$ 18.6 million).

Further, during the year, KSHS 668 million (US$ 7.4 million) was approved in favour of Karibu Homes Parktel Limited in Kenya to support the construction of 1,072 homes and related infrastructure in Nairobi. The project is one of the unique developments joining our portfolio in the sense that it is a large scale development and is targeting the lower end of the market with affordable products selling between US$ 10,000 and US$60,000.

The year 2014 provided us with exciting opportunities driven by our belief that we can do more, by our belief that affordable housing and housing finance should be more accessible; we will continue seeking similar opportunities and supporting them across Member States as we are convinced that the right to affordable and decent housing is one that should be available to every family on the continent.

BREAKDOWN OF APPROVALS DURING 2014

Approvals during the year amounted to US$ 141 million, a 24% increase from the US$ 105 million approved during 2013. The approvals related to 25 projects in 10 Member States distributed in Eastern, Western and Southern African Countries. The average loan size in 2014 was US$ 5.6 million, closely matching the US$ 5.5 million average recorded in 2013.

TABLE 3: Cumulative Approvals, Commitments and Disbursements – 2010 – 2014 (USD 'millions')

Year	2010	2011	2012	2013	2014
Approval	81.34	103.82	145.65	104.50	141.13
Cumulative Approved Loans	433.36	537.18	682.83	787.33	928.46
Disbursement	34.06	36.29	65.49	79.73	73.09
Cumulative Disbursement	222.32	258.61	324.10	403.83	476.92
Commitment	48.85	57.50	135.69	84.40	80.84
Cumulative Commitment	262.35	319.85	455.54	539.94	620.78

Chart 4: Approvals, Disbursements and Commitments - 2010 - 2014

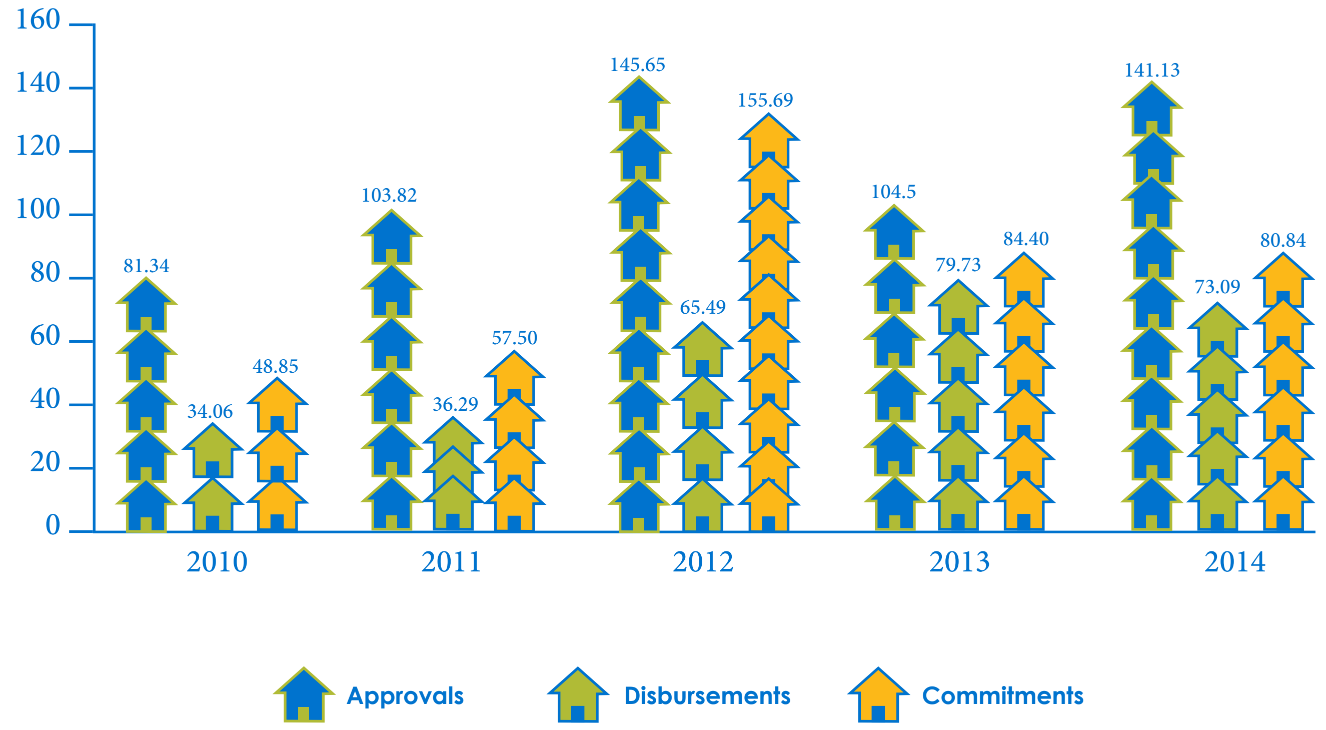


TABLE 4: 2014 Loan Approvals

	Country	Region	Client/Project Name	Type of Instrument	Client Type	Amount US$	Type of Development	Facility Currency	Maturity
1	Ghana	Western	Rehoboth Properties Ltd	Debt	Private	5,100,000	Residential	US$	3 to 5 years
2	Rwanda	Eastern	Bio-Medical Centre Properties Ltd	Debt	Private	3,000,000	Commercial	US$	3 to 5 years
3	Ghana	Western	Emerald Properties Ltd	Debt	Private	2,700,000	Residential	US$	3 to 5 years
4	Kenya	Eastern	Jamii Bora Bank Ltd	Line of Credit - Mortgages	Financial Institution	1,162,791	Social Housing	Kenya Shillings	Above 5 years
5	Rwanda	Eastern	Rugarama PPP Development	Joint Venture/ Equity	Private-Public -Partnership	3,000,000	Residential	US$	3 to 5 years
6	Tanzania	Eastern	Tanzania Mortgage Refinance Company	Equity	Financial Institution	1,000,000	Residential	US$	3 to 5 years
7	Kenya	Eastern	Letshego Kenya Ltd	Line of Credit - Mortgages	Financial Institution	1,162,791	Social Housing	US$	3 to 5 years
8	Kenya	Eastern	Everest Park Phase 2	Equity	Private	1,395,349	Residential	Kenya Shillings	3 to 5 years
9	Nigeria	Western	Nigeria Mortgage Refinance Company	Equity	Financial Institution	3,000,000	Residential	US$	3 to 5 years
10	Ghana	Western	Unibank Ghana Ltd	Line of Credit - Trade Finance	Financial Institution	10,000,000	Trade Finance	US$	Below 3 Years
11	Zimbabwe	Southern	BancABC	Line of Credit - Trade Finance	Financial Institution	5,000,000	Trade Finance	US$	Below 3 Years
12	Rwanda	Eastern	Bank of Kigali	Line of Credit - Mortgages	Financial Institution	10,000,000	Residential	US$	Above 5 years
13	Tanzania	Eastern	Azania Bank Ltd	Line of Credit - Trade Finance	Financial Institution	3,000,000	Trade Finance	US$	Below 3 Years

TABLE 4: 2014 Loan Approvals continued

	Country	Region	Client/Project Name	Type of Instrument	Client Type	Amount US$	Type of Development	Facility Currency	Maturity
14	Kenya	Eastern	Kenya Medical Association Housing Cooperative Ltd	Debt	Private	8,222,222	Residential	Kenya Shillings	3 to 5 years
15	Kenya	Eastern	Kenya Building Society Ltd	Debt	Private	10,333,333	Residential	Kenya Shillings	Below 3 Years
16	Kenya	Eastern	Karibu Homes Parktel Ltd	Debt	Private	7,426,176	Residential	Kenya Shillings	Over 5 years
17	Burundi	Eastern	Intahe Plaza	Debt	Private	2,700,000	Residential	US$	3 to 5 years
18	Mauritania	Western	Banque Populaire de Mauritanie	Line of Credit - Mortgages	Financial Institution	6,000,000	Residential	US$	Over 5 years
19	Ivory Coast	Western	Oribat SARL	Debt	Private	6,185,610	Residential	CFAF	3 to 5 years
20	Ivory Coast	Western	SICOGI	Debt	Parastatal	10,492,343	Residential	CFAF	3 to 5 years
21	Ivory Coast	Western	Piemme Construction Côte d'Ivoire	Debt	Private	9,346,271	Residential	CFAF	3 to 5 years
22	Democratic Republic of Congo	Eastern	Rawbank SA	Line of Credit - Mortgages	Financial Institution	10,600,000	Residential	US$	Over 5 years
23	Burundi	Eastern	The Fund for the Promotion of Urban Housing (FPHU)	Line of Credit - Mortgages	Financial Institution	4,300,000	ResidentiaL	US$	Over 5 years
24	Nigeria	Western	Wema Bank PLC	Line of Credit - Mortgages	Financial Institution	10,000,000	Residential	US$	Over 5 years
25	Nigeria	Western	ARM Properties Ltd	Debt	Private	6,000,000	Residential	US$	3 to 5 years
	TOTAL					141,126,886			

APPROVALS BY LENDING INSTRUMENT

At 51%, Construction Finance by way of Debt continued to dominate the distribution of transactions approved during 2014. This was however a drop compared to 67% reported in 2013. The year saw a notable increase in trade finance and lines of credit as Shelter Afrique sought to diversify its portfolio. Trade Finance projects contributed 13% of approvals (2013: 5%) while lines of credit contributed 30% up from 28% reported in 2013. Equity transactions contributed 6% of all approved projects during 2014.

APPROVALS BY CURRENCY

The US Dollar continued to be the dominant currency of choice, with 61% of all approved projects being denominated in US Dollars, up from 58% recorded in 2013. Kenya Shillings and the CFAF denominated facilities record 20% and 19% of the approvals respectively.

MATURITY OF FACILITIES APPROVED DURING 2014

2014 saw an increase in transactions with tenors above 5 years (long term facilities). These transactions contributed to 35% of approved deals, up from 28% recorded in 2013. Short term facilities with tenors below 3 years also saw an increase to 20% of approved deals, courtesy of the growth registered by trade finance. These deals are typically characterized by short cycles with options to renew. All the same, most transactions approved fell within the 3-5 years maturity, consistent with the build-to-sell projects' cycles which have traditionally dominated Shelter Afrique's portfolio.

REGIONAL DISTRIBUTION OF PROJECTS

There was an uneven distribution of projects between the various regions. Specifically, Eastern and Western Region combined to contribute up to 96% of all approved projects. Nigeria, Ghana and Ivory Coast were notable member countries from where Western African projects were sourced and financed. Kenya and Rwanda on the other hand were the main source of projects approved from the Eastern Africa region. Southern Africa region was represented by Zimbabwe while no approvals were reported from the Northern African countries.

COMMITMENTS AND DISBURSEMENTS

During the year, Shelter Afrique achieved commitments of US Dollar 80.84 million, which was a slight drop from the US Dollars 84.4 million reported in 2013. Annual disbursements recorded a similar trend, with a slight drop to US Dollars 73.11 million, an 8% drop from the US Dollars 79.73 million recorded in 2013.

Chart 5: Loan Approvals per Lending Instrument

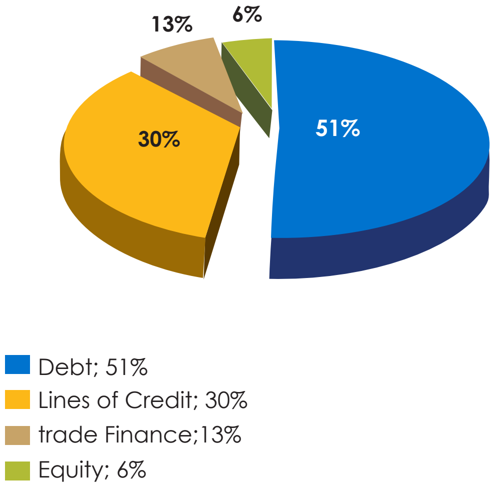


Chart 6: Distribution of 2014 Loan Approvals by Currency

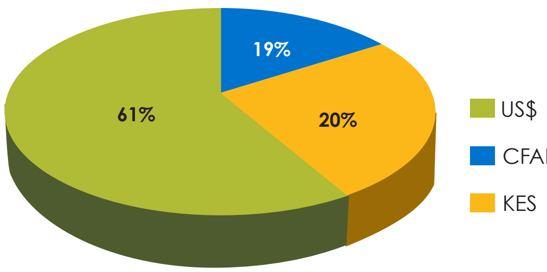
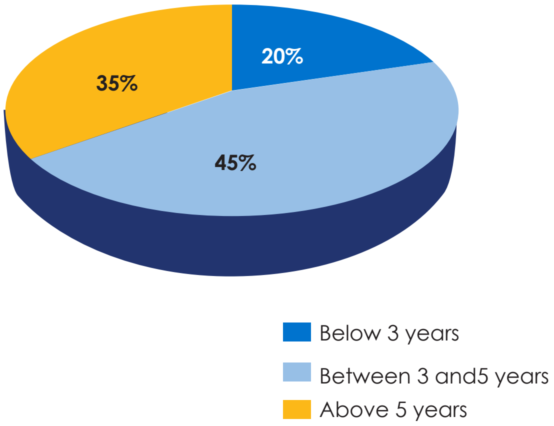


Chart 7: Maturity Profile of Approved Facilities - 2014



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Raw Bank CEO, Mr. Thierry Taeymans shakes hands with Mr. James Mugerwa.

