SHELTER AFRIQUE
Financing Affordable Housing for Africa

2016
ANNUAL REPORT

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LETTER OF TRANSMITTAL

29 June 2017

The Chairman

General Meeting of Shareholders

Shelter-Afrique

Dear Mr. Chairman,

In accordance with Regulation 9 of the General Regulation of Shelter-Afrique, I have the honour, on behalf of the Board of Directors, to submit herewith, the Annual Report and Audited Financial Statements of the company for the period January 1, to December 31, 2016.

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.

Jean-Paul Missi

Chairman of the Board of Directors

BOARD OF DIRECTORS

Mr. Jean Paul Missi
Chairman
Group 5

Arch. Aida Munano

Group 1

Investments Committee
• Member

Mrs. Mapitso Panyane

Group 2

Administrative & Human Resources Committee
• Alternate Member

Alh. Yahaya Hammed Yakubu

Group 3

Investments Committee
• Member

M. Ali Boulares

Group 4

Investments Committee
• Chairman

M. Loius Chike Anikamadu

Group 6

Audit Risk & Finance Committee
• Member

M. Ceferino Eburi Mata

Group 7

Administrative & Human Resources Committee
• Member

Mr. Raffa Jabba

African Development Bank

Audit Risk & Finance Committee
• Member

Mr. Cornielle Karekezi

African Reinsurance Corporation

Administrative & Human Resources Committee
• Chairman

Mr. Hardy Pemhiwa

Independent Director

Investments Committee
• Member

Dr. Omodele Jones

Independent Director

Audit Risk & Finance Committee
• Chairman

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Annual General Meeting, the 1st and Second Vice Chairmen, our valued shareholders and partners, in accordance with the mandate of my office as Chairman of the Board of Directors, I am pleased to present an overview of the activities of the Company for Habitat and Housing in Africa, Shelter Afrique, operating results for the year ending December 2016 and our outlook for 2017.

This Report is particularly significant for a number of reasons: While it started well, the Company became involved in a crisis during the last quarter of the year. In addition, the economic environment in most of our key markets continued to deteriorate in 2016, due mainly to lower commodity prices, with commodity exporters most adversely affected. These factors ultimately had a major impact on our activities and reflected on overall results for the year.

STRATEGY

2016 was the first year of our current five year strategy, which is strategy is based on three core objectives: i) to consolidate existing business and process for improved efficiency; ii) growth - particularly a new focus on large scale affordable housing programmes; and iii) finally impact. This involves extending our services beyond housing to address issues such as youth employment, energy efficiency, training and development, etc.

Nevertheless, these strategic objectives remain relevant to building a stronger and transformed Shelter Afrique that is well positioned to be the partner of choice in helping member countries to meet the growing demand for affordable housing. Accordingly, with some refinement drawing on our experience in the last year, the Company will continue to work towards implementing this strategy.

However, as a result of the deteriorating economic environment in many member countries, and the crisis that beset the institution from the third quarter of the year, the company has been unable to achieve the targets set for the first year.

FINANCIAL SCORECARD

The company's total assets, comprising primarily of loans and advances to housing projects and mortgages stood at US$337 million as at December 2016, representing 0.25 percent growth in total assets in 2015, which stood at US$336 million.

Gross interest income grew by 10 percent to US$16.68 million from US$15.12 million in 2015. However, the Company recorded significant deterioration in profitability with a net loss of US$12.68 million. In addition, the declared net profit of US$3.11 million of 2015 is restated to a US$4.94 million loss. These are a direct consequence of a large provision for impaired loans of US$18 million in 2016 and US$9.34 million in 2015.

In light of this sub-optimal performance, and in line with the Company's policy, the Board of Directors does not propose any dividends this year.

OPERATIONAL SCORECARD

During the year, the Board of Directors approved new loans with a value of US$89.93 million, representing a 30 percent decline in the volume of approved loans in 2015. As a result of the liquidity situation arising from the crisis, the level of disbursements at December 2016 was US$51.40 million representing a 50 percent decline from the level of disbursements in 2015.

Asset quality, measured by the proportion of non-performing loans to the total loan portfolio deteriorated to17 percent in 2016, compared to 13 percent in 2015. Operational expenses reduced by four percent in 2016 to a value of US$9.72 compared to US$10.09 in 2015.

During the year the Company recorded some important milestones in its operations. We opened a new regional office in Abidjan, Cote d'Ivoire which will bring our service much closer to key markets in francophone West Africa and improve operational effectiveness.

In partnership with the Development Bank of Rwanda, we also made progress on our first large scale housing project – the Rugarama Park Estate in Kigali, comprising of 2700 affordable homes for sale and rent. During the year, the Company also signed a bilateral agreement with the Government of Kenya in relation to a major housing programme for the Kenya Police Service.

Additionally, the Board of Directors completed the establishment of Shelter Afrique Foundation – a development subsidiary of the Company registered in Mauritius. In future, the SHAF Foundation will become a major vehicle for delivering innovation in low-income housing construction, financing slum upgrading programmes and enabling construction training and apprenticeships.

In spite of current challenges, these achievements point to the significant opportunities ahead of the Company and shareholders.

RISK MANAGEMENT

The Board, through the Audit Finance and Risk Committee, continued to ensure that the various risks which the company is exposed to are identified, assessed, evaluated and effectively managed to protect the company from any loss in future. During the year, Shelter Afrique continued to implement an Enterprise Risk Management (ERM) framework by having all the units in the organisation do a self-assessment and become risk owners. This tool will greatly improve Shelter Afrique's ability to identify, monitor and manage the operational risks inherent in its business.

IMPACT

One of Shelter Afrique's roles is to find sustainable solutions to some of society's biggest challenges – facilitating affordable housing for those who need it most in our cities. As a result, an important aspect of our work is to continue to explore opportunities for increasing impact and making a difference.

At our last AGM in 2016, we launched an international housing competition – 5000/5000. The competition, which attracted about 126 entries invited proposals from architects, inventors, engineers and entrepreneurs for a house which can be built for US$5000 or less. The results of the competition, which was judged by an eminent panel drawn from member countries, will be announced at the Annual General Meeting.

In October 2016 the Company facilitated, in partnership with the Ministry of Housing and Crédit Foncier, a training and capacity building programme for developers in Cameroon. This initiative will contribute significantly to increasing the ability of the private sector in Cameroon to access finance for new housing developments.

The homes we finance continue to make a difference in people's lives. For instance, during the year, we approved financing of about US$8m for two innovative, affordable housing projects in Nairobi targeting young people. Often without access to mortgages and good quality housing, the two projects provide about 400 high-quality, affordable homes for rent to young people in city centre locations. The homes provide a safe and secure base from where they can start to build a prosperous future..

OUR PEOPLE

Our strategic objective of being a sustainable organisation with impact means we value our people and give them the support they need to build a career, achieve their goals, and have the resources they need to improve their lives and those of their families. All that we are and all that we aim to achieve will be because of our employees who come to work every day to serve customers and improve our communities. I want to thank them for all they have done, particularly in the difficult circumstances of the last year.

THE BOARD

At this Annual General Meeting, all Directors representing Class "A" Shareholders stand down for re-election. This will happen at a time of significant change for the institution, and I am certain that the General Meeting will make the right decisions in this regard. In the meantime, however, on behalf of the Bureau and Shareholder, I wish to express my deep gratitude to fellow Directors for their contribution to the Company over the last three years and particularly in the last 12 months.

THE CRISIS

It is important to present my reflection on the unfortunate crisis that engulfed the Company from the 3rd quarter of the year. I would like to share the lessons learnt and the Board's resolve to do all it can to ensure that this does not happen again.

As you are now aware, the origin of the crisis was a series of allegations made by a former Head of Finance. The Board therefore commissioned a Forensic Investigation into the allegations, which revealed a number of significant areas for improvement. Key among them is the need for improvements in Internal Controls and our Corporate Governance arrangements, and the Board is putting in place robust measures to address these issues by June 2017.

However, perhaps the most significant finding is the weakness of the Company's capital structure – particularly its equity capital base. In addition to a firm focus on improving internal control and corporate governance, collectively we must now resolve the critical need to capitalise the Company to ensure that it is sufficiently robust to withstand adverse changes in its operating environment and deliver on the important mandate you have entrusted to it.

It is for this reason that this Annual General Meeting has on the agenda deliberation on this critical issue.

FUTURE OUTLOOK

Our Continent is urbanising fast, with urban residents having increased from 14 percent in 1950 to 40 percent today. By the mid-2030s, 50 percent of Africans are expected to become urban dwellers with a long term and growing requirement for affordable housing.

The Macroeconomic outlook is that the Continent's average growth is expected to rebound to 3.4 percent in 2017, assuming that the recovery in commodity prices is sustained, the world economy is strengthened and domestic macroeconomic reforms are entrenched. In 2018, growth is expected to consolidate, expanding by 4.3 percent.

These factors give us a strong reason to be optimistic about a future for a strong, robust, well-run and financially sustainable Shelter Afrique - an effective partner for our member countries. Towards this objective, the Board of Directors' key focus in 2017 is implementing a turnaround plan, including a review of the current strategy, improving internal controls and corporate governance framework and returning the Company to profitability by December 2017.

Finally, I will like to thank you our Shareholders, Customers and Partners for your unwavering support. We remain committed to you.

Jean Paul Missi

Chairman
Board of Directors

SENIOR MANAGEMENT

Mr. Femi Adewole
Acting Managing Director

Mr. Oumar Diop
Acting Deputy Managing Director

Mr. Raymond Davies
Chief Financial Officer

Mr. Mouhamadou Gueye
Head of Risk Management and Compliance

BUSINESS OPERATIONS

OVERVIEW

In 2016, Shelter Afrique continued with the business of Loans and Advances despite the year being characterised by a general slowdown of business development activities in comparison to previous years. Adverse macroeconomic environments in some of our major markets including Ghana, Nigeria, Kenya and Ivory Coast continued to have ripple effects on the institution's general business performance. Specifically, Ghana and Zambia held their general elections, and the overall response from investors was to wait for the outcome.

From the first quarter of the year, Nigeria fell into a recession that continued throughout the year, and this was compounded by a turbulent foreign exchange regime. In Kenya, a law seeking to regulate interest rates came into force, and the impact of the interest rate regulation began to take effect on investments within the economy. In Ivory Coast, the Government's mass social housing program implementation has slowed downed due to various reasons. These and similar factors in most economies contributed to a decline in growth of all performance indicators.

Nevertheless, the company attained two notable milestones during the year: i) the Francophone West and Central Africa Regional Office was fully established in Abidjan, Ivory Coast, andthe Country Host Agreement was signed on 10th November 2016. The office is fully staffed, and operations commenced during the second half of 2016; and ii) SHELTER-AFRIQUE spearheaded an innovative and ambitious housing programme dubbed Kenya Housing Implementation Programme (KHIP) which seeks to support the Government of Kenya in the development of housing units for the National Police Service.

Strategic partnerships have been secured in some of our markets: in Ivory Coast, a Memorandum Of Understanding was signed with the National Land Development Company AGEF – Agence de Gestion Foncière to promote the production of serviced land and plots for sale. Additionally, a Non-Disclosure Agreement was signed with Ecobank Côte d'Ivoire (the Third Largest Bank) to establish co-financing platform between both Institutions.

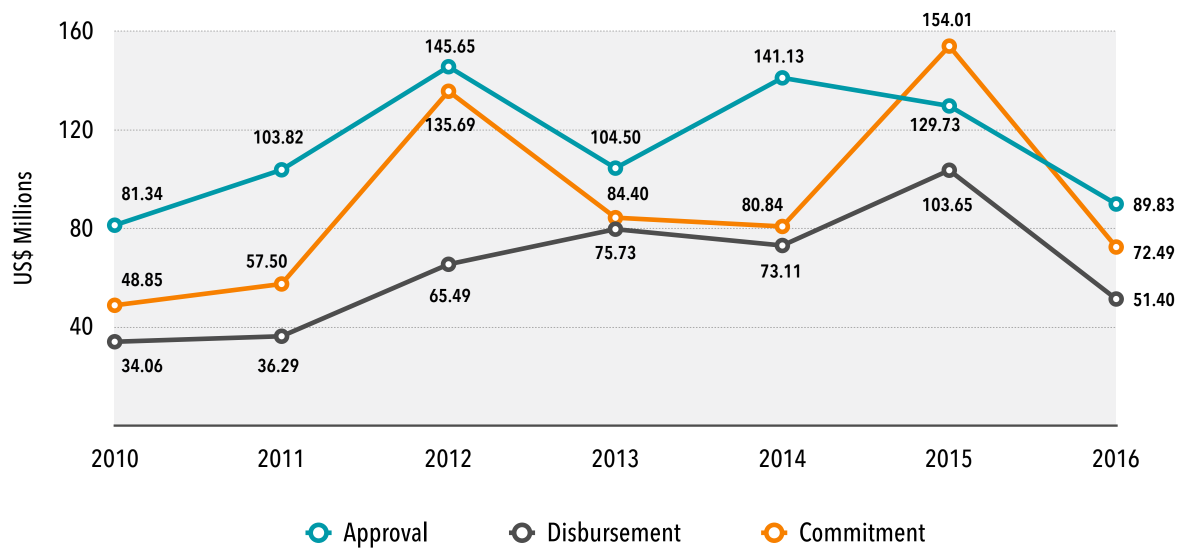
OPERATIONAL HIGHLIGHTS

The table and chart below summarises the company's cumulative approvals, commitments and disbursements between 2010 and 2016.

Table 1: Cumulative approvals, disbursements and commitments between 2010 and 2016

	2010	2011	2012	2013	2014	2015	2016
Approval	81.34	103.82	145.65	104.50	141.13	129.73	89.93
Cumulative Approved Loans	433.36	537.18	682.83	787.33	928.46	1,058.19	1,148.12
Disbursement	34.06	36.29	65.49	79.73	73.11	103.65	51.40
Cumulative Disbursement	222.32	258.61	324.10	403.83	476.94	580.59	631.99
Commitment	48.85	57.50	135.69	84.40	80.84	154.01	72.49
Cumulative Commitment	262.35	319.85	455.54	539.94	620.78	774.79	847.28

Chart 1: Cumulative approvals, disbursements and commitments between 2010 and 2016



LOAN APPROVALS

Loans approved during 2016 amounted to USD 89.9 million compared to USD 129.73 million achieved in 2015. A total of 16 transactions were approved representing an average transaction size of USD 5.6 million. The table below gives a summary of all the transactions approved during the year.

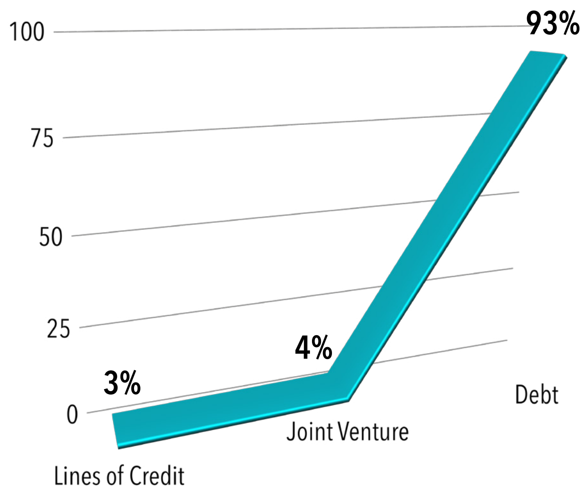
Table 2: Loans approved during 2016

Country	Region	Client/Project Name	Type of Instrument	Client Type	Amount US$	Type of Development	Facility Currency	Maturity
Nigeria	Western	Afro Asia Shelters International	Debt	Private	9,100,000	Residential	US$	3 to 5 years
Rwanda	Eastern	Izuba Developers Ltd	Debt	Private	3,000,000	Residential	US$	3 to 5 years
Kenya	Eastern	Nakuru Meadows Development Ltd	Debt	Private	5,100,000	Residential	Kenya Shillings	3 to 5 years
Kenya	Eastern	HF Development and Investment Ltd	Debt	Private	1,500,000	Residential	Kenya Shillings	Below 3 Years
Kenya	Eastern	Edenvale Development LLP	Debt	Private	3,670,000	Residential	Kenya Shillings	Over 5 years
Democratic Republic of Congo	Eastern	Maisons Super Development S.A.R.L.	Debt	Private	7,600,000	Residential	US$	Over 5 years
Zambia	Southern	Hillview Estate Ltd	Debt	Private	6,600,000	Residential	US$	Below 3 Years
Ghana	Western	Waterstone Realty Ltd	Debt	Private	4,000,000	Residential	US$	3 to 5 years
Kenya	Eastern	Everest Ltd	Joint Venture	Private	3,979,864	Residential	Kenya Shillings	3 to 5 years
Kenya	Eastern	Cytonn Integrated LLP	Debt	Private	11,150,000	Residential	Kenya Shillings	3 to 5 years
Kenya	Eastern	Spring Green Properties LLP	Debt	Private	4,338,000	Residential	Kenya Shillings	Over 5 years
Kenya	Eastern	The Kenya Housing Implementation Programme (KHIP)	Debt	Republic of Kenya	10,912,839	Residential	Kenya Shillings	Over 5 years
Togo	Western	Confortis International	Debt	Private	5,978,491	Residential	FCFA	3 to 5 years
Nigeria	Western	Riverscoop Properties Development SPV Ltd	Debt	Private	5,000,000	Residential	US$	3 to 5 years
Ghana	Western	Bluerose Properties Ltd	Debt	Private	5,200,000	Residential	US$	3 to 5 years
Kenya	Eastern	Paramount Bank Ltd	Line of Credit	Financial Institution	2,800,000	Residential	US$	Below 3 Years
				TOTAL	89,929,194			

LOAN APPROVAL PER LENDING INSTRUMENT

At 93 percent, direct lending for construction finance remained the most dominant product offered by the institution. Lines of credit to financial institutions which significantly contributed to approvals in previous years declined in 2016. During the year, lines of credit approved only contributed to 3 percent of total approvals compared to 30 percent in 2014 and 2015.