Chart 8: Regional Distribution of Projects

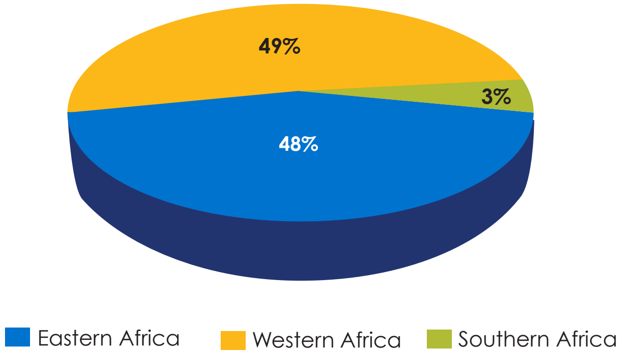
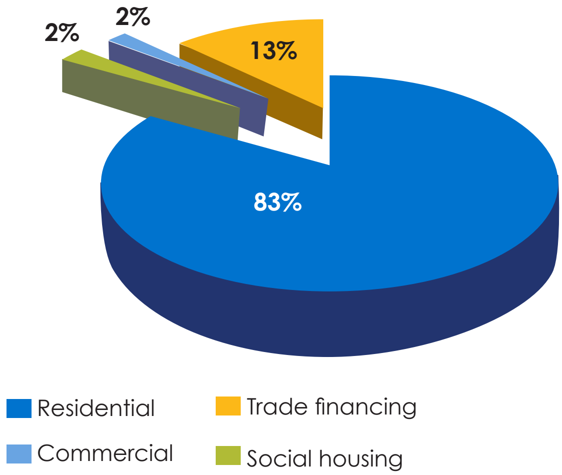


Chart 9: Distribution of Approved Projects by Type - 2014



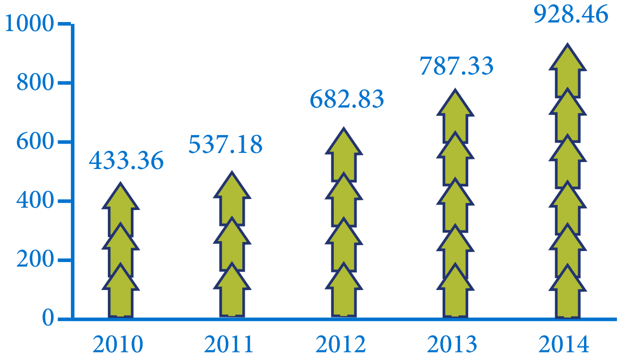
2014 SELECTED PROJECTS PROFILE

RAWBANK; Democratic Republic of Congo (DRC); - US$ 10.6 million

DRC became a member of Shelter-Afrique in 2004. Shelter Afrique has undertaken eleven projects in the country. The Board approved a line of credit of US$ 10.6 million to Raw Bank in June 2014. The facility will be used to finance long term mortgages, construct individual houses and as well as refurbish existing ones. It's expected that the Line of Credit will enhance Shelter Afrique's objective of promoting housing and unlocking long term finance for the mortgage finance sector in DRC. Development outcomes will also include fiscal and monetary benefits by strengthening the

The Chairman of the Kenya Medical Association, Dr. Hezra. Opere, shakes hands with Mr. Olayanju of Shelter Afrique as Mr. Waweru looks on.

Chart 10: Cumulative Approved Loans (2010-2014)



KMA Mtwapa project

banking sector to offer long term housing projects funding, financial sector deepening and increased home ownership through mortgage availability.

KMA MTWAPA PROJECT- KENYA- Kshs 740 million

Registered in 1982, the Kenya Medical Association Housing Cooperative Society Limited (KMA) has over 1,000 members mostly consisting of medical doctors living and working in Kenya. KMA is one of the most successful co-operatives in Kenya with a solid track record and active members' support and has already implemented three projects, all financed by Shelter Afrique.

The proposed development is located in Mtwapa on the north east of Mombasa City, Kenya with a loan amount of Kshs 740 million (US$ 8.8m). The location is approximately 16km from the Central Business District of Mombasa and is serviced by Mombasa-Malindi Road. The project entails the development of 160 Nos. 2 bedroom apartments for sale to members. A club house and some shops have also been considered in the project design.

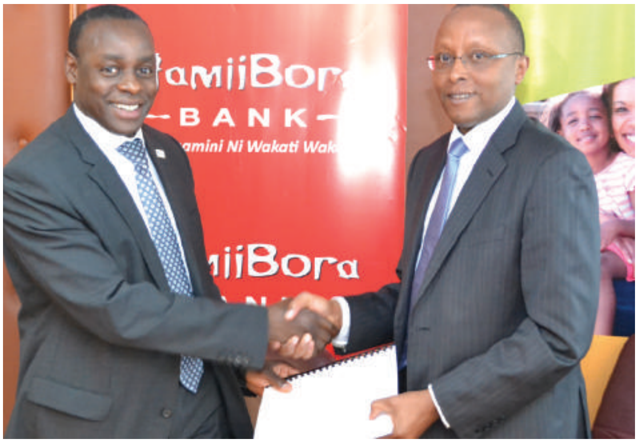
UNIBANK (GHANA) LIMITED, ACCRA, GHANA –US$ 10.0 million

TTrade Finance products was approved by Shelter Afrique Board in June 2011 to enable the institution to satisfy specific demands of the real estate value chain across African markets, thereby ultimately further fulfilling its mandate. Pursuant to this, the Board approved a Trade Finance Line of Credit of US$ 10.0 million to Unibank (Ghana) Limited. Proceeds from the facility will be utilized for on-lending to SME's/corporates for the procurement or export of building materials and equipment, and procurement of raw materials used for manufacturing building and construction materials. Unibank has a sizeable SME portfolio in building and construction materials consisting of manufacturing and trading of Steel fabrication, Ceramic production, Sandcrete and concrete production, PVC and electrical production, Windows aluminium and glass production, Paint, Plumbing Accessories and Roofing material. This facility gives Shelter Afrique the opportunity to partner with a strong financial institution, whose strategic intent is to become a significant provider of Trade Finance solutions to SME's in Ghana –especially supporting the building and construction sector.

TANZANIA MORTGAGE REFINANCING COMPANY (TMRC)- US$ 1.0 million

The Board approved an Equity participation facility of US$ 1.0 million for Tanzania Mortgage Refinancing Company (TMRC). TMRC is a specialized single purpose institution involved in the development and promotion of the mortgage finance market (and hence residential construction) through the provision of liquidity to mortgage lenders and development of the local bond market. TMRC refinances eligible mortgage loans of mortgage originators and funds by issuing simple corporate bonds in the local bond market. The facility to TMRC is fully aligned with Shelter Afrique's mandate of promoting affordable housing delivery and sustainable financial inclusion for households in Africa, particularly through the financial sector deepening with the provision of longer term capital. The facility will also go a long way in supporting Tanzania's growing middle class, increased housing production, finance, and home-ownership, including job creation.

Rehoboth Propoerties, Ghana



Mr. James Mugerwa and Mr. Sam Kimani of Jamii Bora shake hands during a loan signing ceremony

JAMII BORA BANK LIMITED – NAIROBI – KENYA

In the current Strategic Plan Shelter Afrique has identified Social Housing as one of the key strategic priorities. This has resonated with the public and private sectors in Member States as well as with international donors. Increasing access to housing finance by promoting products that match the affordability levels as well as the incremental building process favoured by low-income home owners features among the key areas of intervention for social housing programmes. In this regard, the Board approved Kshs 100 million (US$ 1.1 million) to Jamii Bora Bank Limited. The facility will be used for on-lending of small incremental loans for home ownership and other related activities. Specifically, funds will be used for the following activities: Buying already built houses (Mortgage Loans); Incremental Housing Development; Housing Infrastructure Improvement (Solar, Electricity, Water & Sanitation);

Rugarama PPP Development

Group Housing Schemes for registered groups. As a micro-finance institution, Jamii Bora Bank has an established mortgage business unit division. Jamii Bora Bank has built an appropriate framework and system to manage the facility whose successful implementation will be replicated across our Member States.

RUGARAMA PPP DEVELOPMENT- Rwanda –US$ 3.0 million

The City of Kigali (CoK) invited the Banque Rwandaise de Development (BRD) and Shelter Afrique to assist it in developing and subsequently implementing proposals for a large scale affordable housing project on the Rugarama Site as a major step towards meeting the City's housing need.

The vision of the City of Kigali for the proposed development is to be sustainable integrated mixed-use development that will set a benchmark for modern sustainable living throughout Rwanda and the continent. The proposed project site is located in the Rugarama Village, Nyamirambo Sector, Nyarugenge District. It is about 7.0 kilometres from the Central Business District of Kigali. The site has convenient access to the City and is bordered by existing settlements. CoK will provide land to the project measuring 58.5 hectares as well as infrastructure services. The project consists of a mixed use development of about 2,700 homes including schools, health facilities, shopping and related infrastructure services in Rugarama, Kigali. The project will be implemented in at least four phases with exit opportunities at the end of each phase.

THE AFRICAN RENTAL HOUSING CONFERENCE

In partnership with AFD, Shelter Afrique hosted an international conference entitled "Formal Rental Housing in Sub-Saharan Africa: opportunities to provide affordable housing for all" in October 2014, which brought together local, national and international speakers.

The conference was attended by over 200 delegates - comprising primarily private sector developers and building professionals, parastatals and government officials (from housing Ministries and ambassadors), private equity firms, financial institutions and international development finance agencies. It provided an opportunity for a unique and timely discussion and debate around the impediments and opportunities to best develop a vibrant formal rental housing sector in sub-Saharan Africa.

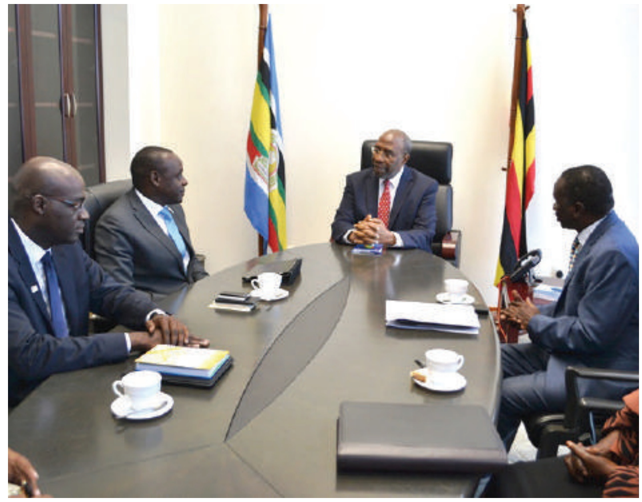
HOUSING SECTOR ENVIRONMENT

Access to housing is emerging as one of the most daunting challenges of the 21st Century in many African countries. The continent is increasingly getting urbanised, driving the demand for affordable and decent housing.

The housing sector faces serious bottlenecks in terms of availability of affordable finance, scarcity of serviced land and high price-to-income ratios. Due to scarcity of affordable housing in Africa, people resort to informal settlements and informal rental accommodation; establishing practices of subletting and overcrowding. Other key constraints facing the housing sector in Africa include: inadequate information and market data, lack of evidence-based policies, legal and regulatory frameworks, poor documentation and registration of property rights, subsidies and macro-economic policies, shortage of land for housing, shortcomings in infrastructure provision, high construction costs and poor institutional and human resources capacity to manage the housing sector and allow for policy intervention.

In a rapidly changing and urbanising world, the provision of adequate and affordable housing remains a key priority for all Governments. However, the concept of housing requires a new understanding to effectively and collaboratively address the pressing issues of slums prevention, the urban divide, economic & human development and climatic change. No longer regarded as simply a roof over one's head, housing today plays a crucial role in achieving sustainable development-as envisaged by the idea of sustainable housing.

The Chairperson of the Board of the National Housing and Construction Company, Uganda, Amb. Agnes Kalibbala shakes hands with Mr. Olayanju of Shelter Afrique during a signing ceremony



The Managing Director, Mr. James Mugerwa leads a team during a courtesy call to the Prime Minister of Uganda, Dr. Ruhakana Rugunda during a signing with the Ministry of Lands, Uganda

Housing is one of those basic social conditions that determine the quality of life and welfare of people and places. Housing is also part of the relationships between society and the environment. On the one hand, housing construction and operation consume large amounts of natural resources (land, energy, water, and building materials). This complex web of inter-relationships between sustainability and housing is addressed by policies for sustainable housing.

These policies consider a spectrum of underlying conditions to achieve sustainability in housing development (along the four dimensions of sustainability-environment, social cultural and economic) such as: impact on the environment and climatic change; durability and resilience of homes; economic activities in housing and their links with the wider economy; cultural and social fabric of communities and impact of housing on poverty alleviation, social development and quality of life.

TRENDS IN HOUSING FINANCE IN SELECTED MEMBER COUNTRIES IN SOUTHERN AFRICA, EAST AFRICA, CENTRAL AFRICA AND WEST AFRICA

SOUTHERN AFRICA

Zimbabwe: The major housing objective of Zimbabwe's national strategy, the Medium Term Plan (2011-2015), is to eliminate the housing backlog and significantly reduce the housing dependency ratio at the household level by end of 2015. This is quite a daunting challenge considering that the current national housing waiting list is estimated to be 1.5 million. The number is likely to be higher considering that some local authorities do not collect and submit returns.

The 2012 National Housing Policy seeks to address the challenge of the huge housing backlog through partnering and facilitating approach to housing development and management so as to leverage community and private sector initiatives. In this regard, the policy aims to strengthen the role of local authorities as well as facilitate and encourage the participation of civil society and the private sector in housing development.

Government plays a pivotal role in housing development through the direct provision of houses and land. Since 2010, it has availed a total of USD 38.9 million for the development of housing on and offsite infrastructure as well as the construction of 2,904 housing units across the country.

Financial institutions are also promoting housing development projects. For example, in late 2012, Harare City Council signed an agreement with Central African Building Society (CABS) to build 3,102 core houses for low income earners in Budiriro, Harare. In 2014, Commercial Bank of Zimbabwe (CBZ) also started servicing of 1,095 low cost residential stands in Nehosho, Gweru for the construction of housing units which will benefit low income group. ZB Building society is also set to develop 800 residential stand ranging in size from 300m2 to 2,000m2 and will offer mortgage finance to beneficiaries to enable them to build houses. It has also entered into a partnership with Beitbridge Town Council with a view to implementing 150 low cost housing units which will be offered to beneficiaries on a 10-year mortgage.

EAST AFRICA

Kenya: Kenya's urban population is growing at a rate of 4.2 percent a year, increasing the need for its cities to provide housing for this growth. An estimated annual supply of 50,000 units is still not adequate to meet the annual estimated demand of 150,000 units. This shortage of supply has contributed to the rise in property prices. An unbalanced supply across the market segments has been observed with broad supply to the upper middle income and high end markets, but insufficient supply to the low and lower middle income segments.

Formal housing supply is undermined by several factors including the limited availability of serviced plots in urban centres, a problem affecting housing delivery across all income bands, but especially affecting affordability for

Prism Shaba Village Kenya

lower income developments because of added cost of servicing plots.

The National Environmental Management Authority (NEMA) has been actively involved in vetting and supervising housing projects that have an impact on the environment to ensure a clean and health environment for all.

Housing is a basic right in the constitution. The introduction of the Housing Bill saw the creation of the Kenya Housing Authority, mandated to monitor and evaluate the housing sector, conduct research on housing and drive certain aspects of social housing. The Government announced that through the Housing Bill, it would be more involved in housing by allocating five percent of the annual budget to housing and infrastructure development.

WEST AFRICA

Senegal: Senegal's real estate sector is burgeoning; Hotels, luxury villas and shopping centres have sprung in the country in recent years, especially on Dakar's coast. Investments in the real estate sector has increased due to the fact that Senegal is considered politically stable as compared to its neighbouring countries. The country still holds many underdeveloped tracts of land especially at the outskirts of Dakar.

In recent times, the country has undergone an infrastructural transformation specifically in improvement and construction of roads and an international airport, Blaise Diagne. This in turn is expected to have a multiplier effect in terms of the country's appeal for investment and development in all sectors.

Rehoboth Propoerties, Ghana

Demand for housing is estimated at 200,000 units with an annual increase of 10 percent according to the Centre for Affordable Housing Finance in Africa (CAHF). One of the reasons to the high level of housing demand is limited availability of relevant financial products. Like in most African countries, housing affordability is limited because the market focus is on the high income bracket coupled with the cultural preference of up to 80% of households to construct as compared to buying complete units.

In order for the sector to reach maximum potential and significantly reduce the deficit gap, the various stakeholders hope that the Government would intervene more by participating in servicing the land in different parts of the country, by enforcing town planning and environmental regulations and efficiently managing the high levels of rural-urban migration.

NORTH AFRICA

Morocco: In 2014, the housing deficit in Morocco was estimated to be at 650,000 units. It was also noted that 75% of low income households do not have access to adequate housing. The Government has partnered with private developers under the Public Private Partnerships (PPP) to develop affordable housing and has been assertive in providing tax breaks and guarantee funds to attract the private sector. Since 2011, partnerships have been signed with developers to develop about 1 million social housing units.

On the brighter side, Morocco has the most advanced and diverse housing finance market in the region. The providers of mortgage financing range from public and private commercial banks as well as consumer credit companies and microfinance companies. Central Bank statistics indicate that housing loan tenors can go up to 20 years, 100% Loan to Value ratio and interest rates as low as 6% on the local currency. On average, out of the total real estate transactions in the country, 59% of total sales are apartments, 27.2% urban land, 4.9% houses, and 1.2% villas.

However, the real estate sector has experienced a slowdown in the recent past. Statistics indicate that the average annual growth between 2003 and 2008 was 8.6%, 3.1% between 2009 and 2012 and below 2% in years 2013 and 2014. In the same fashion, the number of transactions reduced by 5.6% after 3 years of consistent 8% growth in the earlier said years.

CENTRAL AFRICA

Democratic Republic of Congo (DRC): DRC presents great potential being a resource rich country with an economy that has steadily grown at 8% on average in the last 3 years. Mining and agriculture are the cornerstones of the Congolese economy. These sectors have benefited from significant investment inflows.

According to UN HABITAT, DRC's real estate is underdeveloped and has a substantial unmet demand estimated at 3 million. Majority of the houses are constructed by individuals and lack professionalism and quality control. 71% of the population still lives below the poverty line and formal housing supply is only limited to the elite minority. However in recent times, with the amount of Foreign Direct Investment (FDI) increasing there is a noticeable surge in demand for both commercial (malls and offices) and residential housing units in the capital city of Kinshasa and the mining hub of Lubumbashi as detailed below.

Kinshasa:

The Kinshasa office market is focused to the north of the city, with many of the most important buildings being along Boulevard du 30 Juin. Most of the larger office buildings are owner-occupied by banks and state-related operations.

Office development activity appears to have accelerated since 2011 according to the latest Knight Frank Africa report. Most offices in Kinshasa are of a fairly poor standard and many are built without air conditioning or elevators.

Devimco DRC

There is therefore a deficiency of modern quality buildings and a strong demand for the same.
Gombe is the business and administration center of Kinshasa. As a result, prime rentals per square meter bear comparison with prestigious European capitals as they are around US$30 per square meter per month, but can get up to US$40 per square meter per month for good quality small spaces.

Lubumbashi:
According to the 2013 World Bank Survey, the Katanga region is experiencing tremendous growth, with GDP growth averaging 8.5% over the past few years, a trend that is expected to continue. This is reflected in the boom of construction activity in Lubumbashi, the provincial capital of Katanga Province and home to more than 3 million people.

Construction of Villas, offices, apartment buildings and shopping centres are all underway in different parts of the city and infrastructure is keeping pace. Indeed, the building of roads and other related infrastructure has encouraged the spread of new residential zones. This real-estate frenzy responds to a dual need: housing for a population with good purchasing power but whose demand outstrips supply and premises for businesses that are developing in the city and its surrounding areas.

Although prices are lower than in Kinshasa, sale prices and rent in the upmarket areas of Lubumbashi are high. For example rent for a 4-bedroom villa ranges US$3,000- 4,000 a month, depending on size and amenities. To acquire a villa in a residential area costs between US$300,000 and US$400,000.

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
Citibank N.A.
P O Box 30711 – 00100
Upper hill, Nairobi
KENYA

Citibank New York
C/o Citibank N.A.
P O Box 30711 – 00100
Upper hill, Nairobi
KENYA

Commercial Bank of Africa
P.O. Box 30437- 00100
Nairobi

Kenya Commercial Bank Limited
P O Box 30012 -00100
Nairobi
KENYA

BNP Paribas
2, Place de l'opera BP 6542
75060 Paribas Cedex 02, Paris
FRANCE

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

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

BOARD OF DIRECTORS			
Chairperson	Mr. Corneille Karekezi (up to 19th September 2014) Arch. Mariamu El Maawy (from 20th September 2014)		
Vice Chairperson	Mrs. Nene LY Soumare (up to 19th September 2014) Mr. Jean-Paul Missi (from 20th September 2014)		
CLASS "A" SHAREHOLDERS (COUNTRIES)			
DIRECTORS	**ALTERNATE DIRECTORS**	**COUNTRIES / INSTITUTIONS REPRESENTED**	**% SHAREHOLDING**
Stanford Msichili (Zambia)	Mr. David Gabindadde-Musoke (Uganda)	Botswana, Lesotho, Malawi, Namibia, Rwanda, Tanzania, Uganda, Zambia	11%
Ceferino Eburi Mata (Equatorial Guinea)	Pierre Zerbo (Burkina Faso)	Burkina Faso, Burundi, Central African Republic, Chad, Djibouti, Equatorial Guinea, Guinea Bissau, Ivory Coast, Mali, Senegal	13%
Alhaji Yahaya Hameed Yakubu (Ghana)	Boubacar Keita (Guinea)	Ghana, Guinea, Cape Verde, Togo	11%
Mr. A. Boulares (Algeria)	Dhehby Mohamed Mahmoud (Mauritania)	Algeria, Mauritania, Morocco, Tunisia	9%
Mr. Jean-Paul Missi (Cameroon)	Moussavou Ida Rachel (Gabon)	Benin, Congo, Democratic Republic of Congo, Cameroon, Gabon, Madagascar, Mauritius, Niger, Seychelles, Sao Tome & Principe	10%
Mr.Lawal Abubakar Yelwa (Nigeria)	Edward Graham (Gambia)	Gambia, Liberia, Nigeria, Sierra Leone	13%
Arch. Mariamu El Maawy (Kenya)	Clifford S. Mamaba (Swaziland)	Kenya, Somalia, Swaziland, Zimbabwe	12%
CLASS "B" SHAREHOLDERS (INSTITUTIONS)			
Mr. Corneille Karekezi	Ms. Eunice Mbogo	African Reinsurance Corporation	4%
Mr. Sanders Shingirai Mutandwa	AfDB Regional Representative, Kenya	African Development Bank (AfDB)	17%
Total			100%

INDEPENDENT DIRECTORS:
Ms. Kanini Mutooni
Mr.Hardwork Pemhiwa

INTERNAL AUDITOR
Mr. Mohamed Barry

SENIOR MANAGEMENT

Mr. James Mugerwa	Managing Director
Mr. Yekinni Olayanju	Director, Risk and Planning
Mr.Vipya Harawa	Director, Corporate Affairs and Secretariat
Mr. Femi Adewole	Director, Project Management
Mr. Mouhamadou Gueye	Director, Business Development
Mr. Godfrey Waweru	Director, Finance

The Directors have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2014, 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 Group plc in 1982 to address the need for innovative and sustainable housing delivery systems in Africa. It is an international body with juridical personality and full legal capacity established by the Constituent Charter of Shelter Afrique. In the Republic of Kenya, the Constituent Charter has the force of law in accordance with the Shelter - Afrique Act, 1985. Its principal office is situated in Nairobi, Kenya. The Company is exempted from all forms of taxation as provided for in the Shelter – Afrique Act, 1985.