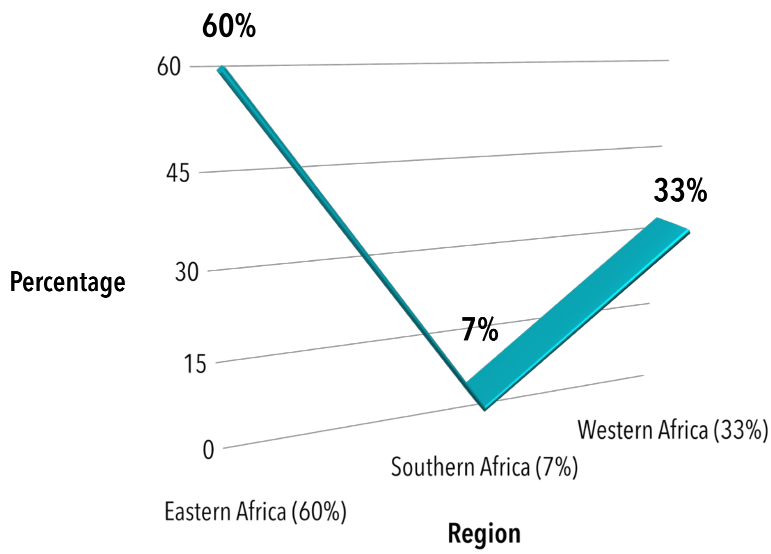
Chart 2: Loan approval per lending instrument



REGIONAL DISTRIBUTION OF PROJECTS APPROVED

Eastern Africa Region recorded the highest number of approvals at 60 percent, with Kenya getting approval for 8 out of the 16 transactions approved during the year.

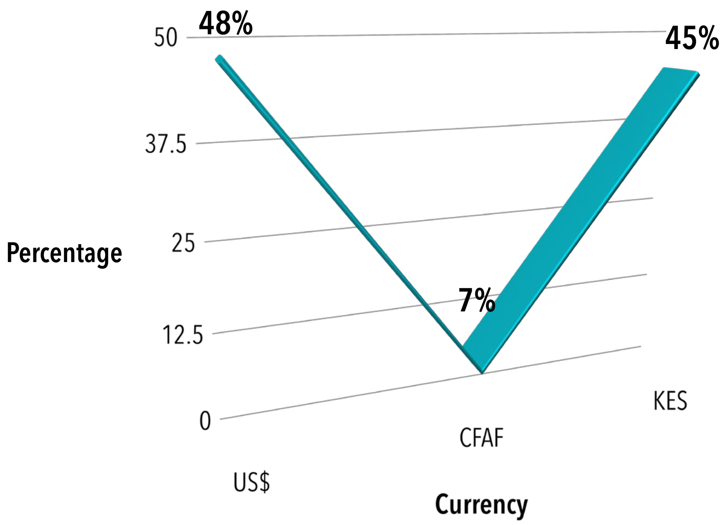
Chart 3: Regional distribution of projects approved



APPROVED PROJECTS BY CURRENCY

The US Dollar continued to be the dominant currency in the portfolio, with 48 percent of all approved projects dollar-denominated.

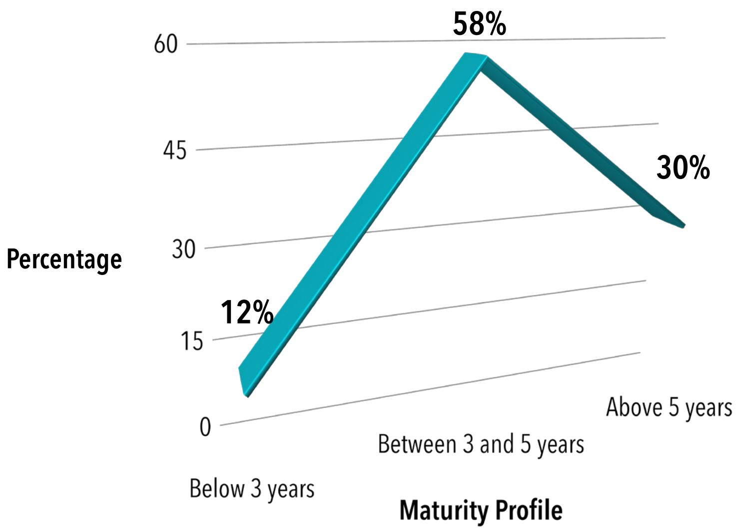
Chart 4: Approved projects by currency



MATURITY PROFILE OF APPROVED FACILITIES

Consistent with the build-to-sell project cycles that have traditionally dominated Shelter Afrique's portfolio, most transactions approved fell within the three to five years maturity.

Chart 5: Maturity profile of approved facilities



LOAN COMMITMENTS

Transactions valued at US$ 72.5 million were committed during the year 2016. This was a sharp drop compared to the US$ 154 million recorded in 2015. The table below summarises the transactions whose loan agreements were signed during 2016.

Table 3: Loan commitments during 2016

NO.	COUNTRY	CLIENT	TYPE	AMOUNT IN US$	CURRENCY
1	Zambia	Bayport Financial Services Ltd	Corporate Loan	10,600,000	US$
2	Kenya	HF Development and Investment Ltd	Debt	1,500,000	Kenya Shillings
3	Kenya	Edenvale Development LLP	Debt	3,670,000	Kenya Shillings
4	Nigeria	Afro-Asia Shelters International	Debt	9,100,000	US$
5	Democratic Republic of Congo	Maisons Super Development S.A.R.L.	Debt	7,600,000	US$
6	Kenya	Nakuru Meadows Development Ltd	Debt	5,100,000	Kenya Shillings
7	Rwanda	Izuba Developers Ltd	Debt	3,000,000	US$
8	Zambia	Hillview Estate Ltd	Debt	6,600,000	US$
9	Ghana	Bluerose Properties Ltd	Debt	5,200,000	US$
10	Ghana	Waterstone Realty Ltd	Debt	4,000,000	US$
11	Kenya	Spring Green Properties LLP	Debt	4,338,000	Kenya Shillings
12	Kenya	Everest Ltd	Joint Venture	3,979,864	Kenya Shillings
13	Kenya	Paramount Bank Ltd	Line of Credit	2,800,000	US$
14	Nigeria	Riverscoop Properties Development SPV Ltd	Debt	5,000,000	US$
			TOTAL	**72,487,864**	

LOAN DISBURSEMENTS

The institution disbursed US$ 51.4 million to 28 new and ongoing projects. Like other operational indicators, this amount was significantly lower than the US$ 103.6 million recorded during 2015. A major driver for this drop in disbursements was a significant reduction in disbursements to lines of credit which accounted for about 29 percent of total disbursement compared to 54 percent of the preceding year. Out of disbursements made to 28 transactions during the year, only three were with respect to lines of credit mostly aimed at supporting local financial institutions to issue mortgages. The average value for these disbursements to lines of credit was US$ 5.02million per disbursement compared to US$ 9.33 in 2015. The table below gives a summary of the year's disbursements:

Table 4: Loan disbursements during 2016

DISBURSEMENTS 2016			
No.	**Country**	**Client**	**USD**
1	All	Pan African Housing Fund	698,871
2	The Democratic Republic of Congo	Devimco SARL	4,000,000
3	Democratic Republic of Congo	Maisons Super Development S.A.R.L.	3,500,000
4	Ghana	Emerald Properties Ltd	1,215,518
5	Ivory Coast	Interbat	47,621
6	Kenya	Molyn Credit Limited	977,245
7	Kenya	Kenya Building Society Limited	359,430
8	Kenya	National Housing Cooperative Union	1,465,867
9	Kenya	Karibu Homes Parktel Ltd	596,327
10	Kenya	Kenya Medical Association Housing Cooperative Society	1,095,326
11	Kenya	HF Development and Investment Ltd.	1,481,132
12	Kenya	Richland Limited	2,671,310
13	Kenya	Glenwood Gardens Limited	1,848,328
14	Kenya	Serene Valley Properties Limited	118,452
15	Kenya	Edenvale Development LLP	1,133,272
16	Kenya	Spring Green Properties LLP	620,687
17	Kenya	Itoga Investments Holdings Ltd	1,275,038
18	Kenya	Everest Ltd	351,881
19	Mali	"Société Immobilière et Foncière du Mali (SIFMA)	1,906,943
20	Mozambique	SDDL/Cervino Alimentaire Limitada	1,019,798
21	Nigeria	CMB Building Maintenance and Investment Company Ltd	528,343
22	Nigeria	Fortis Microfinance Bank	3,000,000
23	Rwanda	Rugarama Park Estates Ltd	2,850,200
24	Swaziland	Headquarters SPV Ltd	3,157,496
25	Togo	N REAL Estate Ltd	841,475
26	Uganda	National Housing and Construction Company Ltd	3,579,774
27	Zambia	Bayport Financial Services Limited	10,600,000
28	Zambia	Madison Capital Ltd	462,417
	Total		**51,402,751**

“

The NPL ratio increased considerably and moved well above the target single digit threshold. The slow growth of the loan book also accounted for the high ratio compelling Management to take a very conscious decision to clean up the non-performing loans and adopta more conservative provisioning policy.

PORTFOLIO QUALITY IN 2016

During the year, the Company faced a fair share of challenges that negatively impacted on some of the major asset quality parameters. The loan book slightly decreased by the end of 2016 as compared to 2015. This was attributable to disbursements lower than the projected amount. Coupled with the collections over the period, the net position was a lower amount in the outstanding loan balances.

The year 2016 reported a huge leap in the specific provisions as a result of the findings of a forensic audit that recommended additional provisions on some specific accounts. General provisions increased marginally as the loan book did not grow substantially.

The NPL ratio increased considerably and moved well above the target single digit threshold. The slow growth of the loan book also accounted for the high ratio compelling Management to take a very conscious decision to clean up the non-performing loans and adopta more conservative provisioning policy. The Management has now beefed up the Business Support & Recoveries and the Loans Management Units. A new strategy to recover these non-performing loans has been prepared and approved by the Management. More aggressive legal processes and out-of-court settlements are ongoing and are expected to yield positive results shortly.

The loan loss provisions decreased significantly despite the fact that more provisions were set aside after the forensic audit. The Management will therefore continue with this conservative approach and increase levels of provisions for accounts that are not showing realistic chances in recoveries. Where the ongoing aggressive recoveries and collection efforts yield positive results, they will be reflected in the income statement as "write-back.

Further, Management is concerned with the performance of the loan book specifically the growth and quality of the books and has of necessity proposed some drastic decisions in streamlining the non-performing loans. Most notable is the reorganisation of the company's resources leading to a reallocation of human resources with Business Support and Recoveries as well as Loans Management units receiving additional staff. A proposal to the Board to consider a write-off of long outstanding accounts (legacy cases,) and long outstanding residual balances is under consideration. Management has encouraged more aggressive legal foreclosure processes, and closer monitoring of the existing portfolio.

As part of further efforts to sanitise the portfolio going forward, Management has prepared a detailed NPLs Management Strategy for the year 2017. In crafting the Strategy, some of the crucial fundamentals assessed or evaluated include;

- Internal capabilities and expertise
- External conditions i.e. macroeconomics, market dynamics in most member countries, legal frameworks, etc.
- The capital implications on the company, profitability, levels of expected provisioning, etc.

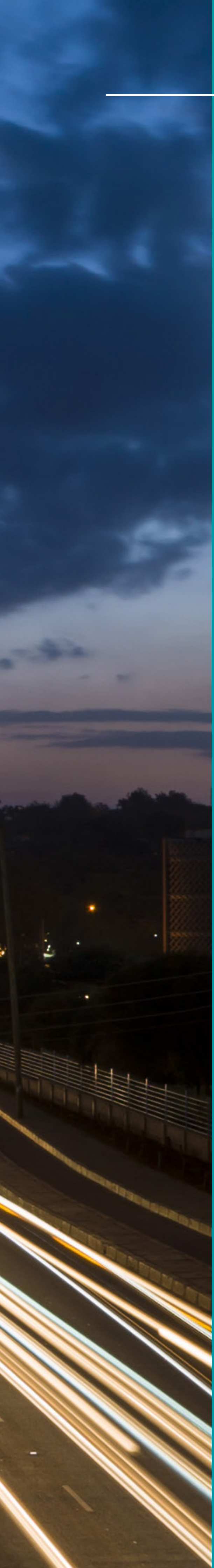
The Management has also relied more on the available strategic options, and their combinations will be considered as part of the annual NPL Strategy. These are;

A. Consensual Strategies

1. Restructuring the loan with new terms or collateral; or restructuring the business with new lending or equity
2. Cash settlement via cash generated by the underlying project
3. Cash settlement via the sale of underlying collateral with borrower's consent
4. Cash settlement via sale of other assets
5. Out of court/ mediated solutions, including voluntary joint sales
6. Sale of the existing NPL portfolio where possible and viable
7. Debt for Asset/Equity swaps for legacy files with no clear-cut way out through a legal foreclosure. A policy will be put in place for Board consideration before future transactions are considered.
8. Hold/Forbearance strategy (the action of refraining from exercising a legal right, especially enforcing the payment of debt), where necessary

B. Legal Strategies

1. Enforcement of underlying collateral if the borrower is not cooperative
2. Recovery through in-court restructuring schemes
3. Recovery through insolvency, liquidation, administration process



IN-DEPTH COUNTRY RESEARCH

In 2016, Shelter Afrique commissioned a deep-dive survey in 6 of its selected markets, namely Ghana; Ivory Coast; Democratic Republic of Congo; Nigeria; Kenya; and Zambia. Enclude, a research consultancy, was commissioned to carry out this exercise; as a continuation of the desktop research that had been delivered by the Centre for Affordable Housing Finance and McKinsey in 2015.

The rationale behind this was to provide Shelter Afrique with an understanding of how the market perceives Shelter Afrique and what products or services are the most relevant in different markets. It would also give us a first-account of the housing market. Some of the findings can are summarised on the following pages:

DEMOCRATIC REPUBLIC OF CONGO: Key Housing Market Indicators

The average number of inhabitants per house is

5.3

Number of households stands at roughly

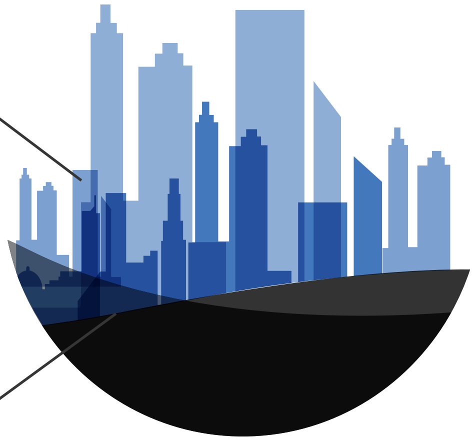
14.12M

Minimum cost of housing for an average of 75-90 m² is

$25,000

Housing in urban areas as a percentage of the urban population stands at

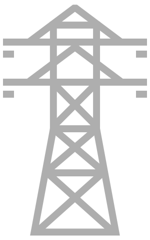
41.98%



Only 0.3%

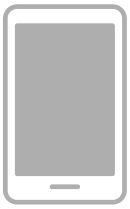
of the urban population can afford the minimum price of a house [***using housing calculator***]

49% of households (32% in rural, 85% in urban areas) have access to an improved source of drinking water; 51% households must travel 30 or more minutes to obtain drinking water.



The housing electrification rate is

14%



39%

of households have mobile phones

Sources: CAHF Yearbook 2015; CAHF Mortgage Affordability Calculator; World Bank Data: Access to Electricity; Ministry of Public Health: Democratic Republic of Congo

GHANA: Key Housing Market Indicators

The average number of inhabitants per house is
7.3

Number of households stands at
5.5M

Minimum cost of housing for an average of 40 m² is
$24,359

15.4%
of the households have W.C.

Housing in urban areas as a percentage of the urban population stands at
55.8%

3.4M
is what the Housing Stock stands at, with the Stock Growth Rate at 4.4%

Only 1%
of the urban population can afford the minimum price of a house [***using housing calculator***]

1 sleeping room per household across 54.4% of the population.

57.5%
of houses have cement blocks or concrete walls, while 34.2% are made of mud, mud bricks or earth.Another 71.4% are roofed with metal sheets with 13% roofed with slate/ asbestos

51.5%
live in a compound house, 28.7% separate units and 1.6% are uncompleted.

The housing electrification rate is
64.2%

13.0%
have a public tap/ standpipe as the main source for drinking water

Sources: Ghana Statistical Service –Population and Housing Census 2010

IVORY COAST: Key Housing Market Indicators

The average number of inhabitants per house is

5.6

Number of households stands at

3.7M

Minimum cost of housing is

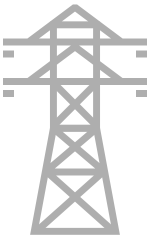
$8,429

Households in urban areas stand at

1.9M

73.6%

of the urban population can afford the minimum price of a house [***using housing calculator***]



The housing electrification rate is

58.8%

Housing deficit is **1M** with the increase in Annual Deficit at 20,000

Source: CAHF Yearbook 2015; CAHF Mortgage Affordability Calculator; Ivory Coast Country Snapshot-AFD Study on Housing Finance in Sub-Saharan Africa

KENYA: Key Housing Market Indicators

The average number of inhabitants per house is

4.2

Number of households stands at

9.18M

Minimum cost of housing is

$17,000

10.2%

of the urban population can afford the minimum price of a house [***using housing calculator***]

Households in urban areas stand at

2.63M

Ratio of the population with access to utilities is

30%

Annual Income Distribution Gini Coefficient is

47.7%

Housing deficit is **2M** with the annual shortage of housing units at 250,000

Sources: CAHF Yearbook 2015; CAHF Mortgage Affordability Calculator; Kenya Country Snapshot-AFD Study on Housing Finance in Sub-Saharan Africa; Housing Finance Information Network Data-Kenya; State of Urban Home Ownership Survey (2015); World Bank Data: Access to Electricity

NIGERIA: Key Housing Market Indicators

Minimum cost of housing is

$22,608

Number of households stands at

35.7M

16%

of the urban population can afford the minimum price of a house [***using housing calculator***]

Households in urban areas stand at

4.5M

Ratio of the population with access to utilities is

5.6%

Annual Income Distribution Gini Coefficient is

42.95%

Housing deficit stands at

17M

Sources: Nigeria Demographic and Healthy Survey 2013, DHS Program; Nigeria 2006 Census Data portal; Nigeria Country Snapshot-AFD Study on Housing Finance in Sub-Saharan Africa; CAHF Yearbook 2015; CAHF Mortgage Affordability Calculator; McKinsey Strategy Roadmap Shelter Afrique, 2015

ZAMBIA: Key Housing Market Indicators

The average number of inhabitants per house is
5

Number of households stands at
24.9M

Minimum cost of housing is
$65,000

3.1%
of the urban population can afford the minimum price of a house [***using housing calculator***]

Households in urban areas stand at
1.02M

Housing stock with sanitation access (***pit latrines and toilet***) is
36%

Annual Income Distribution Gini Coefficient is
55%

Housing deficit stands at
1.5M

Sources: CAHF Yearbook 2015; Zambia Country Report AFD; Scoping study: overview of the housing finance sector in Zambia, 2013, FinMark Trust; CAHF Housing and Mortgage Affordability Calculator, 2016; Access, Use and Potential Size of Housing Microfinance: The Case of Zambia, February 2016

FINANCIAL MANAGEMENT

Resource Mobilization

The company continued with the efforts on resource mobilisation to meet its operational objectives and the growing demand for housing finance. Emphasis was put on raising well-priced funding from Development Finance Institutions [DFIs] for Shelter Afrique to be competitive in providing funding for affordable housing in its member countries. During the year under review, US$54.8 million was raised from development partners such as the Commercial Bank of Africa, Islamic Corporation for Development (ICD), Ghana International Bank, Stanbic Bank and Banque Quest Africaine de Development (BOAD). Lines of credit were negotiated with banks to meet short-term liquidity needs.