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 40 of the financial statements. The profit for the year transferred to retained earnings amounts to US$ 450,655 (2013 – US$ 4,745,791).

4. DIVIDENDS

The dividend policy provides for distribution of dividend only if the net profit for the financial year concerned is at least US$ 1 million. In line with the dividend policy, the Directors do not recommend the payment of a dividend for the financial year 2014. (2013 - US$ 949,135, representing US$ 15.86 per paid up ordinary share).

5. TRUST FUND

The Directors do not recommend the appropriation of any funds to the Trust Fund for the financial year 2014. (2013: US$ 1,423,737).

6. RESERVES

The reserves of the Company are set out on page 42 of the financial statements.

7. DIRECTORS

The Directors who served during the year and to the date of this report are as stated on page 34. 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.

8. 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

10th April 2015

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 34.

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

The aggregate amount of emoluments paid to Directors for services rendered during the financial year is disclosed in Note 36 (a) to the financial statements for the year ended 31 December 2014.

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 36 to the financial statements for the year ended 31 December 2014.

2. BOARD COMMITTEES

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

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.

3. RISK MANAGEMENT AND INTERNAL CONTROL (continued)

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).

………………………………………………	………………………………………………
Arch. Mariamu El Maawy	Sanders S. Mutandwa
Chairperson	Director
27th March 2015	27th March 2015

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 the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

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 annual 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.

………………………………………..	………………………………………..
Arch. Mariamu El Maawy	Sanders S. Mutandwa
Chairperson	Director
27th March 2015	27th March 2015

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 2014, the 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 40 to 88.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and the company's 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 2014, the results for the year and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Joseph K Cheboror – P/No. P.1145

Nairobi, Kenya

13th April 2015

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 US$	2013 US$
INTEREST AND SIMILAR INCOME	5	24,058,935	18,339,397
INTEREST EXPENSE AND SIMILAR CHARGES	6	(13,351,421)	(8,655,896)
NET INTEREST INCOME		10,707,514	9,683,501
FEE S AND COMMISSIONS INCOME	7	3,113,500	3,203,409
GRANT INCOME	8	104,719	309,797
OTHER INCOME	9	322,813	280,371
OPERATING EXPENSES	10	(8,236,196)	(6,832,770)
GRANT EXPENDITURE	12	(100,840)	(305,918)
IMPAIRMENT CHARGE ON LOANS AND ADVANCES		(4,832,591)	(2,284,510)
NET FOREIGN EXCHANGE GAINS (LOSSES)		(686,972)	59,923
JOINT VENTURE GAIN/(LOSS)	18	58,708	253,961
PROFIT FOR THE YEAR		450,655	4,367,764
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT & LOSS		-	-
UNREALISED GAIN ON EQUITY INVESTMENTS		-	378,027
TOTAL COMPREHENSIVE INCOME		450,655	4,745,791
EARNINGS PER SHARE (RESTATED)	13	7.47	75.33

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	Note	2014 US$	2013 US$
ASSETS			
Bank and cash balances	14	9,064,503	4,334,950
Short term bank deposits	15	51,841,155	56,787,812
Loans and advances to customers	16(a)	216,854,284	195,411,454
Other receivables	17	2,437,691	2,173,474
Investment in joint venture	18	1,460,983	1,588,709
Corporate bonds	20	28,800	2,882,932
Equity Investments	19	2,938,005	2,596,071
Government grant	21	124,145	128,024
Property and equipment	22	3,994,014	3,708,965
Intangible assets	23	560,907	577,090
TOTAL ASSETS		289,304,487	270,189,481
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	24(a)	60,823,000	59,842,000
Share premium	24(b)	14,985,447	14,230,752
Revaluation surplus		1,884,980	1,916,665
Retained earnings		27,672,296	29,562,828
Available-for-Sale Reserve		537,001	537,001
TOTAL SHAREHOLDERS' FUNDS		105,902,724	106,089,246
LIABILITIES			
Bank borrowings	25	4,385,767	3,906,360
Other payables	28	1,836,985	2,468,234
Medium term notes	26	78,280,778	89,642,358
Lines of credit	27	95,127,832	67,068,966
Leave pay	29	451,356	379,748
Dividends payable	30	1,312,393	530,604
Trust Fund Payable	31	1,423,737	-
Deferred income	32	582,915	103,965
TOTAL LIABILITIES		183,401,763	164,100,235
TOTAL EQUITY AND LIABILITIES		289,304,487	270,189,481

The financial statements on pages 40 to 88 were approved by the Board of Directors on 27th March 2015 and were signed on its behalf by:-

Arch. Mariamu El Maawy
Chairperson
27th March 2015

Sanders S. Mutandwa
Director
27th March 2015

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital US$	Share premium US$	Revaluation surplus US$	Retained earnings US$	Available for Sale reserve US$	Total US$
At 1 January 2013	56,114,000	11,598,784	1,948,350	25,837,872	158,974	95,657,980
Issue of Share capital (additional)	3,728,000	2,631,968	-	-	-	6,359,968
Profit	-	-	-	4,367,764	-	4,367,764
Other Comprehensive Income	-	-	-	-	378,027	378,027
Transfer of excess depreciation upon revaluation	-	-	(31,685)	31,685	-	-
Transfer to Dividends Payable (note 30)	-	-	-	(674,492)	-	(674,492)
At 31 DECEMBER 2013	59,842,000	14,230,752	1,916,665	29,562,828	537,001	106,089,246
At 1 January 2014	59,842,000	14,230,752	1,916,665	29,562,828	537,001	106,089,246
Issue of Share capital (additional)	981,000	754,695	-	-	-	1,735,695
Profit	-	-	-	450,655	-	450,655
Transfer to Trust Fund Payable	-	-	-	(1,423,737)	-	(1,423,737)
Transfer of excess depreciation upon revaluation	-	-	(31,685)	31,685	-	-
Transfer to Dividends Payable (note 30)	-	-	-	(949,135)	-	(949,135)
At 31 DECEMBER 2014	60,823,000	14,985,447	1,884,980	27,672,296	537,001	105,902,724

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 2014

	Note	2014 US$	2013 US$
OPERATING ACTIVITIES			
Net cash used in operations	34(a)	(11,337,872)	(35,322,946)
INVESTING ACTIVITIES			
Purchase of equipment	22	(542,595)	(45,694)
Purchase of intangible assets	23	(103,029)	(274,295)
Proceeds from disposal of equipment		14,224	-
Investment in Equity	19	(652,590)	-
Investment in Joint Venture		115,498	-
Net cash used in investing activities		(1,168,492)	(319,989)
FINANCING ACTIVITIES			
Dividends paid	30	(60,485)	(879,445)
Proceeds from capital subscriptions	24(c)	1,634,634	5,902,862
Proceeds from borrowed funds - lines of credit	34(c)	60,620,627	31,845,697
Repayment of borrowed funds - lines of credit	34(c)	(31,481,451)	(9,397,710)
Proceeds from medium term notes	34(d)	32,476,097	56,637,521
Repayment of medium term notes	34(d)	(37,532,446)	(14,254,237)
Proceeds from bank borrowings	34(e)	7,203,126	25,128,412
Repayment of bank borrowings	34(e)	(6,213,793)	(24,437,802)
Interest paid on borrowed funds - lines of credit	34(c)	(2,247,532)	(1,104,740)
Interest paid on medium term notes	34(d)	(10,297,243)	(4,681,454)
Interest paid on bank borrowings	34(e)	(327,794)	(608,895)
Other finance charges paid	34(f)	(797,508)	(802,389)
Net cash generated from / (used in)/ financing activities		12,976,232	63,347,820
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		469,868	27,704,885
EFFECT OF EXCHANGE RATE CHANGES		(686,972)	59,923
CASH AND CASH EQUIVALENTS AT 1 JANUARY		61,122,762	33,357,954
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	34(b)	60,905,658	61,122,762

1 ACCOUNTING POLICIES

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).

2. NEW AND AMENDED STANDARDS, INTERPRETATIONS AND IMPROVEMENTS

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended International Financial Reporting Standards (IFRS) and interpretations effective as of 1 January 2014.

- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 21 Levies
- IFRS 13 – Short-term Receivables and Payables

These revised standards and interpretations did not have any material effect on the financial performance or position of the company. They did, however, give rise to additional disclosures in some occasions.

IFRS 10, IFRS 12 and IAS 27- Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the company, since the company does not have any investment entities.

IAS 32 - Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the company.

IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Standards issued but not 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.

2. NEW AND AMENDED STANDARDS, INTERPRETATIONS AND IMPROVEMENTS (continued)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial liabilities, but no impact on the classification and measurement of the Company's financial assets

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would not be relevant to the Company, since the company does not have defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

2. NEW AND AMENDED STANDARDS, INTERPRETATIONS AND IMPROVEMENTS (continued)

Annual improvements 2010-2012 Cycle (continued)

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

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

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 3 Business Combinations

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

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

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

2. NEW AND AMENDED STANDARDS, INTERPRETATIONS AND IMPROVEMENTS (continued)

Annual improvements 2011-2013 Cycle (continued)

IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) 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$).

b) 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.

c) 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 capitalised 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.

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

e) Foreign currencies

The Company's financial statements are presented in United States Dollars (US$). The functional currency is the United States Dollars (US$).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Foreign currencies continued

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

f) Intangible assets

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

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

g) 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. Grants are initially recognised as deferred income at fair value and are subsequently amortised to profit or loss as follows:

Government of Kenya land grant	amortised over the period of the lease of the land on a straight-line basis.
Agence Française de Development (AFD) grant	amortised to profit or loss as the amounts are utilised in accordance with the grant agreement.

h) 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.

Leasehold 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.

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.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Property and equipment (continued)

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%

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

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.

i) 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.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or has decreased. If such indication exists, the Company estimates the asset's 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.

j) Retirement benefit costs

The Company operates a defined contribution provident fund scheme for all its employees. The assets of the scheme are held in a separate trustee administered fund that is funded by both the Company and employees. 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$ 2.23 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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.

l) 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: loans and advances to customers and staff loans
- Held-to-maturity investments: - Short term deposits, corporate bonds.
- Available-for-sale financial investments – Equity investments

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.

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 effective interest rate (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 Interest and similar income in profit or loss. The losses arising from impairment are recognised in profit or loss in impairment charge for loans and advances 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Financial instruments (continued)

(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 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 Interest and similar 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

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

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.

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 flows, such as changes in arrears or economic conditions that are correlated with default.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Financial instruments (continued)

(iii) Available-for-sale financial assets (continued)

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.

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. 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 borrowings, medium term notes, and lines of credit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Financial instruments (continued)

(iii) Available-for-sale financial assets (continued)

Subsequent measurement

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

Gains or losses on liabilities held for trading are recognised in profit or loss.
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.

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

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

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 profit or loss.

m) Provisions

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

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.

o) 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 (US$) of one million. The maximum amount that can be distributed is 20% of the profits after approval by the annual general meeting.

4. 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 profit or loss. 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.

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 16 (b).

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 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 amortised cost.

Property, plant and equipment

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

Fair value of financial instruments

Where the fair values of financial assets recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include other observable inputs, such as, sale of similar instruments in the market as and when they occur.

5. INTEREST AND SIMILAR INCOME

	2014 US$	2013 US$
Loans and advances	20,132,214	16,600,742
Placements with financial institutions	3,926,721	1,738,655
	24,058,935	18,339,397

6 INTEREST EXPENSE AND SIMILAR CHARGES

	2014 US$	2013 US$
Funds from financial institutions and capital markets	13,304,629	8,616,756
Bank charges	46,792	39,140
	13,351,421	8,655,896

7 FEES AND COMMISSIONS INCOME

	2014 US$	2013 (Restated) US$
Commitment fees	590,836	734,037
Appraisal fees	649,309	552,899
Front end fees	118,463	758,276
Penalty fees	681,107	379,134
Management fees	637,693	550,945
Trade finance fees	67,500	92,500
Other project fees	368,592	135,618
	3,113,500	3,203,409

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

Appraisal fees: These are non-refundable fees paid by the borrower to cater for any project appraisal expenses incurred when appraising the project. These are paid prior to the loan agreement being signed and are stated at 0.5 per cent on the loan amount.

Front-end fees: These are non-refundable fees paid by the borrower upon signing of the loan agreement stated at 1 per cent on the loan amount. The front end fees in 2013 contained front end fees for projects and front closing fees for Trade Finance products ($50,000). With the introduction of Trade Finance fees as a separate line item in 2014, the front closing fees for Trade Finance products for 2013 were reclassified from front end fees to Trade Finance fees .