As Shelter Afrique exhausts potential funding opportunities from development partners, the company will need to raise more financial resources from the capital markets to meet its ambitious growth objectives outlined in revamped strategy. However, financial resources raised from the capital markets are becoming increasingly more expensive as a result of with the continuing changes in the financial market conditions, and the expected normalisation of monetary policy and interest rates in the US. This will require further diversification of the company's funding base as well as the 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.

Financial Performance

The Company posted a net loss of US$12.68 million in 2016 compared to a restated loss of US$4.94 million in the previous year. The loss for the year under review resulted from heavy provisioning on impaired project loans. Net interest income rose by 13 percent to US$13.78 million in 2016 from US$12.20 million in 2015. The increase in net interest income was supported by a 34 percent growth in interest income from loans and advances, from US$22.32 million in 2015 to US$29.82 million in 2016. However, the growth was partly offset by higher borrowing costs which increased by 30 percent from US$12.94 million in 2015 to US$16.77 million in the year under review. Operating expenses reduced by 4 percent from US$10.09 million in 2015 to stand at US$9.72 million in 2016. The company has been focussing on cost control measures, as well as increasing the net interest income to improve financial performance.

Loans and advances to customers rose slightly by 2 percent to stand at US$281.11 million, up from a restated position of US$274.28 million the previous year. This was impacted by heavy provisions for the current year which stood at US$18.0 million compared to a restated amount of US$9.34 million the previous year. Shareholders' funds reduced by 12 percent to stand at US$93.36 million, down from the restated amount of US$105.86 million the previous year.

Chart 6: Net Interest Income

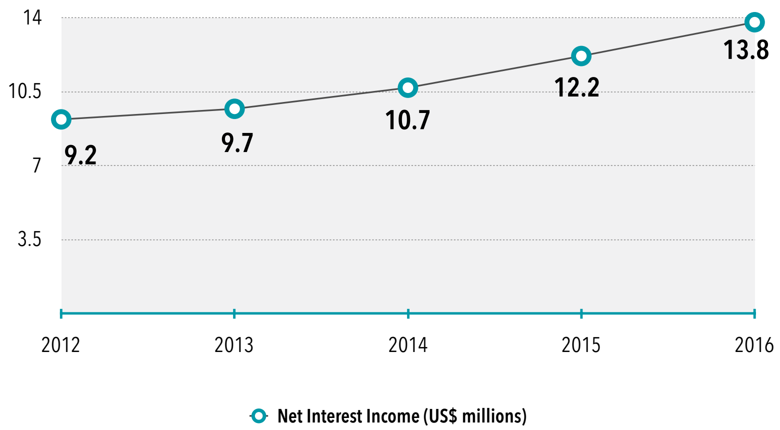
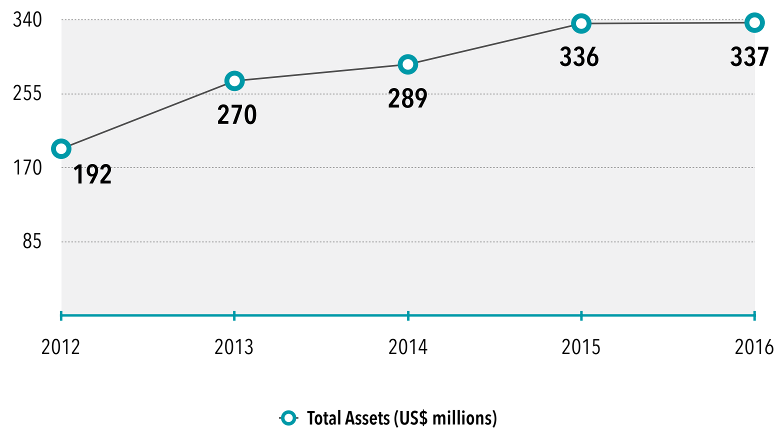


Chart 7: Total Assets



13%

The rise in net interest income; from US$ 12.20 million in 2015 to US$ 13.78 million in 2016

Chart 8: Shareholders' Funds

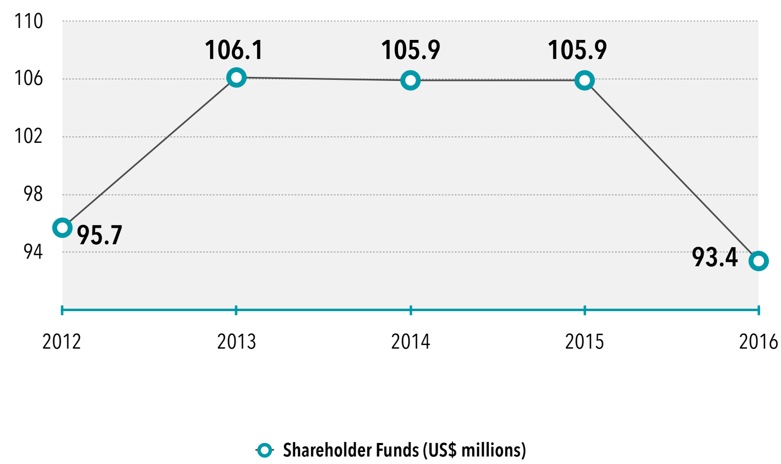


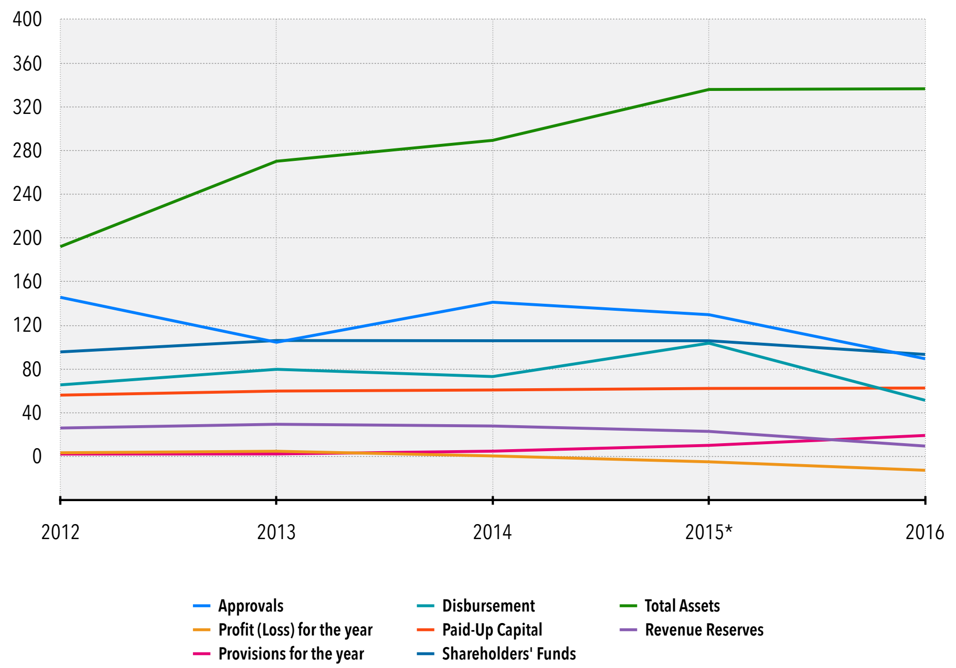
Table 5: Key Operational and Financial Data 2012 – 2016 (US$ Million)

Operating Results		2012	2013	2014	2015*	2016
Gross Income		12.29	13.17	14.15	15.12	16.68
Operating Expenses		6.81	6.83	8.24	10.09	9.72
Operating Profit before provisions		5.39	6.65	5.59	5.20	6.52
Profit (Loss) for the year		3.37	4.75	0.76	(4.94)	(12.68)
Administrative Expenses	(a)	6.49	6.51	7.87	9.63	9.20
Financial Position						
Net Loans and Advances		145.13	195.41	216.85	274.28	283.11
Financial Investments		35.66	59.67	51.87	30.47	7.71
Total Assets		191.99	270.19	289.30	335.85	336.51
Total Equity		95.66	106.09	105.90	105.86	93.36
Total Debt		92.49	160.62	177.79	224.57	236.16
Financial Ratios						
Total Debt to Total Assets (%)		48.18	59.45	61.46	66.87	70.18
Debt/Equity ratio (%)		96.31	151.40	167.88	212.14	252.96
Earnings (Loss) per share (US$)		61.81	81.86	12.62	(80.36)	(203.17)
Dividend per share (US$)		12.02	15.86	-	6.82	-

a) Administrative expenses is operating expenses less depreciation and amortisation.

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37 of the financial statements.

Chart 9: Key Operational and Financial Data 2012 – 2016 (US$ Million)



HUMAN RESOURCES AND CORPORATE SERVICES

The Human Resources and Corporate Services strategic priorities for 2016 included: proactive management of staff and administrative costs; set up and resourcing of Regional Offices; automation of core human resource processes; strengthening performance management; capacity building; enhancement of work environment, security and safety; optimisation of Information Technology systems and services; enhancement of business continuity and disaster recovery; and roll out of IT policies and strategy.

The following achievements were realised during the year:

Human Resources and Administration

a) Management of staff and administrative costs

Because of the staff rationalisation implemented in 2015, together with sustained prudence in the management of staff and administrative costs, significant cost savings, averaging 7.5 percent or US$598,336 were realised in 2016. This was despite initiatives to sustain competitive remuneration levels and reward performance through salary rationalisations and increments, cost of living adjustments, merit and bonus payments, as well as provisions for staff retirement benefits.

b) Resourcing of Regional Offices

During the year the Francophone West Africa Regional Office in Abidjan, Cote D'Ivoire, and the Eastern Africa Regional Office in Nairobi, Kenya were established. . Through redeployments of staff from Head Office, each Regional Office was furnished, equipped and resourced with a full staff complement including a Regional Manager, Investment Officers, a Legal Officer and a Portfolio Management Officer.

c) Automation of Human Resources processes

Initiatives were implemented to optimise the use of Initiatives were put in place to optimise the use of Oracle Human Capital Module, and the Oracle Human Resources Management Information System (HRMIS) was fully implemented. As well, the payroll processing was fully automated allowing for the upload of electronic payroll to finance for payment and batch processioning, or salary remittances. The leave management module was activated, resulting in enhanced accuracy of leave records and reduced provisions for annual leave. The use of Oracle Performance module was perfected with the capability to handle dual reporting, while the development of the intranet was completed during the year to will facilitate internal communications and e-learning.

d) Capacity building

The 2016 training and development plan was implemented with a focus on developing skills in portfolio management, business development, risk management and identified core functional skills. Twenty-three (23) staff attended an in-house course on Real Estate Finance; twenty (20) Staff attended an in-house course Management of Non-Performing Loans and Recovery Strategies that was facilitated by the Association of African Development Finance Institutions(AADFI); and twenty-one (21) staff were trained on the Loans Management System (Finnone). Selected staff were also trained on risk management, financial modelling, International Financial Reporting Standards, and auditing. Staff continued to attend in-house French and English language training programs which are intended to strengthen their bilingual (English and French) capabilities for better service delivery.

e) Management of properties

During the year 2016, refurbishments were carried out at Shelter Afrique Centre to improve the work environment, health and safety; and to achieve full occupancy of the rentable space. To optimise returns from the rental premises, a review of leases, space allocation, and service charge cost allocation and accounting was undertaken. With improved management of the service charge and invigorated collections, service charge collections matched expenses at year end. Equally, with improved management of leases, rent amounting to US$184,793 was collected against the annual budget of US$161,000.

Information Technology

Several projects initiated by the Information Technology Unit in 2016 aimed at mitigating IT risks; improving business operations and IT service delivery were completed. There were, however, challenges in the utilisation of Finnone loans management system. The projects include:

a) Setup of IT infrastructure for East Africa, Francophone West and Central Africa Regional Offices

The Information Technology (IT) department completed the setup of IT infrastructure for the two new Regional offices and ensured all the offices are linked to head office. This has facilitated connectivity and communication between Head Office and Regional Offices. The web conference solution (WebEx) was implemented during the year, and has has enabled regional offices, as well as customers and partners to participate in meetings.

b) Implementation of an offsite backup as part of business continuity project

As part of the business continuity program, the three-fold in-house, offsite and cloud backup plan was implemented. . This plan this is sufficient in ensuring safety and security of corporate data in the unlikely occurrence of a disaster.

As well civil works, installation of fire suppression system, installation of the cooling system, fire rating the room and installation of CCTV camera at the the Data Centre were completed. . With these improvements, our Data Centre has attained Tier II uptime standard level status out of tier IV. Our Data and systems are now well protected from risks emanating from physical intrusion, electrical failure and fire breakout.

c) Loans Management System (FinnOne) outstanding issues

Although progress has been made in resolving the existing issues with the Loams Management System, some challengesexist which undermine the use of the system. While several issues were resolved, including interest computation a few core matters like loan restructuring, few licenses and MIS reporting attributed to system flaws are still outstanding. In 2017, the recommendation will be presented to the Board about phasing off Finnone and adoption of the alternative solution.

d) Electronic Board meetings

An e-board system was introduced which enables upload of board papers and interaction of Board members. It facilitates online circulation and electronic approval of Board papers.

e) Upgrade of IT Infrastructure

Because a robust IT infrastructure is the backbone of Shelter Afrique's operations, the IT Unit initiated a review of the existing setups at Head Office and Regional Offices and recommended upgrades of telephone devices and hardening of the networks. This upgrade will provide a platform for the roll out of a video conferencing solution leveraging on the existing Skype for business and Webex solutions. During the same period, the Head Office network was reviewed, and recommendations implemented relating to improving security and stability of the infrastructure.

f) IT Network Infrastructure improvement project

With the rapid growth and changes within the company experienced for the last three years, coupled with the changing technology, the existing infrastructure has proven to be sub-optimal and vulnerable to security threats and attacks. Based on these and other technical limitations, the IT unit carried out a review of the existing infrastructure design and implemented enhancements in line with best practices in order to to enhance network security.

Corporate & Legal Services

It is encouraging to note that during the year the Board adopted the e-Board, which is a technology-based way of holding meetings and engaging with each other outside the formal meetings. This had a direct positive impact on how the Board conducts its business, including more frequent and fruitful engagement and reduction of paperwork. The company's legal and governance framework remains work-in-progress as some of the proposals were pushed forward by the Shareholders during in the AGM in Abuja, Nigeria.

Another front to corporate services was the successful hosting of the Board meetings and the Annual General Meeting in Abuja, Nigeria. They all went according to plan and the year demonstrated growth in Board and shareholder ownership of the meetings.

The Legal Unit underwent some fundamental changes by having the legal officers join the business teams in the four regional business units formed by the Company with one lawyer assigned to each region. This has led to a better and closer working relationship between the legal department and the business team which in turn will lead to better service delivery to the clients.

RISK MANAGEMENT

Risk is an inherent part of the business activities of Shelter Afrique and it management is therefore 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. 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 emerging best practices. The Company continued to pay attention to the main risk categories which are deemed to have a direct impact on the daily operations, including credit; market (Foreign exchange and interest rate risk); liquidity; and operational risk.

Credit Risk

Lending for project finance and lines of credit continued to be Shelter Afrique's core business activities. Joint Ventures and equity participation were also active in Shelter Afrique's books albeit on a slow proportion. Consequently, this exposed the company to the risk of default by its clients and eventually increased deterioration of the company assets due to the non-performing assets. Key leading factors for the deterioration of the asset quality were marketing, lack of equity, as well as the diversion of funds. To address this problem, Management established a loan workout unit with a mandate to exclusively deal with the Non-performing loans and provide a solution. As at December 2016, the gross NPL closed at 17.51percent compared to 9.3 percent in 2015. The focus will be to bring this ratio down and at the same time implement the recommendations of the forensic report to improve on monitoring of the portfolio.

Market risk

The company continued to operate in a very competitive and challenging environment being affected by factors outside its control, such as fluctuating exchange rates and interest rates. During the year 2016, the company reported a net foreign exchange loss of US$134,161 was mainly due to the depreciation of the CFA currency. The open position for CFA currency was significantly reduced through conversion of the currency to Euro. In this regard, a key focus will be to close the gap for this currency in 2017 as well as monitor the Kenya Shilling gap to mitigate the foreign currency risk. To improve the management of the foreign exchange risk, 2016 marked the first year of implementation of the revised Foreign Exchange policy. In this policy, the open position limits have been reduced, and the base changed to capital to ensure the company's exposure to FX risk is properly managed.

Liquidity Risk

Being a financial institution, one of the key parameters which Shelter Afrique keenly looks for are the liquidity-related ratios. This demonstrates the company's ability to honour its obligations as and when they fall due. In the course of 2016, these ratios were well tested and the company was quite strained as far as liquidity was concerned. The events of Quarter 4 2016 worsened the situation as the Company was not able to access either new funding or the already approved facilities due to the negative publicity. The liquidity ratio closed at 8 percent, way below the policy limit of 15 percent. In 2017, emphasis will be to ensure the slowdown of business as well as ensure the capital mobilisation is achieved to adhere to the set prudential ratios.

Operational Risk

The Company continues to closely monitor and identify key risks which may arise from deficiencies or non-adherence to the policies and procedures in its daily operations. To achieve this, the company has identified and implemented tools which are aimed at properly managing operational risk.

During 2016, the Company continued to deploy the tools developed for the implementation of enterprise-wide risk management (ERM) framework. The Company continued to monitor operational risk through the enforcement of the Risk Control Self-Assessment (RCSA) process to strengthen operational risk as well as enterprise-wide risk management. In 2017, the effort will be to review the risk register, review of the Key Risk Indicators (KRIs) and implement the revised RCSA.

Capital Risk

Capital risk is managed and regularly monitored to ensure that there is adequate capital for the Company's operations and that the Company has sufficient capital buffer to cushion the company from any external shocks. Basel II capital framework calculates the minimum Capital Adequacy Ratio (CAR). At the end of 2016, due to the company's loss position, the common equity tier 1 capital decreased and stood at US$93 million against risk-weighted assets of US$452 million. The CAR, therefore, stood at 19.86 percent which fell below the minimum internally set ratio of 25 percent. This decline was caused by the reduced tier 1 capital as well as the deteriorating asset quality of the institution's portfolio.

The Company continued to have its annual credit rating by one international and two regional rating agency firms, i.e., Moody's Rating Agency, Global Credit Rating (GCR) and Bloomfield Rating Agency. During the year, due to the negative publicity in Quarter 4, the company's rating was downgraded to BA3, BB- and A with a negative outlook by the three firms respectively. The thrust for 2017 will be to achieve the capital mobilisation to retain the requisite capital ratios.

SHELTER AFRIQUE WITHDRAWAL OF MOODY'S AND GCR CREDIT RATING

Shelter Afrique recently experienced a major disruption in its business operations due to the negative publicity during Quarter four of 2016. This resulted in a slowdown in business as well as put some liquidity constraint in the Company. For the Company to continue to fulfil its mandate of financing affordable housing in Africa, it is imperative that it retools its business strategy in the medium term to reconsolidate and regain its footing.

Over the years, in upholding the best practice, the Company has voluntarily applied for credit rating services from two rating agencies, i.e., Moody Investors as well as Global Credit Rating (GCR). As the company works on the necessary remedial measures, it will no longer be applying for credit rating services until such a time when the it will be able to reconsolidate its business and resume full operations.

However, in line with the requirements and best practice, the Company will continue to provide and disclose its financial information through the print and electronic media at least twice a year. Additionally, all the information will be made available on the company website.

> "...in line with the requirements and best practice, the Company will continue to provide and disclose its financial information through the print and electronic media at least twice a year."

INTERNAL AUDIT UNIT

The Internal Audit Unit operates under the Internal Audit Charter approved by the Board in 2013, the revised version of which is under review for approval in 2017. The Charter defines the roles, objectives, authority and responsibilities of the audit function. The primary function of the Internal Audit Unit is to provide an objective and independent assurance to the Board, that adequate management processes are in place to identify and monitor the organisation's risks. The function further ensures that effective internal controls and risk mitigation measures are in place to manage those risks. The Internal Audit Unit independently audits and evaluates the effectiveness of the organisation's risk management, internal controls, and governance.

In 2016, 82 percent of the approved internal audit plan was executed in that out of the 28 planned activities, 23 were completed. Among the 23 activities, 15 activities were rated "Satisfactory" (65 percent), 5 activities were rated "Partially satisfactory" (22 percent), and three activities as "Unsatisfactory" (13 percent).

In addition, the Implementation of audit recommendations stood at 72 percent, 14 percent were partially resolved and the remaining 14 percent unresolved.

Chart 10: Status of 2016 approved audit work plan

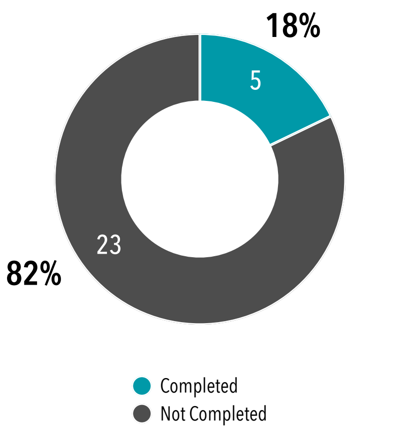


Chart 11: 2016 Completed Activities rating

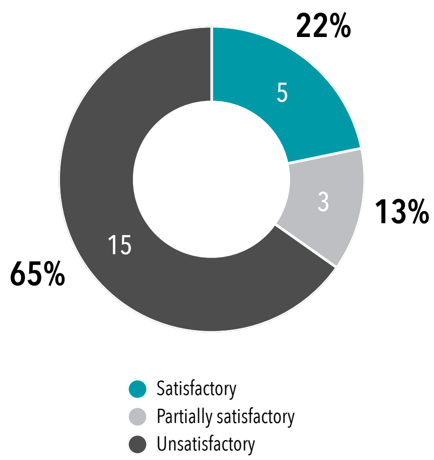


Chart 12: Implementation status

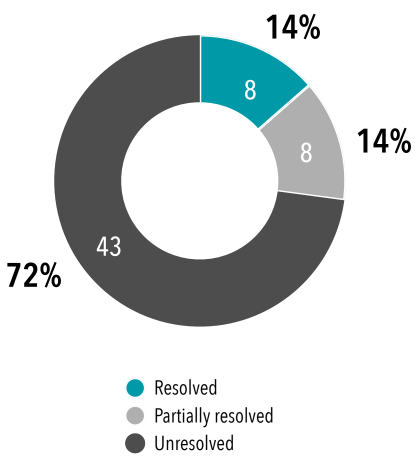
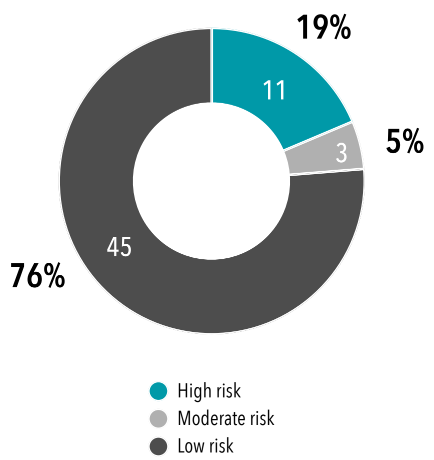


Chart 13: Implementation status risk rating



BOARD OF DIRECTORS ACTIVITIES

The Annual General Meeting

The 35th Annual General Meeting of Shelter Afrique took place on 2nd June 2016 at the Transcorp Hilton Hotel, Abuja, Nigeria. It was chaired by Honourable Babatunde Raji Fashola SAN, Minister of Power, Works and Housing of the Government of Nigeria. The General Meeting approved (a) the declaration of a dividend for the financial year 2015 amounting to US$424,713, which represented US$6.82 per share; (b) appropriation of US$318,534 from the net income to Shelter Afrique Foundation for special initiatives; and (c) that the balance of US$1,380,315 after the above appropriations be ploughed back into the Company and transferred into Revenue Reserves.

Other important decisions of the Annual General Meeting include the elections of Board members representing Group 1 and Group 2 of country shareholders; and the appointment of M/s Deloitte & Touche as Shelter Afrique's external auditors for the financial years 2016 - 2020 at an initial audit fee of US$40,000 and subject to the provisions of Article 31 of the Statutes of SHELTER-AFRIQUE.

The 35th Annual General Meeting also elected a new Bureau of Shelter Afrique comprising of Chairman of The 35th Annual General Meeting, the Honourable Minister Babatunde Raji Fashola, SAN Federal Ministry of Power, Works & Housing, Nigeria; 1st Vice-Chairman of the 35th Annual General Meeting, Hon. Saviour Kasukuwere, Minister of Local Government, Public Works and National Housing, Republic of Zimbabwe; and 2nd Vice-Chairman of The 35th Annual General Meeting, Hon. Dr. Angeline S.L. Mabula, Deputy Minister of for Land, Housing and Human Settlement Development of the United Republic of Tanzania.

Additionally, the General Meeting resolved that an extraordinary meeting be held in Zambia in November 2016 to discuss amendments to the Statutes.

It further resolved that the 36th session of the Annual General Meeting be hosted by the Government of the Republic of Zimbabwe in May/June 2017 at the Victoria Falls; and that the 37th session of the Annual General Meeting be hosted by the Government of the Republic of Tanzania in May/June 2018 at a venue to be determined.

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.

Mr. Oumar Diop, the Acting-Managing Director, interacts during the Lefarge Cocktail Dinner during the 35th AGM

THE ANNUAL SYMPOSIUM

2016 THEME: HOUSING AFRICA'S LOW INCOME URBAN POPULATION

SUMMARY OF THE PROCEEDINGS AND DISCUSSIONS OF THE SYMPOSIUM HELD ON WEDNESDAY, JUNE 1, 2016 – ABUJA, NIGERIA

BACKGROUND

Shelter Afrique's 2016 Symposium was designed to address the uncomfortable and increasingly often less told story of Africa's urban poor.

Almost universally, housing supply has failed to respond to the need of the urban poor with the cost of new housing including those built by Government Agencies being significantly more expensive than what this segment of the population can afford. The result is the rapid growth of informal settlements, slums on the edge of Africa's major cities with negative consequences for economic development, health, safety and security.

It is against this background that the Symposium sought to address the following objectives:

1. Explore and introduce the audience to current approaches and innovations in planning and designing affordable housing for Urban Low Income Earners;

2. Showcase a range of construction methodologies appropriate for implementing affordable housing for people on low income; and

3. Explore financing options and structures for low-income housing projects

SALIENT OUTCOMES

The Symposium received two keynote addresses including one by the Honourable Minister for Power, Works and Housing of the Federal Republic of Nigeria. Thereafter , experts from Nigeria, Malawi, United States of America and Senegal constituted two panels and engaged the audience in two thematic areas. The first panel discussed ***"Designing and Building Low-Cost Housing"***, while the second deliberated on *"Financing Housing Supply and Demand for Low-Income Earners"*. The main messages from the well-selected experts included:

1. **Need for proper planning** throughout the house delivery chain to identify opportunities for cost control and reduction. Planning should encompass storage facilities, adequate and reliable water supply, power, roads and other relevant infrastructure as well as social amenities for workers to avoid the proliferation of informal settlements. Planning should further be extended to post-implementation property management and maintenance.

2. **Need for Standardisation** of housing stock as opposed to customization. When there is harmony and uniformity of design, then it becomes possible to standardise fittings and other construction materials which then encourages manufacturers and other businesses, including small scale ones, to assemble and deliver in mass scale to builders. This mass delivery yields economies of scale and cost optimisation that leads to low construction costs.

3. **Industrialisation:** Significant reduction in cost and time of housing production can be achieved through sustainable industrialisation of the housing delivery process through the building of indigenous productive capacity. This will require various paradigm shifts including:

- Transition from low-consistency craft based labour to high consistency high-productivity technology-enhanced labour;

- Transition from use of low value-added building materials to high value-added high-performance building components and technology;

- The transition from low-productivity customised building construction to high productivity modular industrial production.

4. **Use of unconventional building methodologies** to bring down the construction costs while adopting innovative financial solutions to fund both construction and home purchase options. Approaches include availing technical assistance and use of stabilised soil blocks and other indigenous materials in an organised building system.

5. **Use of micro-finance institutions** to access housing micro-loans was identified as a major avenue through which the urban poor can be supported to become homeowners. Two models were discussed including Stand-alone Incremental Housing Microfinance, and; Linked Housing Microfinance (Housing Micro-Finance linked to other products offered by a micro-finance institution). Through either model, access to financing becomes available for home extensions and renovations as well as for new homes built incrementally.

6. **Is subsidised financing for low-income housing a sustainable option?** The Symposium noted that indeed various governments had adopted different approaches to subsidise the cost of home ownership with varying degrees of success. Some of the subsidy options adopted include reducing interest rates to specific income groups, extending loan tenures through government-supported mortgage liquidity facilities, as well as credit enhancements such as down payment assistance and insurance for housing loans.

CONCLUSION

By exploring various approaches and innovations in planning and designing affordable housing for urban low-income earners, and by identifying financing options and structures for low-income housing projects, the Symposium's objectives were well achieved. The outcome of the Symposium can be well adopted by Shelter Afrique and other stakeholders to design and develop an appropriate program that will begin to address the housing challenges of Africa's urban poor.

The 5000 for 5000 Housing Competition

During the 2015 AGM in Abuja, the Managing Director announced the launching of the 5000 for 5000 Housing competition which was designed to encourage all professionals in the building sciences or stakeholders to create a unit for no more than US$5000. In turn, Shelter Afrique would commit to building 5000 of these units across the continent.

The Aim and Objectives

The aim of the competition is to stimulate and reward innovative thinking about how a livable and sustainable home can be designed and produced at a capital cost of no more than US$5000 equivalent to the end user. In addition to the cost parameter, the Competition's key themes will entail:

- Sustainability – the design solution will give important consideration to the environment, cost in use and adaptability to specific location contexts;
- Practicability – the homes will be buildable;
- Supply Chain Innovation – the proposed solutions will propose innovation along each part of the supply chain towards achieving the objective;
- Beauty and Aesthetic – inspire a new urban aesthetic and landscape that empowers and uplifts people on low income.

Entry to the competition was opened on 25th November 2016 and it elicited a lot of interest and a high number of submissions, 115 in total from 27 different countries. It is expected that a winner will be announced at the 2017 AGM in Zimbabwe.

The CFC Colloquium- Shelter Afrique Colloquium

Shelter Afrique and Credit Foncier du Cameroun (CFC) hosted a capacity building workshop at the Hilton Hotel in Yaoundé, Cameroun from the 13-14th of September 2016. The theme of the colloquium was *Real Estate financing in The Republic of Cameroun: Challenges, Constraints and Opportunities*.

The need for the Colloquium was developed out of several studies that revealed an important housing deficit in Cameroon. With an annual population growth rate of 2.6 percent, and an annual urbanisation growth rate of 6.5 percent, Cameroon is 54 percent urbanised. The challenge to provide housing for this growing and urbanising population - almost half of which live in informal dwellings and settlements - is evident.

The Objectives of the Colloquium

- To provide a better understanding of the issues and constraints of the housing sector in Cameroon and to identify the potential prospects of financing real estate in the country
- Identification of the current state of the real estate sector in Cameroon
- Identification and optimisation of incentives that could improve the locally available sources of funding (i.e. alternative funding sources)
- Evaluation of structural and cyclical sector constraints that hinder the emergence of real estate financing
- Capacity building of developers in assembling and monitoring bankable projects as well as the mastery of legal and regulatory frameworks, fiscal, legal, procedural, etc.
- Identifying structural elements for the development of a business model for the real estate financing in Cameroon.

Shelter Afrique, at the invitation of CFC, was able to provide facilitators for the workshop, by inviting some of our valuable partners like the UN-Habitat, Karibu Homes [Kenya], Rock of Ages [Nigeria], Interbat [Ivory Coast], and Reisam [Ivory Coast].

In attendance were senior representatives of the Cameroonian government, private developers and professionals in the real estate and finance industry. Shelter Afrique viewed the colloquium as an opportunity to begin its series of masterclasses for developers, a series it is likely to continue shortly.

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2016

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

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

SOLICITORS

Mamicha & Co. Advocates
Pan Africa House, 3rd Floor,
No. 9 Kenyatta Avenue
P O Box 59304-00200
Nairobi, Kenya

B.M. Mutie & Co. Advocates
2nd Floor, MMID Studio,
Westlands Road, Westlands
P. O Box 14846-00100
Nairobi, Kenya

INDEPENDENT AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari,
P O Box 40092 - 00100, Nairobi, Kenya

BOARD OF DIRECTORS

Mr. Jean-Paul Missi - Chairperson

Mr. Samuel Mivedor - Vice Chairperson

Class "A" Shareholders (Countries)

Directors	Alternate Directors	Countries /Institutions represented	% shareholding
Mr. David Gabindadde-Musoke (Uganda) from 2.6.2016	Mr. David Gabindadde-Musoke (Uganda) up to 1.6.2016 Mrs. Nthomeng Mapitso Panyane (Lesotho) from 2.6.2016	Botswana, Lesotho, Malawi, Namibia, Rwanda, Tanzania, Uganda, Zambia	12%
Mr. Ceferino Eburi Mata (Equatorial Guinea)	Mr. Pierre Zerbo (Burkina Faso)	Burkina Faso, Burundi, Central African Republic, Chad, Djibouti, Equatorial Guinea, Guinea Bissau, Ivory Coast, Mali, Senegal	12%
Alhaji Yahaya Hameed Yakubu (Ghana)	Mr. Boubacar Keita (Guinea)	Ghana, Guinea, Cape Verde, Togo	11%
Mr. A. Boulares (Algeria)	Mr. Dhehby Mohamed Mahmoud (Mauritania)	Algeria, Mauritania, Morocco, Tunisia	9%
Mr. Jean-Paul Missi (Cameroon)	Mrs. Moussavou Ida Rachel (Gabon)	Benin, Congo, Democratic Republic of Congo, Cameroon, Gabon, Madagascar, Mauritius, Niger, Seychelles, Sao Tome & Principe	11%
Louis Chike Anikamadu (Nigeria)	Mr. Edward Graham (Gambia)	Gambia, Liberia, Nigeria, Sierra Leone	13%
Arch. Mariamu El Maawy (Kenya) up to 1.6.2016 Arch. Aidah Munano from 2.06.2016 (Kenya)	Mr. Clifford S. Mamba (Swaziland)	Kenya, Somalia, Swaziland, Zimbabwe	11%

Class "B" Shareholders (Institutions)

Mr. Corneille Karekezi	Ms. Eunice Mbogo	African Reinsurance Corporation	4%
Mr. Samuel Mivedor	Mr. Rafael Jabba	African Development Bank (AfDB)	17%
		TOTAL	100%

INDEPENDENT DIRECTORS

Mr. Hardwork Pemhiwa

Dr. Omodele R. N. Jones

SENIOR MANAGEMENT

Mr. James Mugerwa	Managing Director (*up to 31/01/2017*)
Mr. Femi Adewole	Director, Business Development & Acting Managing Director (*from 01/02/2017*)
Mr. Oumar Diop	Director, Portfolio Management & Acting Deputy Managing Director (*from 01/02/2017*)
Mr. Raymond Davies	Chief Financial Officer
Mr. Vipya Harawa	Director, Legal, Risk & Compliance (*up to 30/04/2017*)
Mr. Mouhamadou Gueye	Head of Risk Management and Compliance
Mr. Godfrey Waweru	Head of Finance (*up to 12/09/2016*)
Mr. Kevin Kihara	Head of Strategy, Performance and Market Development
Ms. Beatrice Mburu	Ag. Head of Finance and Corporate Treasurer (*from 13/09/2016*)

INTERNAL AUDITOR

Mr. Mohamed Barry

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

PRINCIPAL ACTIVITY

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

RESULTS

The results for the year are set out on page 11 of the financial statements. The loss for the year amounts to US$ 12,680,766 (2015 restated loss US$ 4,944,327).