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

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

Trade Finance fees: These are fees levied for the issuance and confirmation of trade finance instruments (e.g. letters of credit, guarantees, and performance bonds). They are charged at rates varying between 0.5% - 2% on the principal of the said trade finance instruments.

Other project fees : These include project management fees for managing the project , cancellation and termination fees payable by the borrower upon cancellation of the loan agreement

8 GRANT INCOME

	2014 US$	2013 US$
Government of Kenya land grant (note 21)	3,879	3,879
AFD interest advantage grant (note 32)	100,840	305,918
	104,719	309,797

9 OTHER INCOME

	2014 US$	2013 US$
Rental income	145,043	177,450
Gain on disposal of equipment	609	-
Dividend income-Equity participation	95,510	57,484
Interest on staff loans	77,136	40,344
Miscellaneous income	4,515	5,093
	322,813	280,371

10. OPERATING EXPENSES

	2014 US$	2013 US$
Staff costs (note 11)	4,707,723	4,261,067
Depreciation on property and equipment (note 22)	243,930	205,926
Amortization of grant income (Note 21)	3,879	3,879
Amortization of intangible assets (note 23)	119,212	117,220
Audit fees	28,413	26,555
Board of Directors' meetings	617,620	378,650
Official missions	335,109	455,392
Consultancy fees	206,565	129,606
Business promotion	123,563	105,751
Other administration costs*	1,850,182	1,148,724
	8,236,196	6,832,770

*Other Administrative costs comprise translation costs, recruitment, legal fees, printing, insurance, communication

11. STAFF COSTS

	2014 US$	2013 US$
Salaries and wages	3,940,763	3,607,933
Terminal benefits (Defined contribution plans)	540,743	445,516
Leave pay	193,848	199,469
Other costs	32,369	8,149
Total staff costs (Note 10)	4,707,723	4,261,067

12. GRANT EXPENDITURE

	2014 US$	2013 US$
AFD interest advantage grant (note 32)	100,840	305,918

13. EARNINGS PER SHARE

	2014 US$	2013 Restated US$
Profit for the year (US$)	450,655	4,367,764
Weighted average number of ordinary shares in issue	60,333	57,978
Basic earnings per share (expressed in US$ per share)	7.47	75.33

In 2013, total comprehensive income was used to compute the basic earnings per share, instead of the profit for the year. The earnings per share for 2013 has been restated to reflect the correct amount based on profit for the year as per IAS 33. 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 2013 and 31 December 2014.

14. CASH AND BANK BALANCES

	2014 US$	2013 US$
Amounts in United States Dollars (US$)	6,091,315	3,206,569
Amounts maintained in other currencies:		
Kenya Shillings	250,391	396,968
FCFA	2,265,221	694,234
Euro	186,238	8,292
South African Rand	267,425	28,887
Naira	3,913	-
	2,973,188	1,128,381
	9,064,503	4,334,950

15. SHORT TERM BANK DEPOSITS

	2014 US$	2013 US$
Call and term deposits with banks (Held-to-maturity):		
Amounts in United States Dollars (US$)	19,888,012	14,962,513
Amounts maintained in other currencies:		
Kenya Shillings	21,691,473	41,726,684
FCFA	8,922,239	2,477
Euro	1,339,431	-
South African Rand	-	96,138
	31,953,143	41,825,299
	51,841,155	56,787,812

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

	2014	2013
United States Dollars (US$)	2.1%	2.5%
Kenya Shillings	10.4%	7.2%
FCFA	4.8%	5.2%
Euro	3.0%	2.7%
South African Rand	0.3%	4.5%

All the bank deposits mature within three months from the dates of placement.

16. LOANS AND ADVANCES TO CUSTOMERS

(a) (i) Analysis of loans and advances

	2014 US$	2013 US$
At 1 January	188,822,185	140,856,996
Disbursements during the year	73,085,605	79,726,559
Repayment during the year	(44,371,825)	(30,803,689)
Amounts written off during the year (Principal)	-	(2,591,082)
Currency translation adjustment	(4,211,339)	1,633,401
At 31 December		
Principal loans and advances	213,324,626	188,822,185
Interest and fees receivable	12,402,745	10,995,417
Gross loans	225,727,371	199,817,602
Impairment provision for credit risk	(8,873,087)	(4,406,148)
Net loans and advances	216,854,284	195,411,454

16. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	2014 US$	2013 US$
(a) (ii) Analysis of loans and advances – profiling		
Current portion	78,820,347	65,289,193
Non-Current portion	138,033,937	130,122,261
Net loans and advances	216,854,284	195,411,454
(b) Impairment on loans and advances		
At 1 January	4,406,148	7,090,348
Amounts written off (Principal & Interest)	(288,859)	(5,041,947)
Charge for the year	4,832,591	2,284,510
Currency translation adjustment	(76,793)	73,237
At 31 December	8,873,087	4,406,148

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 9.56% (2013 – 10.46%) per annum.

The loans and advances balances above are the undiscounted contractual amounts.

(c) Analysis of gross loans by maturity	2014 US$	2013 US$
Maturing		
Within one year	87,693,435	69,695,339
One year to five years	96,724,238	84,562,934
Over five years	41,309,698	45,559,329
	225,727,371	199,817,602

17. OTHER RECEIVABLES

	2014 US$	2013 US$
(a) Analysis of other receivables		
Staff loans	1,523,337	1,207,490
Other debtors and prepayments	1,032,584	1,088,772
	2,555,921	2,296,262
Less: provision for doubtful amounts	(32,108)	(32,387)
Provision HQ Service charge	(86,122)	(90,401)
At 31 December	2,437,691	2,173,474
Current portion	1,003,111	722,294
Non-Current portion	1,434,580	1,451,180
At 31 December	2,437,691	2,173,474

17. OTHER RECEIVABLES (continued)

(a) Analysis of other receivables (continued)

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% (2013 - 5.8 %) per annum for the Kenya shilling denominated loans and the US$ denominated loans. The terms on the US$ denominated staff loans are at market rates and are equivalent to those that prevail in arm's length transactions.

The staff car loans and staff mortgage loans at the year-end are secured and settlement occurs in cash. The other category of staff loans are unsecured and settlement occurs in cash. For the year ended 31 December 2014, the company has not recorded any impairment of receivables relating to amounts owed by related parties (2013: US $ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

(b) Movement for Provision doubtful amounts

	2014 US$	2013 US$
As at 1 January	32,387	32,406
Additional Provision	-	-
Currency Exchange translation	(279)	(19)
Less: Amount written off	-	-
At 31 December	32,108	32,387

(c) Movement for Provision HQ Service charge

	2014 US$	2013 US$
As at 1 January	90,401	91,649
Additional Provision		-
Currency Exchange translation	(4,279)	(1,248)
At 31 December	86,122	90,401

18. INVESTMENT IN JOINT VENTURE

Everest Park Project Joint Venture 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 joint venture was incorporated in Kenya and the principal place of business is located at Shelter Afrique Centre, Longonot road, Nairobi, Kenya. The joint venture is not a listed entity.

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

Joint ventures 's statement of financial position:	2014 US$	2013 US$
Inventory property	-	971,280
Trade and other receivables	684,238	3,283,633
Fixed deposit	1,435,054	
Cash and bank balances	824,503	314,192
Other receivables	9,038	-
Total current assets	2,952,833	4,569,105

18. INVESTMENT IN JOINT VENTURE (continued)

	2014 US$	2013 US$
Borrowings	-	918,507
Trade and other payables	30,868	474,988
Total current liabilities	30,868	1,393,495
EQUITY	2,921,965	3,177,403
Proportion of the Company's 's ownership	50%	50%
Carrying amount of the investment	1,460,983	1,588,709
Joint ventures 's statement of profit and loss:		
Revenue	1,084,803	8,233,396
Interest income	90,069	6,853
Other Incomes	12,859	2,085
Cost of sales	(1,050,649)	(7,662,919)
Gross profit	137,082	579,415
Administration expenses	(19,666)	(71,493)
Profit before tax	117,416	507,922
Income tax expense	-	-
Profit after tax	117,416	507,922
Share of joint ventures profits	58,708	253,961
Reconciliation of Investment in joint venture		
1 January	1,588,709	1,338,203
Capital Reduction	(115,498)	-
Share of profit / (loss)	58,708	253,961
Currency translation adjustment	(70,937)	(3,455)
At 31 December	1,460,983	1,588,709

19. EQUITY INVESTMENTS

	2014 US$	2013 US$
Caisse Régionale de Refinancement Hypothécaire (CRRH)		
Opening balance	1,055,480	1,084,647
Additions	-	-
Revaluation	-	10,503
Other fair value adjustments	-	(88,284)
Exchange difference	(126,303)	48,614
Closing balance	929,177	1,055,480

19. EQUITY INVESTMENTS (Continued)

Banque de L'Habitat du Burkina Faso (BHBF)	2014 US$	2013 US$
Opening balance	1,540,591	1,006,166
Additions		-
Exchange difference	(184,353)	78,617
Revaluation	-	455,808
	1,356,238	1,540,591
Pan African Housing Fund LLC		
Opening balance	-	-
Additions	652,590	-
Exchange difference	-	-
Revaluation	-	-
	652,590	-
Total Equity Investments closing balance	2,938,005	2,596,071

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.

The fair value was adjusted as a result of recommendations of the audit firm, KPMG, in their report to shareholders of CRRH-UEMOA , advising them on new share capital subscription that had been offered to development and financial institutions, at FCFA 10,896 per share. The new value of the equity investment by Shelter Afrique was revalued to FCFA 501,216,000 to reflect the new share price of FCFA 10,896 per share.

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 FCFA 10,000.

The first fair valuation was done in February 2013, following a capital increase resolution by shareholders at the annual general meeting, and that the new share price was set at FCFA 13,900 per share.

Pan African Housing Fund LLC

The Pan African Housing Fund (PAHF) is a sector-specific private equity fund whose key objective is to promote directly and indirectly the provision of housing solutions in Africa. The current investors of Pan African Housing Fund LLC are Shelter Afrique, CDC Group plc (CDC), Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), African Development Bank (AfDB), African Reinsurance Corporation (Africa Re), Eastern and Southern African Trade and Development Bank (PTA Bank) and Phatisa. The Pan African Housing Fund seeks to provide risk capital to real estate projects on a joint-venture basis to selected local developers and works closely with these developers to increase their capabilities across both technical and scale dimensions. The shares were purchased during year and hence they are valued cost investments.

20. CORPORATE BONDS

	2014		2013	
	Amortized cost US$	Market Value US$	Amortized cost US$	Market Value US$
Corporate bonds – held to maturity	28,800	33,588	2,582,932	2,580,710
Corporate bonds – loans and receivables	-	-	300,000	275,731
	28,800	33,588	2,882,932	2,856,441

The average effective interest rate for the corporate bonds during the year ended 31 December 2014 was 4.74% (2013: 4.74 %) per annum. The market value is as quoted on the New York Stock exchange where the securities are quoted.

	2014 US$	2013 US$
Maturing:		
One year to five years	100,000	753,897
Over five years	-	1,900,235
Held to perpetuity (with a maturity of over 50 years)	-	300,000
	100,000	2,954,132
Impairment provision for credit risk	(71,200)	(71,200)
	28,800	2,882,932

The Company has reviewed the valuation of the corporate bonds. No further provision has been made for impairment as the carrying value approximates the fair value thereof. In the opinion of the Directors, the current levels of provisions reflect a prudent assessment of the quality of the Company's corporate bonds.

21. GOVERNMENT GRANT

	2014 US$	2013 US$
Value of grant received	200,000	200,000
At 1 January	128,024	131,903
Released to the statement of profit or loss	(3,879)	(3,879)
At 31 December	124,145	128,024
Current	3,879	3,879
Non-current	120,266	124,145
	124,145	128,024
Amounts released to date:		
At 1 January	71,976	68,097
Charge for the year	3,879	3,879
	75,855	71,976

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 32 to these financial statements.