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 2016. (2015 - US$ 424,713 representing US$ 6.82 per paid up ordinary share).

SHELTER AFRIQUE FOUNDATION

The Directors do not recommend the appropriation of any funds to the Foundation. (2015: US$ 318,534).

RESERVES

The reserves of the Company are set out on page 13 of the financial statements.

DIRECTORS

The Directors who served during the year and to the date of this report are as listed on page 2. 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.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office.

By Order of the Board

....

Ag. Company Secretary

Nairobi
19 April 2017

STATEMENT ON CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2016

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

BOARD OF DIRECTORS

The names of the Directors who held office in the year and to the date of this report are set out on page 2.

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 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 Director.

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 emoluments paid to Directors for services rendered during the financial year is disclosed in Note 36 to the financial statements for the year ended 31 December 2016.

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 for those disclosed in Note 36 to the financial statements for the year ended 31 December 2016.

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.

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, Risk and Finance Committee.

As part of the independence required by Shelter-Afrique corporate governance, the Internal Audit annual work program and budget are separately approved by the Audit, Risk and Finance 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.

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.

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.

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.

COMPLIANCE

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

Director

19 April 2017

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

The Company's Statutes require the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and error.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards. They also accept responsibility for:

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

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

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

Whilst the company is currently undergoing a financial and management restructuring the Directors believe that the Company will continue to be a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on 19 April 2017 and signed on its behalf by:

……………………………………………… ………………………………………………

Director **Director**

19 April 2017

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Company for Habitat and Housing in Africa (the Company or Shelter Afrique) set out on pages 11 to 74, which comprise the statement of financial position as at 31 December 2016 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3a(i) in the financial statements, which indicates that the board commenced a turnaround plan to address the liquidity challenges which the company was facing. These events or conditions, along with other matters as set forth in Note 3a(i), indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

Key audit matter	How our audit addressed this key audit matter
Impairment provision on loans and advances to customers Significant judgement is required by the Directors in assessing the impairment against advances. Impairment against advances amounting to US$ 34 789 002 (2015 Restated: US$18 132 437) against an advances balance of US$ 317 903 052 (2015: US$ 292 413 282), shown in note 18 to the financial statements, represents the shortfall between the present value of future expected cash flows, discounted at the original effective interest rate, and the carrying value of the advance in respect of loans that exhibit indicators of impairment.	In evaluating the impairment against advances, we assessed the judgements applied by the Directors and our procedures included the following: • Considering financial and non-financial information that may indicate impairment of loans and advances such as: number of days in arrears; matters that adversely impact progress of capital projects and financial strength of the borrower.

Key audit matter (*continued*)	How our audit addressed this key audit matter (*continued*)
The judgements applied in determining the impairment include : <u>The probability that an advance will result in loss:</u> As described in note 3(l)(iii) to the financial statements, at the end of each reporting period, the company assesses whether there is objective evidence that a financial asset is impaired. Shelter Afrique's significant loan advances are for capital projects that span over a period of time. During the term of the loan, these projects may exhibit various indications of impairment. It requires significant judgement to assess these impairment indicators and mitigating circumstances to conclude on whether an advance is objectively impaired or not. <u>The expected realisable value of the collateral securing the advance:</u> Due to the nature of Shelter-Afrique's loan advances, the collateral held is predominantly properties. In determining the quantum of impairment losses, the Directors estimate the present value of the expected cash inflows, which include the value of this collateral, over the expected realization period. It requires judgment to estimate the value of this collateral. Impairment provisions on loans and advances to customers is a key audit matter due the significant judgements discussed above.	Using the above information, we assessed the reasonableness of the Directors' identification of impaired loans. • Examining on a sample basis the appraised fair value of the collateral securing impaired advances. • Assessing the adequacy of the impairment recognised based on the realisable value of collateral and the qualitative factors described above. We found that the judgements applied in determining impairment against advances were within an acceptable range and that the amount raised was reasonable.

Other information

The Directors are responsible for the other information, which comprises the Corporate Information, Report of the Directors, Statement of Corporate Governance and the Statement of Directors Responsibility. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partner responsible for the audit resulting in this independent auditors’ report is F. Okwiri – P/No 1699.

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi, Kenya
20 April 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$	2015 (Restated*) US$
INTEREST AND SIMILAR INCOME	5	30,545,413	25,143,027
INTEREST EXPENSE AND SIMILAR CHARGES	6	(16,768,320)	(12,944,977)
NET INTEREST INCOME		13,777,093	12,198,050
FEES AND COMMISSIONS INCOME	7	2,633,315	2,517,718
GRANT INCOME	8	80,915	54,129
OTHER INCOME	9	253,583	404,206
OPERATING INCOME		16,744,906	15,174,103
OPERATING EXPENSES	10	(9,722,704)	(10,089,869)
NET FOREIGN EXCHANGE (LOSSES)/GAINS	11	(134,171)	66,030
GRANT EXPENDITURE	12	(77,036)	(50,250)
IMPAIRMENT CHARGE ON LOANS AND ADVANCES	18 (b)	(18,004,670)	(9,344,994)
OTHER IMPAIRMENT CHARGES	15 (b)	(1,200,000)	(800,000)
SHARE OF JOINT VENTURES (LOSS)/PROFIT	20	(287,091)	100,653
LOSS FOR THE YEAR		(12,680,766)	(4,944,327)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to Profit or Loss:			
UNREALISED LOSS ON EQUITY INVESTMENTS	21	-	(3,928)
Items that will not be reclassified subsequently to Profit or Loss:			
GAIN ON REVALUATION OF PROPERTY	22 (i)	-	987,669
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	983,741
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(12,680,766)	(3,960,586)
LOSS PER SHARE	13	(203.17)	(80.36)

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 US$	2015 (Restated*) US$
ASSETS			
Bank and cash balances	14	20,432,294	10,363,874
Short term bank deposits	15	7,706,836	30,470,444
Derivative financial instruments	16	62,346	524,436
Properties held for sale	17	4,890,434	4,550,813
Loans and advances to customers	18(a)	283,114,050	274,280,845
Other receivables	19	4,004,258	2,820,501
Investments in joint ventures	20	4,978,971	2,212,837
Equity investments	21	5,449,320	4,750,450
Property and equipment	22	5,459,737	5,325,889
Intangible assets	23	293,158	431,857
Government grant	24	116,385	120,264
TOTAL ASSETS		336,507,789	335,852,210
EQUITY AND LIABILITIES			
EQUITY			
Share capital	25(a)	62,600,000	62,232,000
Share premium	25(b)	16,359,068	16,074,604
Revaluation reserve	25(d)	2,872,649	2,872,649
Retained earnings		9,485,256	22,909,269
Available-for-sale reserve	25(e)	351,773	351,773
Special reserves - SH-AF Foundation	29	1,687,552	1,423,737
TOTAL EQUITY		93,356,298	105,864,032
LIABILITIES			
Other payables	26	1,138,285	1,134,946
Provisions	27	2,475,212	1,651,753
Dividends payable	28	1,548,143	1,129,579
Deferred income	30	1,831,920	1,498,636
Medium term notes	31	47,160,130	66,142,135
Lines of credit	32	188,997,801	158,431,129
TOTAL LIABILITIES		243,151,491	229,988,178
TOTAL EQUITY AND LIABILITIES		336,507,789	335,852,210

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

The financial statements on pages 11 to 74 were approved by the Board of Directors on 19 April 2017 and were signed on its behalf by:

....

Director

....

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital (US$)	Share premium (US$)	Revaluation reserve (US$)	Retained earnings (US$)	Available-for-sale reserve (US$)	Special Reserves - SH-AF Foundation (US$)	Total equity (US$)
1 January 2015	60,823,000	14,985,447	1,884,980	27,853,596	355,701	1,423,737	107,326,461
Issue of share capital (additional)	1,409,000	1,089,157	-	-	-	-	2,498,157
Loss for the year - Restated*(Note 37)	-	-	-	(4,944,327)	-	-	(4,944,327)
Other comprehensive income	-	-	987,669	-	(3,928)	-	983,741
At 31 December 2015 (Restated*)	62,232,000	16,074,604	2,872,649	22,909,269	351,773	1,423,737	105,864,032
At 1 January 2016 as previously stated	62,232,000	16,074,604	2,872,649	29,977,158	351,773	1,423,737	112,931,919
Effects of restatement (Note 37)	-	-	-	(7,067,889)	-	-	(7,067,889)
At 1 January 2016 as restated	62,232,000	16,074,604	2,872,649	22,909,269	351,773	1,423,737	105,864,032
Issue of share capital (additional)	368,000	284,464	-	-	-	-	652,464
Loss for the year	-	-	-	(12,680,766)	-	-	(12,680,766)
Special Reserves - SH-AF Foundation	-	-	-	(318,534)	-	318,534	-
Payments on behalf of SH-AF Foundation	-	-	-	-	-	(54,719)	(54,719)
Transfer to dividends payable	-	-	-	(424,713)	-	-	(424,713)
At 31 December 2016	62,600,000	16,359,068	2,872,649	9,485,256	351,773	1,687,552	93,356,298

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

* Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$	2015 (Restated*) US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash used in operations	34 (a)	(5,121,236)	(63,046,570)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	22	(462,623)	(602,519)
Purchase of intangible assets	23	(52,617)	(65,408)
Investment in equity instruments	21	(698,871)	(1,816,373)
Net investment in Joint Venture	20	(3,057,750)	158,645
Net cash used in investing activities		(4,271,861)	(2,325,655)
CASH FLOWS FROM FINANCING ACTIVITIES			
Special Reserves - SH-AF Foundation payment	29	(54,719)	-
Dividends paid	28	(6,149)	(182,814)
Proceeds from capital subscriptions	25(c)	640,053	2,498,157
Proceeds from borrowed funds - lines of credit	34(c)	54,816,900	75,849,750
Repayment of borrowed funds - lines of credit	34(c)	(24,507,128)	(11,708,084)
Proceeds from medium term notes	34(d)	-	1,632,272
Repayment of medium term notes	34(d)	(18,130,400)	(5,065,125)
Repayment of bank borrowings	34(e)	-	(4,146,409)
Interest paid on borrowed funds - lines of credit	34(c)	(7,674,936)	(3,473,851)
Interest paid on medium term notes	34(d)	(6,615,106)	(8,125,710)
Interest paid on bank borrowings	34(e)	-	(168,559)
Deferred costs		(84,290)	-
Other finance charges paid	34(f)	(1,552,145)	(1,874,772)
Net cash (used in)/generated from financing activities		(3,167,920)	45,234,855
DECREASE IN CASH AND CASH EQUIVALENTS		(12,561,017)	(20,137,370)
EFFECT OF EXCHANGE RATE CHANGES	11	(134,171)	66,030
CASH AND CASH EQUIVALENTS AT 1 JANUARY		40,834,318	60,905,658
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	34 (b)	28,139,130	40,834,318

* Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

New standards and amendments to published standards effective for the year ended 31 December 2016

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

IFRS 14 - Regulatory Deferral Accounts

The objective of IFRS 14 is to specify the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation

IFRS 14 permits an entity, which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

IFRS 14 applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016

Amendments to IFRS 11 – Joint Arrangements

This amendment to IFRS 11 requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

a) apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11; and

b) Disclose the information required by IFRS 3 and other IFRSs for business combinations.

* Applicable to annual periods beginning on or after 1 January 2016

Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture

Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to:

a) include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16;

b) introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales; and

c) Clarify that produce growing on bearer plants remains within the scope of IAS 41.

* Applicable to annual periods beginning on or after 1 January 2016.

New standards and amendments to published standards effective for the year ended 31 December 2016 (continued)

Amendments to IAS 27 Separate Financial Statements

Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

* Applicable to annual periods beginning on or after 1 January 2016.

Annual Improvements 2012-2014 Cycle

Makes amendments to the following standards:

IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued;

IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements;

IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid; and

IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

* Applicable to annual periods beginning on or after 1 January 2016.

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011)

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

a) The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value;

b) A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity;

c) When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries; and

d) An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

* Applicable to annual periods beginning on or after 1 January 2016.

Standards issued but not yet effective

The standards 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.

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
IFRS 15	1 January 2017
IFRS 16	1 January 2019

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for DE recognition.

Key requirements of IFRS 9:

Classification and measurement

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment

The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognise

Hedge accounting

Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition

The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The directors of the company anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed by the company.

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The directors of the company do not anticipate that the application of IFRS 15 in the future may have a significant impact on amounts reported.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The directors of the company anticipate that the application of IFRS 16 in the future may have not have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities.

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$).

(i) Going Concern

Following adverse events that affected the Company's trading operations in the last quarter of year 2016, the board of directors carried out a critical appraisal of Shelter Afrique's financial, governance and management structure. The board commenced a turnaround plan to address the short-term liquidity challenges which the company was facing. This was partly caused by a decline in the condition of the loans and advances portfolio.

In the medium term the board plans to restructure the governance and management of the Company to ensure that sound controls are in place for effective management of its operations and attendant risks.

The Board and present Management of the Company are actively engaged in responding to the challenges presently facing the Company and are confident that the company will continue as a going concern for the foreseeable future.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Interest income and expense are recognised in profit or loss on the accrual basis. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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.

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

(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. All other borrowing costs are recognised as an expense. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(d) Investments in joint ventures

The Company has interest in joint ventures, which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangements require unanimous agreement for financial and operating decisions among the venturers. The Company recognises its interest in the joint ventures using the equity method of accounting. Under the equity method, the interest in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the venturer's share of profit or loss in the joint venture after the date of acquisition. The venturer's share of profit or loss is recognised in the venturer's profit or loss. Any change in OCI of the joint venture is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture. Distributions received from the joint venture reduce the carrying amount of the interest.

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

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.

(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.

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

(f) Intangible assets

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

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

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

(g) 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 Développement (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. Such cost includes the cost of replacing part of property and equipment and borrowing costs for long-term construction projects 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 marketbased 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 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. Land is not depreciated. Depreciation is recognised in the statement of profit and loss and other comprehensive income.

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 of disposal 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 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$ 1.96 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.

(k) Employee entitlements

Employee entitlements to service pay and annual leave are recognized when they accrue to employees. A provision is made for the estimated liability of service pay as a result of services rendered by employees up to the year end. Employees are entitled to a full month pay for every year of service completed. A provision is made for the estimated liability of annual leave and service pay as a result of services rendered by employees up to the year end. An actuarial valuation to determine the service pay liability was last carried out in December 2016.

(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 (FVTPL), 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.

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.
- A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:
- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

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

- Currency swap receivable
- Loans and receivables: loans and advances to customers, Bank and Cash balances, Short term deposits and staff loans
- Held-to-maturity investments: 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.

(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, and which are not designated at fair value through profit or loss or available-for-sale, or do not meet the definition of loans and receivables. 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.

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 designated as available for sale or are not classified as (a) loans and advances, (b) held to maturity or (c) financial assets at fair value through profit and 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. They are then credited to 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. If, as a result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available, it becomes appropriate to carry the financial asset at cost or amortised cost rather than at fair value. The fair value-carrying amount of the financial asset on that date becomes its new cost or amortised cost, as applicable.

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.

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 assets

For available-for-sale financial assets, 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.

Subsequent measurement

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

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.

Offsetting

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

(m) 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.

(n) Dividends

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.

(o) Shelter Afrique Foundation

The Company has set up a Foundation to enhance Shelter-Afrique's visibility in corporate social responsibility to its member countries. The current policy approved by the Annual General meeting requires an appropriation of 15% of the profits in a given year provided that the Company has made profits in excess of United States dollar (US$) of one million. This Foundation is not yet operational.

(p) Deferred expenditure

Expenditure incurred in relation to a borrowing facility from which the Bank will derive benefits over a period beyond the year in which the facility is secured, if material, is capitalized and amortized over the life of the facility. This relates to expenditure incurred to acquire long term facilities.

(q) Deferred income

Funds received in relation to loans and advances to customers from which the Company will derive benefits over a period beyond the year in which the funds are received, if material, are capitalized and amortized over the life of the facility. This relates to lump sum fees received from loans and advances to customers. Other deferred income relates to government grants, based on land donated by the Kenya government for the Headquarters building. The grant is amortised over the life of the building.

(r) Fair value measurement

The Company measures financial instruments such as derivatives, and non-financial assets such as inventory properties, at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 3, 21, 22 and 33
- Contingent consideration Note 35
- Quantitative disclosures of fair value measurement hierarchy Note 33
- Investment in unquoted equity shares Note 21
- Property, plant and equipment under revaluation model Note 22
- Property inventory Note 17
- Financial instruments (including those carried at amortized cost) Note 16

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

IFRS13.9

- In the principal market for the asset or liability

OR

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

IFRS 13.16

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

IFRS 13.22

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

IFRS 13.27

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

Leases

Determination

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

Company as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the profit or loss. The company currently does not have any finance lease.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortized over the period of the lease. The amortization is recognized as an operating expense in profit or loss.

Company as a lessor

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

Property held for sale

Property swapped for debt as part of debt recovery process and is held as inventory, rather than for rental income or capital appreciation, is measured at the lower of cost and net realisable value. The cost includes the agreed price by the parties at the point of the debt swap.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money, if material, less costs to completion and the estimated costs of sale.

The cost of inventory recognised in profit or loss on disposal will be determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. No revenue has been recognized during the current year.

Hedge Accounting

The Company uses derivative financial instruments, such as forward currency contracts and to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at cost on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss

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 18 (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 and equipment

Critical estimates are made by the Directors in determining useful lives and depreciation rates for property and equipment. Revaluation of the land and buildings is done by a qualified firm of valuers every five years. Property and equipment is described in more details on Note 22.

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. The carrying amounts of the financial assets are disclosed in Note 21.

5. INTEREST AND SIMILAR INCOME

	2016 (US$)	2015 (US$)
Project finance loans	17,822,009	15,834,702
Lines of credit advances	11,995,855	6,480,497
	29,817,864	22,315,199
Placements with financial institutions	727,549	2,827,828
	30,545,413	25,143,027
Geographical segmentation – interest and similar income		
Eastern Africa	15,090,022	10,229,793
Southern Africa	6,379,784	6,312,091
Francophone West/Central Africa	4,251,644	3,366,150
Anglophone West Africa	4,096,414	2,407,165
	29,817,864	**22,315,199**

The main types of loan products are:

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

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

These loans are classified as loans and receivables.

6. INTEREST EXPENSE AND SIMILAR CHARGES

	2016 (US$)	2015 (US$)
Funds from financial institutions and capital markets	16,714,867	12,894,257
Bank charges	53,453	50,720
	16,768,320	**12,944,977**

7. FEES AND COMMISSIONS INCOME

Commitment fees – Project finance	582,347	295,885
Appraisal fees – Project finance	485,460	473,315
Appraisal fees – Lines of credit	-	125,000
Front end fees – Project finance	366,695	173,459
Penalty fees – Project finance	426,362	785,895
Management fees and other fees – Project finance	649,497	518,322
Other fees – lines of credit	80,000	111,592
Other project finance fees	42,954	34,250
	2,633,315	**2,517,718**
Geographical segmentation – fees and commissions income		
Eastern Africa	1,447,399	1,361,173
Southern Africa	222,870	209,643
Francophone West/Central Africa	629,561	528,657
Anglophone West Africa	333,485	418,245
	2,633,315	**2,517,718**

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.

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

8. GRANT INCOME

	2016 (US$)	2015 (US$)
Government of Kenya land grant (Note 24)	3,879	3,879
AFD interest advantage grant (Note 30)	77,036	50,250
	80,915	54,129

9. OTHER INCOME

Rental income*	185,589	266,727
Dividend Income-Equity participation	-	78,818
Interest on staff loans	67,994	58,661
	253,583	404,206

*At the reporting date, the company had contracted with tenants for the following future lease receivables.

Operating lease income - commitments

Within one year	173,791	191,244
Within the second to fifth year inclusive	721,550	482,971
Later than five years	-	4,023
Leases are negotiated for an average term of six (6) years	895,341	678,238

10. OPERATING EXPENSES

(a) Operating expenses

Staff costs (Note 10(b))	6,269,902	6,661,996
Depreciation on property and equipment (Note 22)	328,776	258,311
Amortization of grant income (Note 24)	3,879	3,879
Amortization of intangible assets (Note 23)	191,317	194,459
Audit fees	34,500	32,775
Board of Directors' meetings	558,331	580,468
Official missions	454,350	377,065
Consultancy fees	396,454	596,974
Business promotion	93,319	56,682
Other administration costs*	1,391,876	1,327,260
	9,722,704	10,089,869

*Other administrative costs comprise translation costs, recruitment, legal fees, printing, insurance, communication etc.

(b) Staff costs

Salaries and wages	4,687,661	4,530,361
Post-employment benefits (Defined contribution plans)	554,387	541,518
Leave and Service pay	983,872	1,553,939
Other costs	43,982	36,178
Total staff costs (Note 10 (a))	6,269,902	6,661,996

11. NET FOREIGN EXCHANGE (LOSSES)/ GAINS	2016 (US$)	2015 (US$)
Net (losses)/gains on foreign currency transactions and revaluation	(134,171)	66,030

12. GRANT EXPENDITURE		
AFD interest advantage grant (note 30)	77,036	50,250

13. EARNINGS PER SHARE		
Loss for the year (US$)	(12,680,766)	(4,944,327)
Weighted average number of ordinary shares in issue	62,416	61,528
Basic (loss)/earnings per share (expressed in US$ per share)	(203.17)	(80.36)

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

Basic (loss)/earnings per share are calculated by dividing the profit (loss) 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 2016 and 31 December 2015.

14. CASH AND BANK BALANCES

Amounts in United States Dollars (US$)	6,344,257	6,524,609
Amounts maintained in other currencies:		
Kenya Shillings	4,815,558	542,840
FCFA	7,735,261	2,972,026
Euro	981,119	27,796
South African Rand	551,357	293,033
Naira	4,742	3,570
	14,088,037	3,839,265
	20,432,294	10,363,874

15. SHORT TERM BANK DEPOSITS

(a) Call and term deposits with banks (Held-to-maturity):

Amounts in United States Dollars (US$)	9,038,165	25,843,487
Less Provision for impaired asset (Note 15 b)	(2,000,000)	(800,000)
Amounts in United States Dollars (US$)	7,038,165	25,043,487
Amounts maintained in other currencies:		
Kenya Shillings	34,465	3,625,616
FCFA	634,206	1,801,341
	668,671	5,426,957
	7,706,836	30,470,444

(b) Impaired asset

The provision for impaired asset relates to a deposit held in Chase Bank Limited, a bank in Kenya that was placed under statutory administration on 7 April 2016 by the Central Bank of Kenya.

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

	2016	2015
United States Dollars (US$)	3.32 %	3.74%
Kenya Shillings	10.06%	12.88%
FCFA	3.75%	5.59%
Euro	-	-

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

The table below shows the derivative financial instruments, recorded as net of the currency swaps - assets and liabilities at year-end:

(a) Derivative financial instruments	2016 (US$)	2015 (US$)
At 1 January	524,436	-
Net receipts under swap agreements	109,701	(358,756)
Net payments under swap arrangements	(443,502)	-
Interest Receivable	25,493	-
Fair value adjustments	(153,782)	883,192
At 31 December	62,346	524,436

17. PROPERTIES HELD FOR SALE

(a) Land and Buildings		
At 1 January	3,113,046	-
Additions – Asset/Loan swap	351,521	3,185,745
Fair value adjustment	(9,454)	(72,699)
At 31 December	3,455,113	3,113,046
(b) Land		
At 1 January	1,437,767	-
Additions	-	1,437,767
Fair value adjustment	(2,446)	-
At 31 December	1,435,320	1,437,767
At 31 December	4,890,434	4,550,813

The Company's properties held for sale comprise of 11 apartments (2015: 11) in Eden Beach Resort & Spa in Mombasa Kenya, and 21 houses (2015: 17) and vacant land in Athi River, Kenya.

18. LOANS AND ADVANCES TO CUSTOMERS

(a) (i) Analysis of loans and advances	2016 US$	2015 (Restated*) US$
At 1 January	273,236,648	213,324,624
Disbursements during the year	48,081,569	100,977,872
Repayment during the year	(22,866,163)	(34,643,318)
Amounts Written off during the year	(796,294)	-
Currency translation adjustment	(501,368)	(6,422,530)
At 31 December		
Principal loans and advances	297,154,392	273,236,648
Interest and fees receivable	20,748,660	19,176,634
Gross loans	317,903,052	292,413,282
Impairment provision for credit risk	(34,789,002)	(18,132,437)
Net loans and advances	283,114,050	274,280,845

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

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

(ii) Analysis of loans and advances – profiling		
Current portion	94,367,809	92,741,624
Non-Current portion	188,746,241	181,539,221
Net loans and advances	283,114,050	274,280,845
(iii) Product analysis		
Loans and advances - Project finance	148,695,807	154,958,307
Loans and advances – Lines of credit	134,418,243	119,322,538
Net loans and advances	283,114,050	274,280,845
(b) Impairment on loans and advances		
At 1 January	18,132,437	8,873,087
Amounts written off (Principal & Interest)	(1,305,440)	-
Charge for the year*	18,004,670	9,344,994
Currency translation adjustment	(42,665)	(85,644)
At 31 December	34,789,002	18,132,437
The 2015 amount comprises the following:		
Charge for the year – as previously stated		2,936,007
Restatement of 2015 Impairment on loans and advances (Note 37)		7,067,889
Impairment recovery		(658,902)
		9,344,994

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37. In the opinion of the Directors, the current levels of provisions reflect a prudent assessment of the quality of the Company's loan portfolio. The effective interest rate was 10.21% (2015 – 9.60%) per annum

(c) Analysis of gross loans by maturity	2016 (US$)	2015 (US$)
Maturing		
Within one year	129,156,810	103,806,172
One year to five years	159,104,683	143,651,509
Over five years	29,641,559	44,955,601
	317,903,052	292,413,282

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

19. OTHER RECEIVABLES

(a) Analysis of other receivables		
Staff loans	2,352,521	1,643,315
Other debtors and prepayments	1,759,325	1,284,911
	4,111,846	2,928,226
Less: provision for doubtful amounts	(31,454)	(31,463)
Provision HQ Service charge	(76,134)	(76,262)
At 31 December	4,004,258	2,820,501
Current portion	2,309,337	1,359,948
Non-Current portion	1,694,921	1,460,553
At 31 December	4,004,258	2,820,501

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% (2015 - 5.8 %) per annum. The terms on the US$ denominated staff loans are at market rates.

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 2016, the company has not recorded any impairment of receivables relating to amounts owed by related parties (2015: 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.

Other debtors and prepayments are receivable over varying amounts of time depending on the nature of the debt, but generally within one year.

(b) Movement for provision for doubtful amounts		
As at 1 January	31,462	32,108
Currency Exchange translation	(8)	(645)
At 31 December	31,454	31,463

(c) Movement for Provision HQ Service charge		
As at 1 January	76,262	86,122
Currency Exchange translation	(128)	(9,860)
At 31 December	76,134	76,262

20. INVESTMENTS IN JOINT VENTURES

(a) Everest Park Project

Everest Park Project Joint Venture is a joint venture arrangement between Shelter Afrique and Everest Limited with effect from 1 February 2011. The 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 Shelter Afrique Centre, Longonot road, Nairobi, Kenya. The joint venture is not a listed entity.

The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 50% and Everest Limited - 50%. The term of the joint venture is up to January 2021.

Joint venture's statement of financial position:	2016 (US$)	2015 (US$)
Property held for sale	3,425,704	919,499
Trade and other receivables	60,435	124,182
Cash and cash equivalents	170,449	1,680,696
Total current assets	3,656,588	2,724,377
Trade and other payables	1,466,515	253,520
Total current liabilities	1,466,515	253,520
EQUITY	2,190,073	2,470,857
Proportion of the Company's ownership	50%	50%
Carrying amount of the investment	1,095,036	1,235,429
Joint venture's statement of profit and loss:		
Revenue	(3,615)	99,558
Interest income	-	222,285
Other income	29,977	59,293
Cost of sales	-	(70,270)
Gross profit	26,362	310,866
Administration expenses	(107,793)	(90,466)
(Loss) / profit before tax	(81,431)	220,400
Income tax expense	-	-
(Loss) / profit after tax	(81,431)	220,400
Share of joint venture's (loss)/profit	(40,716)	110,200
Less overstated share of joint venture's profit in previous year	-	(9,547)
Adjusted Share of joint venture's (loss)/profit after tax	(40,716)	100,653
Reconciliation of investment in joint venture		
1 January	1,235,429	1,460,983
Equity reduction / profit taking	(98,625)	(158,645)
Share of (loss)/profit	(40,716)	110,200
Less overstated share of joint venture's profit in previous year	-	(9,547)
Currency translation adjustments	(1,052)	(167,562)
At 31 December	1,095,036	1,235,429

(b) Glenwood Gardens City

Glenwood Gardens Project is a joint venture between Shelter Afrique and Glenwood Gardens Limited with effect from 20 May 2015. The project is situated in Ndenderu, Ruaka, Kiambu County, Kenya. The purpose of the joint venture is to acquire, own, develop, construct, operate and sell the subject property and improvements as an investment for production of income. The joint venture was incorporated in Kenya and the principal place of business is Shelter Afrique Centre, Longonot road, Nairobi, Kenya. The joint venture is not a listed entity.

The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 50% and Glenwood Gardens Limited - 50%. The term of the joint venture is up to 1 January 2022.

Joint venture's statement of financial position:	2016 (US$)	2015 (US$)
Property held for sale	3,703,905	-
Cash and bank balances	266,905	977,408
Trade and other receivables	804,157	97,741
	4,774,967	1,075,149
Land	1,453,004	879,667
Total assets	**6,227,971**	**1,954,816**
Total liabilities	4,158,394	-
EQUITY	**2,069,577**	**1,954,816**
Carrying amount of the investment	796,159	977,408
Joint venture's statement of profit and loss:		
Revenue	-	-
Interest income	-	-
Other income	18,738	-
Cost of sales	-	-
Gross profit	18,738	-
Administration expenses	(377,910)	-
Profit before tax	(359,172)	-
Income tax expense	-	-
Loss after tax	(359,172)	-
Share of joint venture's loss	(179,586)	-
Reconciliation of investment in joint venture		
1 January	977,408	-
Additions	-	976,994
Share of loss	(179,586)	-
Currency translation adjustments	(1,663)	414
At 31 December	**796,159**	**977,408**

20. INVESTMENTS IN JOINT VENTURES (continued)

(c) Kew Gardens Project

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

The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 19.8% and Itoga Investments Holdings Limited – 80.2%. The term of the joint venture is up to 31 December 2018.

Joint venture's statement of financial position:	2016 (US$)	2015 (US$)
Property held for sale	10,120,256	-
Land	3,241,126	-
Total assets	13,361,382	-
Total liabilities	10,275,101	-
EQUITY	**3,086,281**	**-**
Carrying amount of the investment	273,706	-
Joint venture's statement of profit and loss:		
Gross profit	-	-
Administration expenses	(154,845)	-
Loss before tax	(154,845)	-
Income tax expense	-	-
Loss after tax	(154,845)	-
Share of joint venture's loss	(30,659)	-
Reconciliation of investment in joint venture		
1 January	-	-
Additions	304,365	-
Share of loss	(30,659)	-
At 31 December	**273,706**	**-**

(d) Rugarama Park Estates Limited

Rugarama Park Estates Limited is a joint venture between Shelter Afrique and Banque Rwandaise de Development (BRD) to undertake a development and subsequent implementation of an affordable housing project. The project is situated in Rugarama, Nyarugenge district within the City of Kigali, partnered with BRD to co-finance the development of about 2,700 housing units and infrastructure services in Nyarugenge district, Kigali. The project is in collaboration with the City of Kigali. The principal place of business in Nyarugenge,, Kigali, Rwanda. The joint venture is governed by the laws of the Republic of Rwanda and is not listed.

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

Joint venture's statement of financial position:	2016 (US$)	2015 (US$)
Property held for sale	8,781,000	-
Cash and bank balances	265,000	-
Trade and other receivables	829,000	-
Property and equipment	26,000	
Total assets	9,901,000	-
Total liabilities	-	-
EQUITY	9,901,000	-
Carrying amount of the investment	2,814,070	-
Joint venture's statement of profit and loss:		
Administration expenses	(72,000)	-
Loss before tax	(72,000)	-
Income tax expense	-	-
Profit after tax	(72,000)	-
Share of joint venture's loss	(36,130)	-
Reconciliation of investment in joint venture		
1 January	-	-
Additions	2,850,200	-
Share of loss	(36,130)	-
At 31 December	2,814,070	-
Total carrying amounts of Joint ventures:		
Everest Park	1,095,036	1,235,429
Glenwood Garden City	796,159	977,408
Rugarama Park Estates	2,814,070	-
Kew Gardens	273,706	-
	4,978,971	2,212,837
Total share of Joint Ventures (loss)/gain:		
Everest Park	(40,716)	100,653
Glenwood Garden City	(179,586)	-
Rugarama Park Estates	(36,130)	-
Kew Gardens	(30,659)	-
	(287,091)	100,653

21. EQUITY INVESTMENTS

31 December 2016	Currency	At 1 January at Cost US$	Additions at Cost US$	Investment Carrying amount 2016 US$	Investment Carrying amount 2015 US$
Measured at Fair Value					
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo	FCFA	925,249	-	925,249	925,249
Measured at Cost					
Banque de L'Habitat du Burkina Faso (BHBF)	FCFA	1,356,237	-	1,356,237	1,356,233
Pan African Housing Fund LLC (Mauritius)	USD	1,468,963	698,871	2,167,834	1,468,968
Tanzania Mortgage Refinance Company Ltd	USD	1,000,000	-	1,000,000	1,000,000
Total		4,750,450	698,871	5,449,320	4,750,450
31 December 2015					
Measured at Fair Value					
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo	FCFA	929,177	-	(3,928)	925,249
Measured at Cost					
Banque de L'Habitat du Burkina Faso (BHBF)	FCFA	1,356,238	-		1,356,238
Pan African Housing Fund LLC	USD	652,590	816,373	-	1,468,963
Tanzania Mortgage Refinance Company Ltd	**USD**	-	1,000,000	-	1,000,000
Total		2,938,005	1,816,373	(3,928)	4,750,450

The Company's main equity investments are in Caisse Régionale de Refinancement Hypothécaire (CRRH), Banque de L'Habitat du Burkina Faso (BHBF), Pan African Housing Fund LLC, and Tanzania Mortgage Refinance Company Ltd. The Company's participation is expressed in US $.

All investments were carried at cost as there were no readily available prices since the shares are not traded in an active market, and their fair values could not otherwise be reliably measured. The Company does not intend to dispose the shares in the short term, and none of the shares have been derecognized.

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

The main sponsor of CRRH is the 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 in May 2015, advising them on new share capital subscription that had been offered to development and financial institutions, at FCFA 12,076 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, at a par value of FCFA 10,000, with a cost of FCFA 13,900 per share. The investment is carried at cost in the financial statements as the shares are not quoted in an active market and the fair value cannot otherwise be reliably measured.

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 investment is carried at cost in the financial statements as the projects financed are still under construction.

Tanzania Mortgage Refinance Company Limited

Tanzania Mortgage Refinance Company Ltd (TMRC) is a private sector institution whose main objective is the development and promotion of the mortgage finance market (and hence residential construction) through the provision of liquidity to mortgage lenders and development of the local bond market. The investment is carried at cost in the financial statements, as there is no active market for the shares and the fair value cannot otherwise be reliably measured.