22 PROPERTY AND EQUIPMENT

	Leasehold land and 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 2013	3,705,617	541,391	291,261	97,652	88,049	4,723,970
Additions	-	12,152	33,542	-	-	45,694
Disposals	-	-	-	-	-	-
At 31st December 2013	3,705,617	553,543	324,803	97,652	88,049	4,769,664
Comprising:						
At cost	2,426,842	553,543	324,803	97,652	88,049	3,490,889
At valuation	1,278,775	-	-	-	-	1,278,775
	3,705,617	553,543	324,803	97,652	88,049	4,769,664
At 1 January 2014	3,705,617	553,543	324,803	97,652	88,049	4,769,664
Additions	346,581	87,750	47,584	-	60,680	542,595
Disposals	-	(3,611)	-	-	(44,644)	(48,255)
At 31 December 2014	4,052,198	637,682	372,387	97,652	104,085	5,264,004
Comprising:						
At cost	2,773,423	637,682	372,387	97,652	104,085	3,985,229
At valuation	1,278,775	-	-	-	-	1,278,775
	4,052,198	637,682	372,387	97,652	104,085	5,264,004
DEPRECIATION						
At 1 January 2013	201,126	370,315	215,649	16,934	50,740	854,764
Charge for the Year	100,851	39,353	31,355	24,413	9,954	205,926
Disposals	-	-	-	-	-	-
As at 31 December 2013	301,977	409,668	247,004	41,347	60,694	1,060,690
At 1 January 2014	301,977	409,668	247,004	41,347	60,694	1,060,690
Charge for the Year	137,569	39,115	34,214	24,413	8,619	243,930
Disposals	-	(3,272)	-	-	(31,358)	(34,630)
As at 31 December 2014	439,546	445,511	281,218	65,760	7,955	1,269,990
NET CARRYING AMOUNT						
As at 31 December 2014	3,612,652	192 171	91 169	31 892	66,130	3,994,014
As at 31 December 2013	3,403,638	144,753	77,105	56,303	27,173	3,708,965

22. 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 US$ 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$531,321 (2013 - US$466,715) which were fully depreciated. The normal annual depreciation charge on these assets would have been US$ 92,970(2013 -US$ 80,203).

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

(iv) The 2013 assets comparatives have been restated to reflect the correct classification of assets. The reclassification has no impact on the financial statements, .

23. INTANGIBLE ASSETS

	2014 US$	2013 US$
COST		
At 1 January	879,488	605,193
Additions	103,029	274,295
At 31 December	982,517	879,488
AMORTIZATION		
At 1 January	302,398	185,178
Charge for the year	119,212	117,220
	421,610	302,398
NET CARRYING AMOUNT		
At 31 December	560,907	577,090

The intangible assets relate to computer software, the major component being Oracle ERP which has been used since October 2010. Included in intangible assets are assets with a cost of US$ 71,845 (2013 -US$ 60,871) which have been fully amortised. The normal annual amortisation charge on these assets would have been US$14,369 (2013 –US$ 15,218).

24. SHARE CAPITAL AND SHARE PREMIUM

(a) SHARE CAPITAL

	2014 US$	2013 US$
Authorised:		
1,000,000 ordinary shares of US$ 1,000 each	1,000,000,000	1,000,000,000
Issued and called:		
146,114 ordinary shares of US$ 1,000 each	146,114,000	146,114,000
Paid up:		
Class A: Issued and fully paid:		
47,727 ordinary shares of US$ 1000 each (2013–46,746)	47,727,000	46,746,000
Class B: Issued and fully paid:		
13,096 ordinary shares of US$ 1,000 each	13,096,000	13,096,000
	60,823,000	59,842,000
Callable capital	500,000,000	500,000,000

24. SHARE CAPITAL AND SHARE PREMIUM

(a) SHARE CAPITAL (continued)

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

The callable capital is callable from existing shareholders.

(b) SHARE PREMIUM

	2014 US$	2013 US$
At end of year	14,985,447	14,230,752

Share premium arises from new and current shareholders both 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$1,773 (2013-US$1,706) for current shareholders and US$2,334 (2013 - US$2,236) for new shareholders.

(c) MOVEMENT IN PAID UP CAPITAL

	Number of shares	Ordinary Share US$	shares premium US$	Total US$
At 1 January 2013	56,114	56,114,000	11,598,784	67,712,784
Paid up in the year	3,455	3,455,000	2,439,230	5,894,230
Write Backs from Dividends	267	267,000	188,502	455,502
Write Backs from Fractional Shares	6	6,000	4,236	10,236
At 31 December 2013	59,842	59,842,000	14,230,752	74,072,752
At 1 January 2014	59,842	59,842,000	14,230,752	74,072,752
Paid up in the year	924	924,000	710,634	1,634,634
Write Backs from Dividends	57	57,000	44,061	101,061
At 31 December 2014	60,823	60,823,000	14,985,447	75,808,447

25. BANK BORROWINGS

	2014 US$	2013 US$
Banque Atlantique	-	3,801,039
CFC Stanbic Rand facility	4,384,080	-
Interest payable on loans	1,687	105,321
	4,385,767	3,906,360
Analysis of borrowings by maturity:		
Maturing:		
Within one year	4,385,767	3,906,360

Bank borrowings relate to short-term facilities obtained from CFC Stanbic at an interest rate of 9.7518%. The facility is unsecured. The short-term facility from Banque Atlantique was fully repaid during the year.

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26. MEDIUM TERM NOTES

	2014 US$	2013 US$
CFA bond – (2008 – 2014)	-	1,680,481
CFA bond – (2009 – 2014)	-	3,158,758
CFA bond – (2014 – 2020)	18,538,458	-
Kenya Shilling bond – 2011 – 2014	-	19,319,961
Kenya Shilling bond – 2012 – 2015	3,681,105	5,793,092
Kenya Shilling bond – 2013 – 2018	55,188,978	57,930,916
Interest payable on loans	2,208,633	2,774,208
Deferred charges on medium term notes	(1,336,396)	(1,015,058)
	78,280,778	89,642,358
Maturity analysis for the medium term notes:		
Maturing:		
Within one year	4,553,342	27,847,449
One year to five years	73,727,436	61,794,909
	78,280,778	89,642,358

The Communauté Financière Africaine-Franc (FCFA (2014-2020) bond was for FCFA 10 billion-(US$18.5 million) and was raised in 2014 through CGF Bourse for the duration 2014 to 2020 at an interest rate of 6.6% p.a.

The Kenya Shilling Bond 2011 – 2014 for KShs 2.5 billion, CFA Bond – (2008 – 2014) and CFA Bond – (2009 – 2014) were fully repaid during the year.

The Kenya Shilling Bond 2012 – 2015 for KShs 500 million (US$5.8 million) was launched in 2012 through the Nairobi Securities Exchange for the duration 2012 to 2015 at a fixed interest rate of 12.75%.

The Kenya Shilling Bond 2013 – 2018 for KShs5 billion (US$57.9 million) was launched in 2013 through the Nairobi Securities Exchange for the duration 2013 to 2018. Interest rate is fixed at 12.75% for some KShs4.2 billion (US$ 49 million) and a floating rate of 1.5% above the 182-day Treasury bill rate for KShs760,300,000 (US$ 8,808,975).

The medium term notes are all unsecured.

27. LINES OF CREDIT

	2014 US$	2013 US$
AfDB line of credit	20,184,211	23,289,474
AFD line of credit	6,840,242	9,496,438
FMO line of credit	-	3,336,000
Ghana International Bank	714,286	3,571,429
AFD USD Loan	20,000,000	15,000,000
Commercial Bank of Africa - Euro	195,040	1,317,760
Commercial Bank of Africa - USD	-	10,600,000
European Investment Bank	12,901,156	-
AFD Kshs social Housing	4,886,970	-
CBA syndicated loan	8,700,000	-
AfDB Trade Finance	20,000,000	-
Interest payable	705,927	457,865
	95,127,832	67,068,966

27. LINES OF CREDIT (Continued)

	2014 US$	2013 US$
(i) Analysis of borrowings by maturity:		
Maturing:		
Within one year	1,615,253	11,482,947
One year to five years	80,507,571	38,522,024
Over five years	13,005,008	17,063,995
	95,127,832	67,068,966
(ii) LINES OF CREDIT – PROFILING		
Current portion	1,615,253	11,482,946
Non-Current portion	93,512,579	55,586,020
	95,127,832	67,068,966

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 charging an interest rate of 1.9264% which is reset every six months. The loan is repaid semi annually and will be fully repaid by February 2021.

Agence Française de Development (AFD) credit amounts to Euro 10Million (US$ 12.16 million). The first drawdown of Euro 5million (US$ 6.08 million) was obtained in 2010 at an interest rate of 1.03%. The second draw down of Euro 5million (US$ 6.08 million) was obtained in 2011 at 0.92%. The loan will be fully repaid by April 2019.

NederlandseFinancierings-MaatschappijVoorOntwillelingslanden N.V. (FMO) was fully repaid in October 2014.

The Ghana International Bank loan of US$ 5 million was secured in March 2013 at an interest rate of 3 months Libor plus a margin of 4.25%.

Agence Française de Development (AFD) loan relates to a US$ 20 million line of credit at an interest rate of 6 months Libor plus a margin of 3.6%.

Commercial Bank of Africa (CBA) loan relates US$ 15million line of credit which can be drawn down in either Euro or United States dollar (US$). Euro 658,752 (US$ 801,071) was drawn down in April 2014 at an interest rate of one year Libor plus a margin of 4.75%. The US$ 10.6 million loan drawn down in 2013 was fully repaid during the year.

European Investment bank (EIB) line of credit amounts to Euro 15 Million (US$ 18.24 million). Three draw downs were done in August 2014 totalling to US$ equivalent US$ 12,901,156, two draw downs in US$ and one draw down in Euro as follows; First draw down: US$ 5,403,755 for 6 years maturing on 31 December 2020 at a fixed interest rate of 3.149%. Second draw down: US$ 6,672,500 for 4 years maturing on 31 December 2018 at 6 months Libor plus 1.27% spread. Third draw down: Euro 678,348 (US$ 824,871) for 4 years maturing on 31 December 2018 at 6 months Euribor plus 1.164% spread.

Agence Française de Development (AFD) Social Housing line of credit amounts to Euro 3.77 million (US$ 4.58 million) drawn down in KES at a fixed interest rate of 10% for 10 years maturing in August 2025.

Commercial Bank of Africa (CBA) Syndicated loan amounts to US$ 20 million. The utilized amount as at 31 December 2014 was US$ 8.7 million at an interest rate of 1 year Libor plus 4.75% p.a. for 36 months. The loan matures on 31 December 2017.

African Development bank (AfDB) Trade Finance line of credit of US$ 20 million was fully drawn down in December 2014. The line of credit runs at an interest rate of 6 months Libor plus 3.05% spread for 4 years maturing on 31 December 2018.

All the above lines of credit are unsecured.

28. OTHER PAYABLES

	2014 US$	2013 US$
Accruals	1,708,339	2,175,458
Terminal benefits	-	197,829
Rent deposits	94,949	69,325
Share capital subscriptions (fractional shares) (i)	33,697	25,622
	1,836,985	2,468,234

i) Movement of Share capital subscriptions (fractional shares)

	2014 US$	2013 US$
At 1 January	25,622	21,801
From Increase in Capital subscriptions during the year	2,275	8,652
From Increase in Dividend Writebacks during the year	5,800	5,405
Transfer to Share Capital during the year	-	(10,236)
At 31 December	33,697	25,622

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

29. LEAVE PAY

	2014 US$	2013 US$
At 1 January	379,748	264,511
Increase in provision	193,848	199,469
Payment of leave pay	(122,240)	(84,232)
At 31 December	451,356	379,748

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

30. DIVIDENDS PAYABLE

	2014 US$	2013 US$
At 1 January	530,604	1,196,464
Dividend declared	949,135	674,492
Dividend paid out to shareholders	(60,485)	(879,445)
Dividend Written Back to Share Capital	(106,861)	(455,502)
Dividend Written Back to Fractional Shares	-	(5,405)
At 31 December	1,312,393	530,604

The Directors do not recommend the payment of a dividend in 2014. (2013 - US$ 949,135, representing US$ 15.86 per share). Dividend written back refers to the amount declared as dividend to shareholders who opted to increase their share capital instead of receiving cash payments. Thus, the dividend was used to acquire additional shares

31. TRUST FUND PAYABLE

This amount is due to the Shelter Afrique Trust Fund whose formation was approved by the Annual General Meeting in June 2013. The Trust Fund is still in the process of being legally formed. The Trust Fund was to receive seed capital from Shelter Afrique through appropriations of net profit. The purpose of the fund was to mobilize funds for the purpose of alleviating urban poverty with specific focus on providing grants and concessionary financing for housing projects targeted at very low income groups, support for innovation research aimed at development of new construction methods and processes, capacity building and general charitable projects.