22. PROPERTY AND EQUIPMENT

	Leasehold land and buildings US$	Office equipment, furniture and fitting US$	Computers US$	Motor vehicles US$	Residential equipment, furniture and fittings US$	Total costs US$
COST OR VALUATION						
At 1 January 2015	4,052,198	637,682	372,387	97,652	104,085	5,264,004
Additions	258,951	106,375	29,072	98,641	109,480	602,519
Disposals	-	-	(185)	-	-	(185)
Revaluation adjustment	418,641	-	-	-	-	418,641
At 31 December 2015	4,729,790	744,067	401,274	196,293	213,565	6,284,979
Comprising:						
At cost	3,032,374	744,067	401,274	196,293	213,565	4,587,563
At valuation	1,697,416	-	-	-	-	1,697,416
	4,729,790	744,067	401,274	196,293	213,565	6,284,979

	Leasehold land and buildings US$	Office equipment, furniture and fitting US$	Computers US$	Motor vehicles US$	Residential equipment, furniture and fittings US$	Total costs US$
At 1 January 2016	4,729,790	744,067	401,274	196,293	213,565	6,284,979
Additions	242,327	114,988	68,673	-	36,634	462,623
At 31 December 2016	4,972,117	859,055	469,947	196,293	250,190	6,747,602
Comprising:						
At cost	3,274,701	859,055	469,947	196,293	250,199	5,050,186
At valuation	1,697,416	-	-	-	-	1,697,416
At 31 December 2016	4,972,117	859,055	469,947	196,293	250,190	6,747,602
DEPRECIATION						
At 1 January 2015	439,546	445,511	281,218	65,760	37,955	1,269,990
Charge for the Year	129,480	49,526	36,751	24,413	18,141	258,311
Disposals	-	-	(185)	-	-	(185)
Elimination on revaluation	(569,026)	-	-	-	-	(569,026)
As at 31 December 2015	-	495,037	317,784	90,173	56,096	959,090
At 1 January 2016	-	494,944	317,877	90,173	56,096	959,089
Charge for the Year	151,404	64,098	44,739	45,148	23,387	328,776
As at 31 December 2016	151,404	559,042	362,616	135,321	79,483	1,287,865
NET CARRYING AMOUNT						
As at 31 December 2016	4,820,713	300,013	107,331	60,972	170,707	5,459,737
As at 31 December 2015	4,729,790	249,019	83,490	106,120	157,469	5,325,889

(i) The Company's buildings were revalued on 31 December 2015 by Ebony Estates Limited, independent professional valuers, on the basis of open market value. The revaluation surplus of US$ 987,667 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$ 752,785 (2015 - US$ 579,836) which were fully depreciated. The normal annual depreciation charge on these assets would have been US$ 142,326 (2015 -US$ 98,882).

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

(iv) If the leasehold land and buildings were carried at cost, their carrying amount would be is US$ 3,274,701 (2015: US$ 3,032,374).

23. INTANGIBLE ASSETS

	2016 (US$)	2015 (US$)
COST		
At 1 January	993,621	982,517
Additions	52,617	65,408
As at 31 December	1,046,238	1,047,925
AMORTIZATION		
At 1 January	561,764	421,610
Charge for the year	191,317	194,459
	753,080	616,069
NET CARRYING AMOUNT		
At 31 December	293,158	431,857

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$ 619,534 (2015 -US$72,898) which have been fully amortised. The normal annual amortisation charge on these assets would have been US$ 132,701 (2015–US$14,544).

24. GOVERNMENT GRANT

	2016 (US$)	2015 (US$)
Value of grant received	200,000	200,000
At 1 January	120,264	124,145
Released to profit or loss	(3,879)	(3,879)
At 31 December	116,385	120,264
Current	3,879	3,879
Non-current	112,506	116,385
	116,385	120,264
Amounts released to date:		
At 1 January	79,736	75,855
Charge for the year	3,879	3,881
At 31 December	83,615	79,736

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 30 to these financial statements.

25. EQUITY

(a) SHARE CAPITAL

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:		
49,504 (2015: 49,136) ordinary shares of US$ 1000 each	49,504,000	49,136,000
Class B: Issued and fully paid:		
13,096 ordinary shares of US$ 1,000 each	13,096,000	13,096,000
	62,600,000	62,232,000
Callable capital	500,000,000	500,000,000

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

The callable capital is callable from existing shareholders.

(b) SHARE PREMIUM

At end of year	16,359,068	16,074,604

Share premium arises from new and current shareholders who take up additional shares in the Company. The share premium is the difference between the par value (US$ 1,000 per share) and the current share price. The current share price is US$1,773 (2015-US$1,773) for current shareholders and US$ 2,334 (2015 - US$2,334) for new shareholders.

(c) MOVEMENT IN PAID UP CAPITAL	Number of shares	Ordinary shares US$	Share premium US$	Total US$
At 1 January 2015	60,823	60,823,000	14,985,447	75,808,447
Paid up in the year	1,409	1,409,000	1,089,157	2,498,157
At 31 December 2015	62,232	62,232,000	16,074,604	78,306,604
At 1 January 2016	62,232	62,232,000	16,074,604	78,306,604
Paid up in the year	361	361,000	279,053	640,053
Write Backs from Fractional Shares	7	7,000	5,411	12,411
At 31 December 2016	62,600	62,600,000	16,359,068	78,959,068

(d) REVALUATION RESERVE	2016 (US$)	2015 (US$)
At 1 January	2,872,649	1,884,980
Revaluation gain for the year	-	987,669
At 31 December	2,872,649	2,872,649

The revaluation reserve arises from the revaluation of buildings of the Company and is not distributable.

(e) AVAILABLE-FOR-SALE RESERVE		
At 1 January	351,773	355,701
Fair value loss	-	(3,928)
At 31 December	351,773	351,773

The available-for-sale reserve arises from the revaluation of equity investments and is not distributable.

26. OTHER PAYABLES

Accruals	733,030	1,026,424
Post-employment benefits	329,070	-
Rent deposits	48,732	70,852
Share capital subscriptions (fractional shares)	27,453	37,670
	1,138,285	1,134,946

(i) Movement of Share capital subscriptions (fractional shares)

At 1 January	37,670	33,697
From Increase in Capital subscriptions during the year	(10,217)	3,973
At 31 December	27,453	37,670

(ii) 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.

27. PROVISIONS

(i) Leave pay	2016 (US$)	2015 (US$)
At 1 January	276,968	451,356
Increase / (decrease) in provision	185,256	(160,666)
Payment of leave pay	(99,297)	(13,722)
At 31 December	**362,927**	**276,968**

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

(ii) Service pay

Description of the Service pay

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

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

The key assumptions utilised in determining this provision are a discount rate of 3.7% and a salary inflation rate of 3% per annum.

Net liability at start of period 1 January 2016	1,374,785	-
Net expense recognised in the statement of profit or loss	419,969	1,767,813
Net expense recognised in other comprehensive income	380,634	-
Adjustments	(228)	-
Benefits and Expenses paid	(62,874)	(393,028)
Net liability at end of period 31 December 2016	**2,112,285**	**1,374,785**

The Company also makes statutory contributions to the National Social Security Fund. Contributions are determined by local statute and are shared between the employer and employee. For the year ended 31 December 2016, the Company contributed USD $1,389 (2015: USD $1,628) which has been charged to the profit and loss account.

(iii) Total Provisions		
Leave pay	362,927	276,968
Service pay	2,112,285	1,374,785
Total	**2,475,212**	**1,651,753**

28. DIVIDENDS PAYABLE

At 1 January	1,129,579	1,312,393
Dividend declared in 2015	424,713	-
Dividend paid out to shareholders	(6,149)	(182,814)
At 31 December	**1,548,143**	**1,129,579**

The Directors do not recommend the payment of a dividend.

29. SPECIAL RESERVES – SHELTER AFRIQUE FOUNDATION

	2016 (US$)	2015 (US$)
At 1 January	1,423,737	1,423,737
Transfer from retained earnings	318,534	-
Payments on behalf of - SH-AF Foundation	(54,719)	-
At end of year	1,687,552	1,423,737

This amount is reserved for the Shelter Afrique Foundation whose formation was approved by the Annual General Meeting in June 2013. The Foundation is registered in Mauritius. An initial meeting of its Governing Council, drawn from the Directors of Shelter Afrique, was held in Mauritius in 2016. The Foundation was to receive seed capital from Shelter Afrique through appropriations of profit. The purpose of the fund was to mobilize funds for 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.

The Directors do not recommend any appropriation to the Foundation in 2016. These amounts have been reclassified from payables in 2015 to equity in 2016 because this trust has not started operations.

30. DEFERRED INCOME

At 1 January	1,498,636	582,915
Amortization of Government of Kenya grant (note 8 and 24)	(3,879)	(3,879)
AFD interest advantage grant for the year	164,614	(252,763)
AFD grant expenditure for the year (note 8 and 12)	(77,036)	(50,250)
Deferred Front End Fees	249,585	1,222,613
At 31 December	1,831,920	1,498,636

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).

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

31. MEDIUM TERM NOTES

CFA bond – (2014 – 2020)	14,332,868	16,656,261
Kenya Shilling bond – 2013 – 2018	32,492,306	48,870,409
Interest payable on loans	1,463,931	2,047,945
Deferred charges on medium term notes	(1,128,975)	(1,432,480)
	47,160,130	66,142,135
Maturity analysis for the medium-term notes:		
Maturing:		
Within one year	19,814,977	24,798,347
One year to five years	27,345,153	41,343,788
	47,160,130	66,142,135

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 2013 – 2018 for KShs 5 billion (US$57.9 million) was launched in 2013 through the Nairobi Securities Exchange for the duration 2013 to 2018. Interest rate is fixed at 12.75% for some KShs 4.2 billion (US$ 49 million) and a floating rate of 1.5% above the 182-day Treasury bill rate for KES 0.8 billion (US$ 8,808,975).

The medium term notes are all unsecured.

32. LINES OF CREDIT

	Start Date	Maturity Date	Currency	2016 (US$)	2015 (US$)
African Development Bank (AfDB)	2010	2021	US$	13,973,684	17,078,947
Agence Française de Développement (AFD)	2010	2019	EURO	3,264,375	4,780,125
AFD USD Loan	2014	2023	US$	16,250,000	18,750,000
Commercial Bank of Africa USD	2015	2018	US$	3,000,000	5,000,000
Commercial Bank of Africa-Multi Currency	**2014**	**2017**	**KES**	417,254	276,778
Commercial Bank of Africa-KES	2015	2017	KES	8,293,832	6,841,857
European Investment Bank	2014	2020	EURO	12,643,137	12,817,419
AFD KES social Housing	2013	2023	KES	4,320,099	4,327,463
CBA syndicated loan	2014	2017	US$	12,008,722	7,348,030
AfDB Trade Finance	2014	2018	US$	20,000,000	20,000,000
KFW BANKEGRUPPE	2015	2024	US$	30,000,000	30,000,000
Ghana International Bank	2016	2018	US$	4,166,667	-
CFC Stanbic bank bridge loan facility	2016	2017	KES	9,757,448	-
CFA-Banque ouest africaine de développement (BOAD)	2016	2020	CFA	7,962,705	-
Debt CBA USD LOAN	2016	2017	US$	601,274	-
Islamic Corporation for Development	2015	2017	US$	40,000,000	25,000,000
Commerzbank	2015	2016	US$	-	5,000,000
Interest payable			US$	2,338,604	1,210,510
				188,997,801	158,431,129

Analysis of borrowings by maturity:

Maturing:			
(i)	Within one year	102,315,904	33,349,042
	One year to five years	72,887,956	91,359,146
	Over five years	13,793,941	33,722,941
		188,997,801	158,431,129
(ii)	LINES OF CREDIT – PROFILING		
	Current portion	102,315,904	33,349,042
	Non-Current portion	86,681,897	125,082,087
		188,997,801	158,431,129

The effective interest rates were 3.81 % per annum (2015: 3.43%) for US denominated loans, 4.32 % per annum (2015: 4.35%) for Euro denominated, 7.22% per annum (2015: 0%) for F CFA denominated loans and 13.84 % per annum (2015: 13.10%) for Kenya Shillings denominated loans. All loans are unsecured.

33. FAIR VALUE MEASUREMENT

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 the fair values of cash and short-term deposits, trade receivables, trade payables, bank Borrowings, currency swaps receivables and payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The 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 2016 has been assessed within the financial restructuring and is adequately covered.

Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

As at 31 December 2016, the properties' fair values are based on valuations performed in 2015 by Ebony Estates Limited, accredited independent valuers.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities as at 31 December 2016.

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Land and buildings	-	-	4,820,713	4,820,713
Financial assets:				
EQUITY INVESTMENTS				
Caisse Régionale de Refinancement Hypothécaire	-	925,249	-	925,249
Banque de L'Habitat du Burkina Faso(BHBF)	-	1,356, 237	-	1, 356,237
Tanzania Mortgage Refinance Company ltd	-	1,000,000	-	1,000,000

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Pan African Housing Fund LLC	-	2,167,834	-	2,167,834
Financial liabilities :				
Quoted debt instruments:				
Kenya Shilling Bond -2013-2018	33,852,934	-	-	33,852,934
CFA Bond 5 - 6.60% 2014-2020	14,332,868	-	-	14,332,868
Lines of credit	-	-	206,187,932	206,187,932

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 2016 are as shown below:

Description	Valuation method	Significant unobservable inputs	Sensitivity	Effect on fair value
Land and Buildings	Market Comparable Approach	Estimated rental value per sqm per month	0.5%	24,104
Unquoted equity shares	DCF	Long-term growth rate for cash flows	10%	544,932
		Discount for deterioration of expected security value due to political instability in respective member countries	2%	108,986
		WACC	10%	544,932
		Lack of marketability of the assets	1%	54,493
Loans and advances to customers	DCF	Discount for lack of liquidity of security	5%	15,469,163
		Discount for expected future default rates	2%	6,187,665
		Discount for deterioration of expected security value due to political instability in respective member countries	2%	6,187,665
Lines of credit	DCF	Own non-performance risk	0.1%	206,188
		Constant repayment rate	2%	4,123,759

The fair value of loans and advances to customers is US$ 309,383,260 (2015: US$ 274,280,845)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities for 2015. Quantitative disclosures of fair value measurement hierarchy for assets and liabilities as at 31 December 2015:

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Land and buildings	-		4,729,790	4,729,790
Financial assets :				
Unquoted equity shares:				
Caisse Régionale de Refinancement Hypothécaire (CRRH)	-	925,249	-	925,249
Banque de L'Habitat du Burkina Faso (BHBF)	-	-	-	-

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Pan African Housing Fund LLC	-	-	-	-
Corporate Bonds	-	-	-	-
Financial liabilities :				
Quoted debt instruments:				
Kenya Shilling Bond -2012-2015	-	-	-	-
Kenya Shilling Bond -2013-2018	48,870,409	-	-	48,870,409
CFA Bond 5 - 6.60% 2014-2020	16,656,261	-	-	16,656,261
Lines of credit	-	-	158,212,021	158,212,021
Assets for which fair values are disclosed				
Loans and advances to customers	-	-	274,280,845	274,280,845

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

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 2015 are as shown below:

Description	Valuation method	Significant unobservable inputs	Sensitivity	Effect on fair value
Land and Buildings	Market Comparable Approach	Estimated rental value per sqm per month	0.5%	23,649
Unquoted equity shares	DCF	Long-term growth rate for cash flows	10%	95,525
		Discount for deterioration of expected security value due to political instability in respective member countries	2%	111,803
		WACC	10%	95,525
		Lack of marketability of the assets	1%	9,252
Loans and advances to customers	DCF	Discount for lack of liquidity of security	5%	13,714,042
		Discount for expected future default rates	2%	5,485,617
		Discount for deterioration of expected security value due to political instability in respective member countries	2%	5,485,617
Lines of credit	DCF	Own non-performance risk	0.1%	158,212
		Constant repayment rate	2%	3,164,240

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

34. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of loss for the year to cash used in operations	2016 (US$)	2015 (US$)
Loss for the year	(12,680,766)	(4,944,327)
Adjustments for:		
Interest expense on funds from financial institutions and capital markets (Note 6)	16,768,320	12,944,977
Depreciation of property and equipment (Note 22)	328,776	258,311
Amortization of grant income (Note 24)	3,879	3,879
Amortization of intangible assets (Note 23)	191,317	194,459
Share of loss/(profit) from joint ventures (Note 20)	287,091	(100,653)
Foreign exchange (gain)/loss (Note 11)	134,171	(66,030)
Net foreign exchange loss - joint venture	4,525	167,562
Net foreign exchange loss–properties held for sale	11,901	72,699
Net foreign exchange gain - lines of credit	(883,924)	(1,356,980)
Net foreign exchange gain – medium term notes	(552,624)	(8,460,926)
Net foreign exchange gain – bank borrowings	-	(245,106)
Cash flows from operating profits before changes in operating assets and liabilities	3,612,666	(1,532,133)
Movements in:		
Loans and advances to customers	(8,833,204)	(57,426,562)
Corporate bonds	-	28,800
Other receivables	(1,183,757)	(382,810)
Properties held for sale	(351,521)	(4,623,512)
Derivative financial instruments	462,090	(524,436)
Other payables and provisions	839,207	498,361
Deferred income	333,284	915,722
Net cash used in operations	**(5,121,236)**	**(63,046,570)**

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

(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:

Bank and cash balances (Note 14)	20,432,294	10,363,874
Short term bank deposits (Note 15)	7,706,836	30,470,444
Cash and cash equivalents	**28,139,130**	**40,834,318**

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.

(c) Analysis of movement in line of credit:	2016 (US$)	2015 (US$)
At 1 January	158,431,129	95,127,832
Additional borrowings in the year	54,816,900	75,849,750
Repayments in the year	(24,507,128)	(11,708,084)
Interest expense for the year	8,815,761	3,992,462
Interest paid in the year	(7,674,936)	(3,473,851)
Net foreign exchange loss	(883,924)	(1,356,980)
At 31 December	188,997,801	158,431,129

(d) Analysis of movement in medium term notes		
At 1 January	66,142,135	78,041,639
Additional borrowings in the year	-	1,632,272
Deferred costs	(84,288)	-
Repayments in the year	(18,130,400)	(5,065,125)
Interest expense for the year	6,400,414	8,119,984
Interest paid in the year	(6,615,106)	(8,125,710)
Net foreign exchange loss	(552,624)	(8,460,925)
At 31 December	47,160,130	66,142,135

(e) Analysis of movement in bank borrowings		
At 1 January	-	4,385,767
Additional borrowings in the year	-	-
Repayments in the year	-	(4,146,409)
Interest expense for the year	-	174,307
Interest Paid in the year	-	(168,559)
Net foreign exchange loss/ (gain)	-	(245,106)
At 31 December	-	-

(f) Other finance charges paid		
Interest expense on lines of credit	8,815,761	3,992,462
Interest expense on medium term notes	6,400,414	8,119,984
Interest expense on bank borrowings	-	174,307
Other financial charges	1,552,145	1,874,772
Total interest and similar charges	16,768,320	12,944,977

35. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments	2016 (US$)	2015 (US$)
Approved and signed project loans	115,209,670	77,573,273
Commitments to Equity investments and Joint ventures	4,345,879	4,508,445
Capital budget	704,000	673,000
	120,259,549	82,754,718

(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 Directors, key management personnel and Interest in joint venture.

(a) Directors

In January 2015, Shelter Afrique mandated Amana Capital, an entity related to one of the Directors, to invest US$ 4.9 million for a period of 3 months at a management fee of 0.25%. The deposit was placed on 29 January 2015 and liquidated on 30 April 2015. There were no transactions with the entity in 2016.

(b) Key management personnel

Except for staff loans and advances (amounting to US$ 2,352,521; 2015: US$ 1,643,315) disclosed in Note 19, there were no other related party transactions undertaken during the year between the Company and staff. The staff loans advanced to key management staff as at 31 December 2016 amounted to US$ 731,501(2015: US$ 321,737). The interest income received from staff loans and advances to key management staff as at 31 December 2016 amounted to US$ 17,958 (2015: US$ 11,111).

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

Salaries and other short-term benefits	1,351,277	1,062,328
Post-employment benefits	202,692	150,717
	1,553,969	1,213,045
Directors' remuneration		
Short term benefits: fees for services as directors	294,500	282,500

(c) Investment in Joint Ventures	2016 (US$)	2015 (US$)
Everest Park Project		
At 1 January	-	-
Loans granted balance	351,881	-
Interest charged on the loan	357	-
Total	352,238	-
Glenwoods Gardens Project		
At 1 January	-	-
Loans granted balance	3,097,723	-
Interest charged on the loan	329,408	-
Repayments	(158,830)	-
Total	3,268,301	-

(c) Investment in Joint Ventures (continued)	2016 (US$)	2015 (US$)
Kew Gardens Project		
At 1 January	-	-
Loans granted balance	9,129,471	-
Interest charged on the loan	1,270,188	-
Repayments	-	-
Total	10,399,659	-

37. PRIOR PERIOD ADJUSTMENTS

In 2016, the Company commissioned an in-depth investigation of the Company's loan loss provisions. The findings showed that there had been an error of judgement in making provisions for certain loans and advances in the previous year (2015). Consequently, the impairment charges for 2015 were understated by US$ 7,067,889 while the net loans and advances and profit for the year were overstated by the same amount.

The financial statements for the year ended 31 December 2015 have been restated to correct the misstatements. The effects of the restatements are shown below:

Statement of Profit or Loss and Other Comprehensive Income	As previously reported (US$)	Adjustment (US$)	As restated (US$)
Year ended 31 December 2015			
Impairment charges on loans and advances	2,277,105	7,067,889	9,344,994
Profit/(loss) for the year	2,123,562	(7,067,889)	(4,944,327)
Total Comprehensive income / (loss)	3,107,301	(7,067,889)	(3,960,588)
Earnings per share	34.51	-	(80.36)
Statement of Financial Position			
At 31 December 2015			
Loans and advances to customers	281,348,734	(7,067,889)	274,280,845
Retained earnings	29,977,158	(7,067,889)	22,909,269

38. 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	2016 (US$)	2015 Restated* (US$)
Share capital and share premium	78,959,068	78,306,604
Retained earnings	9,485,256	22,909,269
Available-for-sale reserve	351,773	351,773
Revaluation surplus	2,872,649	2,872,649
Special Reserves - SH-AF Foundation	1,687,552	1,423,737
	93,356,298	105,864,032
Lines of credit	188,997,801	158,431,129
Medium term notes	47,160,130	66,142,135
	236,157,931	224,573,264
Total capital	329,514,229	330,437,296
Gearing ratio	2.5	2.1

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

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

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

The Company has several sources of capital available to it and seeks to optimize its debt to equity structure in order to ensure that it can consistently maximize returns to shareholders. Capital adequacy is monitored regularly by the Company's management and quarterly by the Board of Directors. The Company has undertaken to comply with Basel II capital adequacy framework which consists of setting an amount of minimum risk capital to cushion against unexpected losses. The company has set a minimum capital adequacy ratio of 25%. This ratio however fell to 20% in 2016 (2015: 28%). 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 medium term notes and lines of credit disclosed in notes 31 and 32, respectively, and equity attributable to equity holders, comprising issued and paid capital, reserves and retained earnings as disclosed in note 25. Cash and bank balances are not offset against the borrowings in determining the total debt as the Company considers this not relevant to its risk management process in determining gearing ratios.

(b) Credit Risk Management

The Company takes on exposure to credit risk, which is the risk that 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;

(iii) The project viability; and

(iv) The security package.

All new projects undergo a minimum initial credit rating and are subjected to a rigorous project appraisal to ensure asset quality at the entry level. The appraisal process includes among others, enhanced due diligence conducted by international Credit Reference Bureaus, thorough screening against international financial sanction lists, Anti Money Laundering risk clearance, summary credit notes issued by the Risk Management Department, and approval by the Loans Committee and the Board of Directors. The Assets and Liabilities Committees supervises the projects portfolio risk rating on a quarterly basis and may recommend adequate actions on loan recovery, in case of changes in country and project risk conditions. For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by the Company for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

The Company manages, limits and controls concentrations of credit risk wherever they are identified. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers. The Assets and Liabilities Committee reviews the country risks and project risk on a quarterly basis to ensure compliance with country exposure limits and single obligor as stipulated by the risk management policy. 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	2016 (US$)	2016 %	2015 Restated* (US$)	2015 %
Normal	208,375,797	66%	226,173,169	77%
Watch	53,706,259	17%	39,049,300	13%
Substandard	29,499,157	9%	2,040,650	1%
Doubtful	22,693,656	7%	25,001,162	9%
Loss	3,628,184	1%	149,001	
Total	317,903,053	100%	292,413,282	100%
Less provision	(34,789,003)		(18,132,437)	
Total	283,114,050		274,280,845	

The definitions of the different project loans classifications/status are:

Normal - Loans and advances that are neither past due nor impaired and past due not exceeding 90 days. These includes well-documented facilities to financially sound borrowers.

Watch - These are loans exhibit specific weaknesses and consequently warrant management attention, past due between 91 and 180 days.

Substandard - These are loans, although still operative, involve some degree of risk and there exists possibility of future loss unless close monitoring is given and corrective action is taken to strengthen the position. These are past due between 181 and 360 days.

Doubtful - These are loans have major weaknesses that indicate that the recovery of the full amount outstanding will be extended or is doubtful and that loss, though uncertain, will probably occur. Past due greater than 360 days.

Loss – These are loans with outstanding arrears that are regarded as being uncollectible and where the security is worthless or has been disposed of and the remaining balance is unlikely to be recovered.

Classification of credit risk bearing assets

(i) Project Loans

The maximum exposure to credit risk before collateral held or other credit enhancements is US$ 317,903,052 (2015: US$ 292,413,282) 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 2016, collateral was held on project loans totalling US$ 317,903,052 (2015: US$ 292,413,282) which provided sufficient cover against credit risk.

(ii) Bank and cash balances

The maximum exposure to credit risk on bank and cash balances is US$ 20,432,294 (2015: US$ 10,363,874). 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 2016, there was no collateral held on bank and cash balances to provide cover against the possible credit risk.

(iii) Short term bank deposits

The maximum exposure to credit risk on short-term bank deposits is US$ 7,706,836 (2015: US$ 30,470,444). 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 2016, there was no collateral held on short-term bank deposits to provide cover against the possible credit risk.

The table below represents a classification of the Company's project loans and other receivables as at 31 December 2016.

Class/ Status	Gross amounts (US$)	Impairment allowances (US$)	Net amounts (US$)	%
Neither past due nor impaired	212,487,643	-	212,487,643	74%
Past due but not impaired	53,706,259	-	53,706,259	19%
Impaired	55,820,995	(34,896,590)	20,924,405	7%
	322,014,897	(34,896,590)	287,118,307	100%

The table below represents a classification of the Company's project loans and other receivables as at 31 December 2015.

Class/ Status	Gross amounts Restated* (US$)	Impairment allowances Restated* (US$)	Net amounts Restated* (US$)	%
Neither past due nor impaired	223,020,002	-	223,020,002	80%
Past due but not impaired	15,281,631	-	15,281,631	6%
Impaired	57,039,875	(18,240,162)	38,799,713	14%
	295,341,508	(18,240,162)	277,101,346	100%

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

Loans and other receivables are considered impaired when their recoverability is doubtful due to falling in arrears, or due to adverse conditions affecting the project or asset.

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

	2016 (US$)	2015 Restated* (US$)
Loans and advances	34,789,003	18,132,437
Other receivables	107,587	107,725
	34,896,590	18,240,162

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

Ageing of arrears for past due but not impaired project loans

0-3 months	52,600,574	13,675,656
3-6 months	1,105,685	1,605,975
6–12 months	-	-
	53,706,259	15,281,631

Ageing of arrears for impaired project loans

0-3 months	9,464,127	19,910,865
3-6 months	5,260,587	6,793,586
6–12 months	14,741,216	5,227,539
1-2 years	22,431	2,321,313
over 2 years	26,332,635	22,786,572
	55,820,996	57,039,875

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

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.
- 66% 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.

	2016 (US$)	2015 (US$)
Bank and cash balances	20,432,294	10,363,874
Short term bank deposits	7,706,836	30,470,444
Other receivables	4,004,258	2,820,501
	32,143,388	43,654,819

An impairment provision of US$ 2,000,000 for short term bank deposits has been made as disclosed in Note 16 (b).

(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. The table in the following page 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. The derivatives balances have been shown as transacted by currency.

Currency risk (continued)

AT 31 DECEMBER 2016	US$	EUR	CFA	KSHS	ZAR	NAIRA	Total
ASSETS							
Bank and cash balances	6,344,257	981,119	7,735,261	4,815,558	551,357	4,744	20,432,294
Short term deposits	7,038,165	-	634,206	34,465	-	-	7,706,836
Loans and advances to customers	201,013,612	1,597,820	16,746,803	60,807,232	2,948,583	-	283,114,050
Currency swaps receivable	23,469,177	-	-	-	-	-	23,469,177
Properties held for sale	-	-	-	4,890,434	-	-	4,890,434
Other receivables	3,978,839	-	25,419	-	-	-	4,004,258
Investments in Joint Ventures	2,814,070	-	-	2,164,901	-	-	4,978,971
Total financial assets	244,658,120	2,578,939	25,141,689	72,712,590	3,499,940	4,744	348,596,020
LIABILITIES							
Medium term notes	-	-	13,526,970	33,633,160	-	-	47,160,130
Lines of credit	152,992,453	4,336,471	8,971,543	22,697,334	-	-	188,997,801
Currency swaps payable	-	-	-	19,942,570	3,464,261	-	23,406,831
Other payables	-	-	-	1,110,415	27,743	127	1,138,285
Provisions	2,118,532	-	-	356,680	-	-	2,475,212
Total financial liabilities	155,110,985	4,336,471	22,498,513	77,740,159	3,492,004	127	263,178,259
Net position	89,547,135	(1,757,532)	2,643,176	(5,027,569)	7,936	4,617	85,417,761
AT 31 DECEMBER 2015							
Total financial assets	234,817,111	1,913,496	22,895,279	51,969,954	3,515,753	3,570	315,115,163
Total financial liabilities	141,990,796	5,067,030	17,032,739	60,482,699	-	-	224,573,264
Net position	92,826,315	(3,153,534)	5,862,540	(8,512,745)	3,515,753	3,570	90,541,899

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

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

Impact – 2016

EUR	CFA	KSHS	ZAR	Total
5%	4%	4%	1%	
(87,877)	105,727	(201,103)	79	(183,173)

*Impact – 2015 - Restated**

EUR	CFA	KSHS	ZAR	Total
5%	4%	4%	1%	
(157,677)	234,502	(340,510)	35,158	(228,527)

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

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 2016 would have increased equity by US$ 544,932 (2015: US$ 461,275). 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, Risk and Finance Committee is the monitoring body for compliance with these limits and is assisted by the Assets and Liabilities Committee as well as the Loans Committee.

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

Interest Rates (continued)

AT 31 DECEMBER 2016	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$)
Assets									
Bank and cash balances	20,432,294	-	-	-	-	20,432,294	-	-	20,432,294
Short term deposits	34,465	7,672,371	-	-	-	7,706,836	-	-	7,706,836
Loans and advances to customers	-	222,434,588	-	-	-	222,434,588	20,748,797	39,930,665	283,114,050
Total financial assets	20,466,759	230,106,959	-	-	-	250,573,718	20,748,797	39,930,665	311,253,180
Liabilities									
Lines of credit	5,188,097	19,982,407	15,765,061	36,320,865	3,363,145	80,619,574	-	108,378,227	188,997,801
Medium term notes	-	8,147,470	8,482,425	16,197,366	-	32,827,261	-	14,332,868	47,160,130
Total financial liabilities	5,188,097	28,129,877	24,247,486	52,518,231	3,363,145	113,446,835	-	122,711,095	236,157,931
Net interest rate sensitivity gap	15,278,662	201,977,082	(24,247,486)	(52,518,231)	(3,363,145)	137,126,885	20,748,797	(82,780,430)	75,095,249

Interest Rates (continued)

AT 31 DECEMBER 2015 - Restated*	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$)
Restated assets									
Bank and cash balances	10,363,874	-	-	-	-	10,363,874	-	-	10,363,874
Short term deposits	1,530,823	28,939,621	-	-	-	30,470,444	-	-	30,470,444
Corporate bonds	-	-	-	-	-	-	-	-	-
Loans and advances to customers	-	211,394,166	-	-	-	211,394,166	19,185,043	43,701,636	274,280,845
Total financial assets	11,894,697	240,333,787	-	-	-	252,228,484	19,185,043	43,701,636	315,115,163
Liabilities									
Lines of credit	1,210,510	11,841,857	100,867,419	-	-	113,919,786	-	44,511,343	158,431,129
Medium term notes	615,464	-	7,431,234	-	-	8,046,698	-	58,095,437	66,142,135
Total financial liabilities	1,825,974	11,841,857	108,298,653	-	-	121,966,484	-	102,606,779	224,573,264
Net interest rate sensitivity gap	10,068,723	228,491,930	(108,298,653)	-	-	130,262,000	19,185,043	(58,905,144)	90,541,899

Based on a sensitivity rate of 50 basis points, all other variables held constant, the Company's profit for the year and equity would increase/decrease by US$ 685,634 (2015 Restated: US$ 651,310). A 50-basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37.

(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 lenders and fulfil commitments to lend.

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

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

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

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

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

(d) Liquidity Risk Management (Continued)

AT 31 DECEMBER 2016	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$)
Financial assets							
Financial assets							
Bank and cash balances	20,432,294	-	-	-	-	-	20,432,294
Short term deposits	847,337	6,859,499	-	-	-	-	7,706,836
Loans and advances to customers	19,524,030	34,607,125	40,236,653	159,104,683	29,641,559	-	283,114,050
Equity Investments	-	-	-	-	-	5,449,320	5,449,320
Total financial assets	40,803,661	41,466,624	40,236,653	159,104,683	29,641,559	5,449,320	316,702,500
Financial liabilities							
Lines of credit	5,685,766	39,526,986	57,103,152	72,887,956	13,793,941	-	188,997,801
Medium term notes	-	9,740,012	10,074,966	27,345,152	-	-	47,160,130
Provisions	-	-	-	362,927	2,112,285	-	2,475,212
Total financial liabilities	5,685,766	49,266,998	67,178,118	100,596,035	15,906,226	-	238,633,143

(d) Liquidity Risk Management (Continued)

AT 31 DECEMBER 2015 - Restated*	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$)
Financial assets							
Bank and cash balances	10,363,874	-	-	-	-	-	10,363,874
Short term deposits	1,530,823	28,939,621	-	-	-	-	30,470,444
Loans and advances to customers	27,283,063	22,575,932	35,814,740	143,651,509	44,955,601	-	274,280,845
Equity Investments	-	-	-	-	-	4,612,752	4,612,752
Total financial assets	39,177,760	51,515,553	35,814,740	143,651,509	44,955,601	4,612,752	319,727,915
Financial liabilities							
Lines of credit	-	21,767,456	13,946,075	91,499,896	31,217,702	-	158,431,129
Medium term notes	-	12,712,231	13,225,140	40,204,764	-	-	66,142,135
Provisions	-	-	-	-	1,651,753	-	1,651,753
Total financial liabilities	-	34,479,687	27,171,215	131,704,660	32,869,455	-	226,225,017
Net Liquidity gap	39,177,760	17,035,866	8,643,525	11,946,849	12,086,146	4,612,752	93,502,898

*Certain amounts here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 37

39. TAXATION

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

40. EVENTS SUBSEQUENT TO YEAR END

There are no significant events after reporting period which have been reported in these financial statements.

41. CURRENCY

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

	Class A: Countries	No of shares 31 December 2015	No of shares 31 December 2016	% of shareholding
1	Algeria	4,220	4,220	6.74%
2	Benin	306	306	0.49%
3	Botswana	839	839	1.34%
4	Burkina Faso	950	951	1.52%
5	Burundi	300	300	0.48%
6	Cameroon	2934	2,935	4.69%
7	Cape Verde	16	16	0.03%
8	Central Afr. Rep	271	271	0.43%
9	Chad	1,090	1,090	1.74%
10	Congo	516	516	0.82%
11	Democratic Republic of Congo	600	600	0.96%
12	Djibouti	300	300	0.48%
13	Gabon	1,283	1,283	2.05%
14	Gambia	321	321	0.51%
15	Ghana	6,315	6,315	10.09%
16	Guinea	419	419	0.67%
17	Guinea Bissau	25	25	0.04%
18	Guinea Equatorial	301	301	0.48%
19	Ivory Coast	1,725	1,726	2.76%
20	Kenya	6,617	6,641	10.61%
21	Lesotho	500	500	0.80%
22	Liberia	309	309	0.49%
23	Madagascar	327	327	0.52%
24	Malawi	521	522	0.83%
25	Mali	1,342	1,342	2.14%
26	Mauritania	639	639	1.02%
27	Mauritius	115	115	0.18%
28	Morocco	437	437	0.70%
29	Namibia	327	327	0.52%
30	Niger	317	318	0.51%
31	Nigeria	7,069	7,069	11.29%

	Class A: Countries	No of shares 31 December 2015	No of shares 31 December 2016	% of shareholding
32	Rwanda	901	1,239	1.98%
33	Sao Tome & Principe	16	16	0.03%
34	Senegal	1,407	1,407	2.25%
35	Seychelles	300	300	0.48%
36	Sierra Leone	74	74	0.12%
37	Somalia	10	10	0.02%
38	Swaziland	228	228	0.36%
39	Tanzania	325	325	0.52%
40	Togo	162	162	0.26%
41	Tunisia	300	300	0.48%
42	Uganda	1,409	1,410	2.25%
43	Zambia	2,553	2,553	4.08%
44	Zimbabwe	200	200	0.32%
	Class B: Institutions			
1	African Development Bank	10,576	10,576	16.89%
2	African Reinsurance Corporation	2,520	2,520	4.03%
	TOTAL	62,232	62,600	100.0%

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