32. DEFERRED INCOME

	2014 US$	2013 US$
At 1 January	103,965	111,555
Amortization of Government of Kenya grant (note 8 and 21)	(3,879)	(3,879)
AFD interest advantage grant for the year	207,597	302,207
AFD grant expenditure for the year (note 8 and 12)	(100,840)	(305,918)
Deferred Front End Fees	376,072	-
At 31 December	582,915	103,965

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).

33. 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 (i.e. as prices) or indirectly (i.e. 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).
Management assessed that cash and short-term deposits, trade receivables, trade payables, bank Borrowings and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

33. FAIR VALUE HIERARCHY (continued)

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

- The fair values of the quoted bonds are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

  In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.

  The fair values of the unquoted ordinary shares have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments. The fair values of the remaining AFS financial assets are derived from quoted market prices in active markets.

- The fair values of the company's interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The company' s own non-performance risk as at 31 December 2014 was assessed to be insignificant

33. FAIR VALUE HIERARCHY (Continued)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2014:

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets :				
EQUITY INVESTMENTS				
Caisse Régionale de Refinancement Hypothécaire (CRRH)	-	929,177	-	929,177
Banque de L'Habitat du Burkina Faso (BHBF)	-	1,356,238	-	1,356,238
Pan African Housing Fund LLC:	-	652,590	-	652,590
Corporate Bonds	33,588	-	-	33,588
Financial liabilities :				
Quoted debt instruments :				
Kenya Shilling Bond -2012-2015	3,681,105	-	-	3,681,105
Kenya Shilling Bond -2013-2018	55,188,978	-	-	55,188,978
CFA Bond 5 - 6.60% 2014-2020	18,538,458	-	-	18,538,458
Lines of credit	-	-	95,127,832	95,127,832
Assets for which fair values are disclosed				
Loans and receivables	-	-	-	-
Loans and advances to customers	-	-	220,691,773	220,691,773

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy – Level 3

33. FAIR VALUE HIERARCHY (Continued)

The significant unobservable inputs used in the fair value measurement categorised within Level 2 and 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2014 are as shown below:

Description	Valuation method	Significant unobservable inputs	Sensitivity	Effect on fair value
Unquoted equity shares	DCF	Long-term growth rate for cash flows for subsequent years	10%	293,800
		Discount for deterioration of expected security value due to political instability in respective member countries	2%	58,760
		WACC	10%	293,800
		Lack of marketability of the assets	1%	29,380
Loans and advances to customers	DCF	Discount for lack of liquidity of security	5%	11,034,588
		Discount for expected future default rates	2%	4,413,835
		Discount for deterioration of expected security value due to political instability in respective member countries	2%	4,413,835
Lines of credit	DCF	Own non-performance risk	0.1%	95,127
		Constant repayment rate	2%	1,902,556

33. FAIR VALUE HIERARCHY (Continued)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities for 2013. Quantitative disclosures of fair value measurement hierarchy for assets as at 31 December 2013:

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Financial assets :				
Unquoted equity shares:				
Caisse Régionale de Refinancement Hypothécaire (CRRH)	-	1,055,480	-	1,055,480
Banque de L'Habitat du Burkina Faso (BHBF)	-	1,540,591	-	1,540,591
Corporate Bonds	2,856,441	-	-	2,856,441
Financial liabilities :				
Quoted debt instruments :				
Kenya Shilling Bond -2011-2014	19,319,961	-	-	19,319,961
Kenya Shilling Bond -2012-2015	5,793,092	-	-	5,793,092
Kenya Shilling Bond -2013-2018	57,930,916	-	-	57,930,916
Debt-CFA Bond 3 - 6% 2008-2014	1,680,291	-	-	1,680,291
Debt-CFA Bond 4 - 6.75% 2009-20	3,158,758	-	-	3,158,758
Lines of credit	-		67,068,966	67,068,966
Assets for which fair values are disclosed	-	-	-	-
Loans and receivables	-	-	-	-
Loans and advances to customers	-	-	*196,347,385	*196,347,385

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy – Level 3

* These amounts had previously been shown at amortised cost however they have been amended to reflect the fair value of the loans as at 31 December 2013

33. FAIR VALUE HIERARCHY (Continued)

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2013 are as shown below:

Description	Valuation method	Significant unobservable inputs	Sensitivity	Effect on fair value
Unquoted equity shares	DCF	Long-term growth rate for cash flows for subsequent years	10%	259,607
		Discount for deterioration of expected security value due to political instability in respective member countries	2%	51,922
		WACC	10%	259,607
		Lack of marketability of the assets	1%	25,960
Loans and advances to customers	DCF	Discount for lack of liquidity of security	5%	9,770,573
		Discount for expected future default rates	2%	3,908,229
		Discount for deterioration of expected security value due to political instability in respective member countries	2%	3,926,948
Lines of credit	DCF	Own non-performance risk	0.1%	67,068
		Constant repayment rate	2%	1,341,379

Financial assets such as short-term bank deposits and other receivables approximate fair values and therefore not included in the fair value hierarchy.

34. NOTES TO THE STATEMENT OF CASH FLOWS (Restated)

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

	2014 US$	2013 (Restated) US$
Profit for the year	450,655	4,745,791
Adjustments for:		
Interest expense on funds from financial institutions and capital markets (note 6)	13,351,421	8,655,896
Gain on disposal of property and equipment	(609)	-
Depreciation of property and equipment (Note 22)	243,930	205,926
Amortization of grant income (Note 21)	3,879	3,879
Amortization of intangible assets (Note 23)	119,212	117,220
Gain on everest joint venture	(58,708)	(253,961)
Foreign exchange (gain)/loss	686,972	(59,923)
Net foreign exchange loss/ (gain) - joint venture	70,937	3,455
Net foreign exchange loss/ (gain) – equity investment	310,656	(505,258)
Net foreign exchange loss/ (gain) - lines of credit	(1,331,834)	335,378
Net foreign exchange loss/ (gain) – medium term notes	(5,830,814)	475,079
Net foreign exchange loss/ (gain) – Bank borrowings	(414,162)	329,414
Cash flows from operating profits before changes in operating assets and liabilities	7,601,535	14,052,896
Movements in:		
Loans and advances to customers	(21,066,758)	(50,278,933)
Corporate bonds	2,854,132	1,058,226
Other receivables	(264,215)	(466,139)
Other payables	(565,443)	318,593
Deferred income	102,877	(7,589)
Net cash used in operations	(11,337,872)	(35,322,946)

(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:

	2014 US$	2013 US$
Bank and cash balances	9,064,503	4,334,950
Short term bank deposits	51,841,155	56,787,812
Cash and cash equivalents	60,905,658	61,122,762

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates.

In 2013, Shelter Afrique obtained approval from the Kenya Capital Markets Authority (CMA) for an eight (8) billion (US$ 92.7 million equivalent) Kenya shilling bond programme. The first tranche of Kenya shillings five (5) billion (US$ 57.9 million equivalent) bond was successfully raised during the year 2013. The remaining tranche of Kenya shillings three (3) billion bond is projected to be raised in 2015.

34 NOTES TO THE STATEMENT OF CASHFLOWS (continued)

(b) Cash and cash equivalents(continued):

The company also has various facilities granted by financial institutions including:

- Syndicated loan facility through Commercial Bank of Africa of $11.3Million.
- Trade finance facility of US$ 10Million with Commercial Bank of Africa.
- Revolving short term loans of US$2.2 million (Kenya shillings 200 million) with Commercial Bank of Africa
- Bridge Finance facility of FCFA 14 billion (US$ 26million) with Groupe Banque Atlantique.

(c) Analysis of movement in line of credit:

	2014 US$	2013 US$
At 1 January	67,068,966	44,071,287
Additional borrowings in the year	60,620,627	31,845,697
Repayments in the year	(31,481,451)	(9,397,710)
Interest expense for the year	2,499,056	1,319,054
Interest paid in the year	(2,247,532)	(1,104,740)
Net foreign exchange loss	(1,331,834)	335,378
At 31 December	95,127,832	67,068,966

(d) Analysis of movement in medium term notes

	2014 US$	2013 US$
At 1 January	89,642,358	45,597,300
Additional borrowings in the year	32,476,097	56,637,521
Repayments in the year	(37,532,446)	(14,254,237)
Interest expense for the year	9,583,687	5,868,149
Interest paid in the year	(10,297,243)	(4,681,454)
Net foreign exchange loss/ (gain)	(5,830,814)	475,079
At 31 December	78,041,639	89,642,358

(e) Analysis of movement in bank borrowings

	2014 US$	2013 US$
At 1 January	3,906,360	2,828,927
Additional borrowings in the year	7,203,126	25,128,412
Repayments in the year	(6,213,792)	(24,437,802)
Interest expense for the year	232,031	666,304
Interest Paid in the year	(327,794)	(608,895)
Net foreign exchange loss/ (gain)	(414,162)	329,414
At 31 December	4,385,767	3,906,360

(f) Other finance charges paid

	2014 US$	2013 US$
Interest expense on lines of credit	2,499,056	1,319,054
Interest expense on medium term notes	9,583,687	5,868,149
Interest expense on bank borrowings	232,031	666,304
Other financial charges	797,508	802,389
Total interest and similar charges	13,112,282	8,655,896

The 2013 borrowings analysis comparative has been restated to reflect the correct reclassification of borrowings. This has no impact on the financial statements as the Statement of Financial Position was correctly stated.

35. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments:

	2014 US$	2013 US$
Approved and signed project loans	92,536,845	99,420,842
Office furniture and computerization	402,814	241,500
Headquarter building structural repairs	294,000	150,000
Motor vehicles	120,000	-
	93,353,659	99,812,342

(b) Contingent liabilities:

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

36. 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$1,523,337; 2013: US$ 1,207,490 disclosed in Note 17, there were no other related party transactions undertaken during the year between the Company and staff. The new staff loans advanced to key management staff in the year 2014 amounted to US$ 212,502. Interest income received on staff loans and advances during the year amounted to US$ 77,135 (2013– US$40,344).

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

	2014 US$	2013 US$
Salaries and other short-term benefits	907,918	786,918
Post-employment benefits	92,811	144,759
	1,000,729	931,677
Directors' remuneration		
Short term benefits: fees for services as directors	332,500	153,000

b) Investment in Joint Venture

The Company granted a loan to the Joint Venture for a total of US $ 3,162,276 in 2013 in order to retire an existing debt of the joint venture. The loan was denominated in Kenya Shilling and was advanced with tenure of 6 months at a variable interest rate of 16.5%. Balances as at the year-end were:

	2014 US$	2013 US$
At 1 January	977,262	-
Loans granted balance	-	918,507
Interest charged on the loan	12,215	58,755
Repayments	(989,477)	-
Total	-	977,262

The loan has been repaid in the year 2014.

37. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance. The Company's risk management policies are designed to identify and analyse these risks, to set appropriate tolerable risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

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

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

a) Capital Management

	2014 US$	2013 US$
Share capital and share premium	75,808,447	74,072,752
Retained earnings	27,672,296	29,562,829
Available-for-sale reserve	537,001	537,001
Revaluation surplus	1,884,980	1,916,666
	105,902,724	106,089,248
Bank borrowings	4,385,767	3,906,360
Lines of Credit	95,127,832	67,068,966
Medium term notes	78,280,778	89,642,358
	177,794,377	160,617,684
Total Capital	283,697,101	266,706,932
Gearing ratio	63%	60%

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.

37. FINANCIAL RISK MANAGEMENT (Continued)

a) Capital Management (continued)

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 company has set a minimum capital adequacy ratio of 25%, these have so far been met. The capital adequacy ratio has been arrived by taking the company's core capital expressed as a percentage of its risk weighted assets.

The capital structure of the Company consists of debt, which includes the bank borrowings, medium term notes, and lines of credit disclosed in notes 25, 26 and 27, respectively, and equity attributable to equity holders, comprising issued and paid capital, reserves and retained earnings as disclosed in note 24. 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 a 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's business environment
(ii) The borrower's financial strength and condition
(v) The project viability
(vi) 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.

37. FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk Management (continued)

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. 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 adequate 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 credit risk 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	2014 US$	2014 %	2013 US$	2013 %
Normal	171,199,244	76%	151,552,832	76%
Watch	27,762,240	12%	27,415,645	14%
Substandard	20,888,034	9%	12,812,389	6%
Doubtful	5,877,853	3%	8,036,736	4%
Loss			-	0%
Total	225,727,371	100%	199,817,602	100%
Less Provision	(8,873,087)	-	(4,406,148)	-
Total	216,854,284	-	195,411,454	-

Classification of credit risk bearing assets

The maximum exposure to credit risk before collateral held or other credit enhancements is US$ 225,727,371 (2013 - US$199,817,602) 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 2014, collateral was held on project loans totalling US$225,727,371 (2013– US$199,817,602) which provided sufficient cover against credit risk.

37. FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk Management (continued)

The table below represents a classification of the Company's project loans and other receivables as at 31 December 2014.

	Gross amounts US$	Impairment allowances US$	Net amounts US$	%
Neither past due nor impaired	171,199,244	-	171,199,244	79%
Past due but not impaired	27,762,240	-	27,762,240	13%
Impaired	26,765,887	(8,873,087)	17,892,800	8%
	225,727,371	(8,873,087)	216,854,284	100%

The table below represents a classification of the Company's project loans and other receivables as at 31 December 2013.

	Gross amounts US$	Impairment allowances US$	Net amounts US$	%
Neither past due nor impaired	119,734,454	-	119,734,454	61%
Past due but not impaired	59,234,022	-	59,234,022	31%
Impaired	20,849,126	(4,406,148)	16,442,978	8%
	199,817,602	(4,406,148)	195,411,454	100%

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

	2014 US$	2013 US$
Loans and advances	8,873,087	4,406,148
Other receivables	32,108	32,387
	8,905,195	4,438,535

Ageing of arrears for past due but not impaired project loans

	2014 US$	2013 US$
0-3 months	15,419,432	46,224,673
3-6 months	7,278,900	13,009,349
6–12 months	5,063,908	-
	27,762,240	59,234,022

37. FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk Management (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 under 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 as well as equity investments 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 and at limited exposure limits to each bank. The Company's maximum exposure to credit risk for other financial assets is shown below.

	2014 US$	2013 US$
Bank and cash balances	9,064,503	4,334,950
Short term bank deposits	51,841,155	56,787,812
Corporate bonds	28,800	2,882,932
Equity Investments	2,938,005	2,596,071
	63,872,463	66,601,765

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 and equity investments 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 utilising 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.

37 FINANCIAL RISK MANAGEMENT (Continued)

c) Market Risk Management (continued) – Currency Risk

AT 31 DECEMBER 2014	US$	EUR	CFA	KSHS	ZAR US$	NAIRA	Total
ASSETS							
Bank and cash balances	6,091,315	186,238	2,265,221	250,391	267,425	3,913	9,064,503
Short term deposits	19,888,012	1,339,431	8,922,239	21,691,473	-	-	51,841,155
Corporate bonds	28,800	-	-	-	-	-	28,800
Loans and advances to customers	155,227,876	1,498,066	13,268,328	42,549,093	4,310,921	-	216,854,284
Total financial assets	181,236,003	3,023,735	24,455,788	64,490,957	4,578,346	3,913	277,788,742
LIABILITIES							
Bank borrowings	-	-	-	-	4,385,767	-	4,385,767
Debt securities	-	-	18,964,182	59,316,596	-	-	78,280,778
Lines of credit	82,174,671	7,873,426	-	5,079,735	-	-	95,127,832
Total financial liabilities	82,174,671	7,873,426	18,964,182	64,396,331	4,385,767	-	177,794,377
Net position	99,061,332	(4,849,691)	5,491,606	94,626	192,579	3,913	99,994,365
AT 31 DECEMBER 2013							
Total financial assets	152,228,774	6,483,102	14,844,160	85,625,277	235,835	-	259,417,148
Total financial liabilities	56,239,086	10,829,880	8,676,667	84,872,051	-	-	160,617,684
Net position	95,989,688	(4,346,778)	6,167,493	753,226	235,835	-	98,799,464

37. FINANCIAL RISK MANAGEMENT (Continued)

c) Market Risk Management (continued)

Currency Risk (Continued)

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

Currency	EURO	CFA	KSHS	ZAR	TOTAL
	5%	4%	4%	1%	
Impact 2014	(242,485)	219,664	3,785	1,926	(17,109)
	EUR	CFA	KSHS	ZAR	TOTAL
	5%	4%	4%	1%	
Impact 2013	(217,339)	246,700	30,129	2,358	61,848

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non–trading equity price risk exposure arises from equity securities classified as available-for-sale. A 10 per cent increase in the value of the company's available-for-sale equities at 31 December 2014 would have increased equity by US$ 293,800 (2013: US$ 259,607). An equivalent decrease would have resulted in an equivalent but opposite impact and would cause a potential impairment, which would reduce profitability by the same amount.

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.

37. FINANCIAL RISK MANAGEMENT (Continued)

c) Market Risk Management – Interest Rates

	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 2014									
Assets									
Bank and cash balances	9,064,503	-	-	-	-	9,064,503	-	-	9,064,503
Short term deposits	-	44,102,348	-	6,900,487	-	51,002,835	838,320	-	51,841,154
Corporate bonds	-	28,800	-		-	28,800	-	-	28,800
Loans and advances to customers	-	150,056,920	-	-	-	150,056,920	12,402,746	54,394,619	216,854,284
Total financial assets	9,064,503	194,188,068	-	6,900,487	-	210,153,058	13,241,066	54,394,619	277,788,741
Liabilities									
Bank borrowings	-	4,385,767	-	-	-	4,385,767	-	-	4,385,767
Lines of credit	-	68,395,897	8,895,040	-	-	77,290,937	705,927	17,130,968	95,127,832
Medium term notes	-	-	8,517,486	-	-	8,517,486	633,098	69,130,194	78,280,778
Total financial liabilities	-	72,781,664	17,412,526	-	-	90,194,190	1,339,025	86,261,162	177,794,377
Net interest rate sensitivity gap	9,064,503	121,406,404	(17,412,526)	6,900,487	-	119,958,868	11,902,041	(31,866,543)	99,994,364
AT 31 December 2013									
Assets									
Bank and cash balances	-	-	-	-	-	-	4,334,950	-	4,334,950
Short term deposits	14,018,231	41,874,081	-	-	-	55,892,312	895,499	-	56,787,811
Corporate bonds	250,000	-	-	-	-	250,000	-	2,632,932	2,882,932
Loans and advances to customers	-	119,667,033	-	-	-	119,667,033	10,995,417	64,749,000	195,411,450
Total financial assets	14,268,231	161,541,114	-	-	-	175,809,345	16,225,866	67,381,932	259,417,143
Liabilities									
Bank borrowings	-	-	-	-	-	-	-	3,906,360	3,906,360
Lines of credit	-	53,778,662	-	-	-	53,778,662	457,866	12,832,438	67,068,966
Medium term notes	-	19,757,906	-	-	-	19,757,906	1,759,151	68,125,301	89,642,358
Total financial liabilities	-	73,536,568	-	-	-	73,536,568	2,217,017	84,864,099	160,617,684
Net interest rate sensitivity gap	14,268,231	88,004,546	-	-	-	102,272,777	14,008,849	(17,482,167)	98,799,459

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$ 600,126 (2013–US$ 511,364) and a similar impact on equity by US$ 530,709 (2013–US$ 530,446) . A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

37 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:

37. FINANCIAL RISK MANAGEMENT (Continued)
d) Liquidity Risk Management (Continued)

	Up to 1 month US$	2-6 months US$	6-12 months US$	1-5 years US$	over 5 years US$	Open ended US$	Total US$
AT 31 DECEMBER 2014							
Financial assets							
Bank and cash balances	9,064,503	-	-	-	-	-	9,064,503
Short term deposits	-	53,569,614	-	-	-	-	53,569,614
Corporate bonds	-	-	-	-	28,000	-	28,000
Loans and advances to customers	37,562,133	25,796,856,	24,334,445	96,724,238	41,309,698	-	225,727,370
Equity Investments	-	-	-	-	-	2,938,005	2,938,005
Total financial assets	46,626,636	79,366,470	24,334,445	96,724,238	41,338,498	2,938,005	291,328,292
Financial liabilities							
Bank borrowings	-	4,826,472	-	-	-	-	4,826,472
Lines of credit	-	9,395,134	-	78,041,639	-	-	87,436,773
Medium term notes	-	70,409,426	29,346,443	3,596,408	713,777	-	104,066,054
Total financial liabilities	-	84,631,032	29,346,443	81,638,047	713,777	-	196,329,299
Net Liquidity gap	46,626,636	(5,264,562)	(5,011,998)	15,086,191	40,624,721	2,938,005	94,998,993
AT 31 DECEMBER 2013							
Financial assets							
Bank and cash balances	4,334,950	-	-	-	-	-	4,334,950
Short term deposits	14,498,989	42,688,010	-	-	-	-	57,186,999
Corporate bonds	-	-	-	748,850	4,144,690	2,064,000	6,957,540
Loans and advances to customers	39,302,730	25,058,318	24,117,713	102,856,195	52,974,436	-	244,309,392
Equity Investments	-	-	-	-	-	2,596,071	2,596,071
Total financial assets	58,136,669	67,746,328	24,117,713	103,605,045	57,119,126	4,660,071	315,384,952
Financial liabilities							
Bank borrowings	-	-	4,179,219	-	-	-	4,179,219
Lines of credit	864,501	5,650,572	6,098,897	41,639,726	18,039,376	-	72,293,072
Medium term notes	10,611,273	54,513,122	42,011,983	82,042,878	-	-	189,179,256
Total financial liabilities	11,475,774	60,163,694	52,290,099	123,682,604	18,039,376	-	265,651,547
Net Liquidity gap	46,660,895	7,582,634	28,172,386	20,077,559	39,079,750	4,660,071	49,733,405

38 TAXATION

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

39. CURRENCY

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

SHELTER AFRIQUE
Financing Affordable Housing for Africa

Appendix 1

THE COMPANY FOR HABITAT AND HOUSING IN AFRICA (SHELTER - AFRIQUE) MANAGEMENT INFORMATION SCHEDULE
FOR THE YEAR ENDED 31 DECEMBER 2014

	Class A: Countries	No of shares 31 December 2013	No of shares 31 December 2014	% of shareholding
1	Algeria	4,220	4,220	6.94%
2	Benin	306	306	0.50%
3	Botswana	839	839	1.38%
4	Burkina Faso	950	950	1.56%
5	Burundi	300	300	0.49%
6	Cameroon	2,436	2,457	4.04%
7	Cape Verde	16	16	0.03%
8	Central Afr. Rep	271	271	0.45%
9	Chad	1090	1,090	1.79%
10	Congo	516	516	0.85%
11	Democratic Republic of Congo	600	600	0.99%
12	Djibouti	300	300	0.49%
13	Gabon	1,283	1,283	2.11%
14	Gambia	321	321	0.53%
15	Ghana	6,315	6,315	10.38%
16	Guinea	419	419	0.69%
17	Guinea Bissau	25	25	0.04%
18	Guinea Equatorial	301	301	0.49%
19	Ivory Coast	855	1,725	2.84%
20	Kenya	6,514	6,568	10.80%
21	Lesotho	500	500	0.82%
22	Liberia	309	309	0.51%
23	Madagascar	327	327	0.54%
24	Malawi	517	521	0.86%
25	Mali	1,342	1,342	2.21%
26	Mauritania	639	639	1.05%
27	Mauritius	115	115	0.19%
28	Morocco	437	437	0.72%
29	Namibia	327	327	0.54%
30	Niger	315	317	0.52%
31	Nigeria	7,069	7,069	11.62%
32	Rwanda	901	901	1.48%
33	Sao Tome & Principe	16	16	0.03%
34	Senegal	1,407	1,407	2.31%
35	Seychelles	300	300	0.49%
36	Sierra Leone	74	74	0.12%
37	Somalia	10	10	0.02%
38	Swaziland	228	228	0.37%
39	Tanzania	317	325	0.53%
40	Togo	162	162	0.27%
41	Tunisia	300	300	0.49%
42	Uganda	526	526	0.86%
43	Zambia	2,531	2,553	4.20%
44	Zimbabwe	200	200	0.33%
	Class B:			
	Institutions			
1	African Development bank	10,576	10,576	17.39%
2	African Reinsurance Corporation	2,520	2,520	4.14%
TOTAL		59,842	60,823	100.00%

Our Presence

Shelter Afrique was established in 1982 by African governments, the African Development Bank (AfDB), African Reinsurance Corporation (Africa-Re) and CDC (UK's Development Finance Institution) with the mandate of mobilizing resources for housing development in Africa.

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SHELTER AFRIQUE

Financing Affordable Housing for Africa

2014

ANNUAL REPORT

AND FINANCIAL STATEMENTS