SHELTER AFRIQUE
Financing Affordable Housing for Africa

FORTY YEARS
BUILDING AFRICA

Integrated Annual Report 2020

40th Anniversary Edition

Groundbreaking Achievements since 1981

COMPANY
VISION & MISSION

Annual Report 2020

VISION, MISSION & VALUES

The Company for Housing and Habitat in Africa (Shelter Afrique) is a Pan-African institution that exclusively supports housing and urban development in Africa. A partnership of 44 African Governments, the African Development Bank (AfDB) and the Africa Reinsurance Corporation (Africa-Re). Shelter Afrique builds strategic partnerships and alliances with like-minded institutions in pursuit of its mandate. It also provides financial solutions and related services to support the supply side and demand side of the affordable housing value chain.

VISION

A Decent and Affordable Home for all in Africa.

MISSION

To be the pre-eminent provider of financial, advisory and research solutions towards addressing the severe need for decent and affordable housing in Africa and to achieve sustainable developmental impact through public and private partnerships.

VALUES

- Accountability
- Customer centricity
- Teamwork
- Integrity
- Innovation


Goal 1
Financial Sustainability
Goal 3
Organizational Sustainability
Goal 2
Enhance shareholders' value and development impact
IMPLEMENTATION
Corporate Scorecard
Departmental KPI'S
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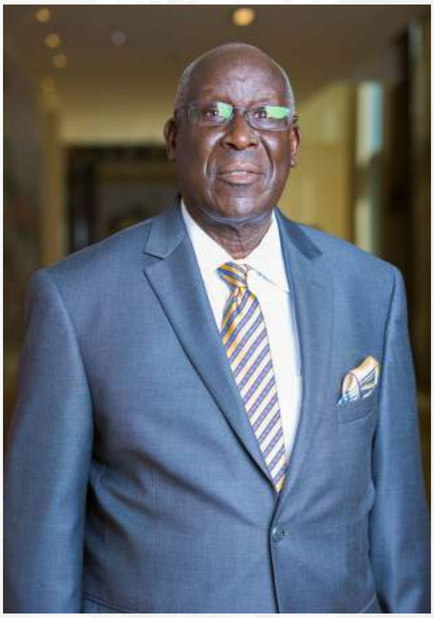
The Chairman
General Meeting of Shareholders
Shelter-Afrique

24 June 2021

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, 2020.
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.

Dr. Steve Mainda EBS
CHAIRMAN OF THE BOARD OF DIRECTORS



Dr Steve Mainda Board Chairman (Kenya).

(Independent Board Director)

20/07/2018- Present

Mr Sekou Demba (Mali)

Vice-Chairman of Board, Group 7

20/07/2020- Present

Mr Charles Hinga (Kenya)

Group 1

20/07/2018- Present

Mr Nghidinua Daniel (Namibia)

Group 2

20/07/2020- Present

Dr Teresa Tuffour (Ghana).

Group 3

20/07/2018- Present

Mdm Mina Azerki (Morocco).

Group 4

20/07/2020- Present

Mdm Rose Dibong (Cameroon).
Group 5
20/07/2020- Present

Mr Olaitan Komolafe (Nigeria).
Group 6
20/07/2020- Present

Dr Chii Akporji (Nigeria).
African Development Bank
17/09/2020- Present

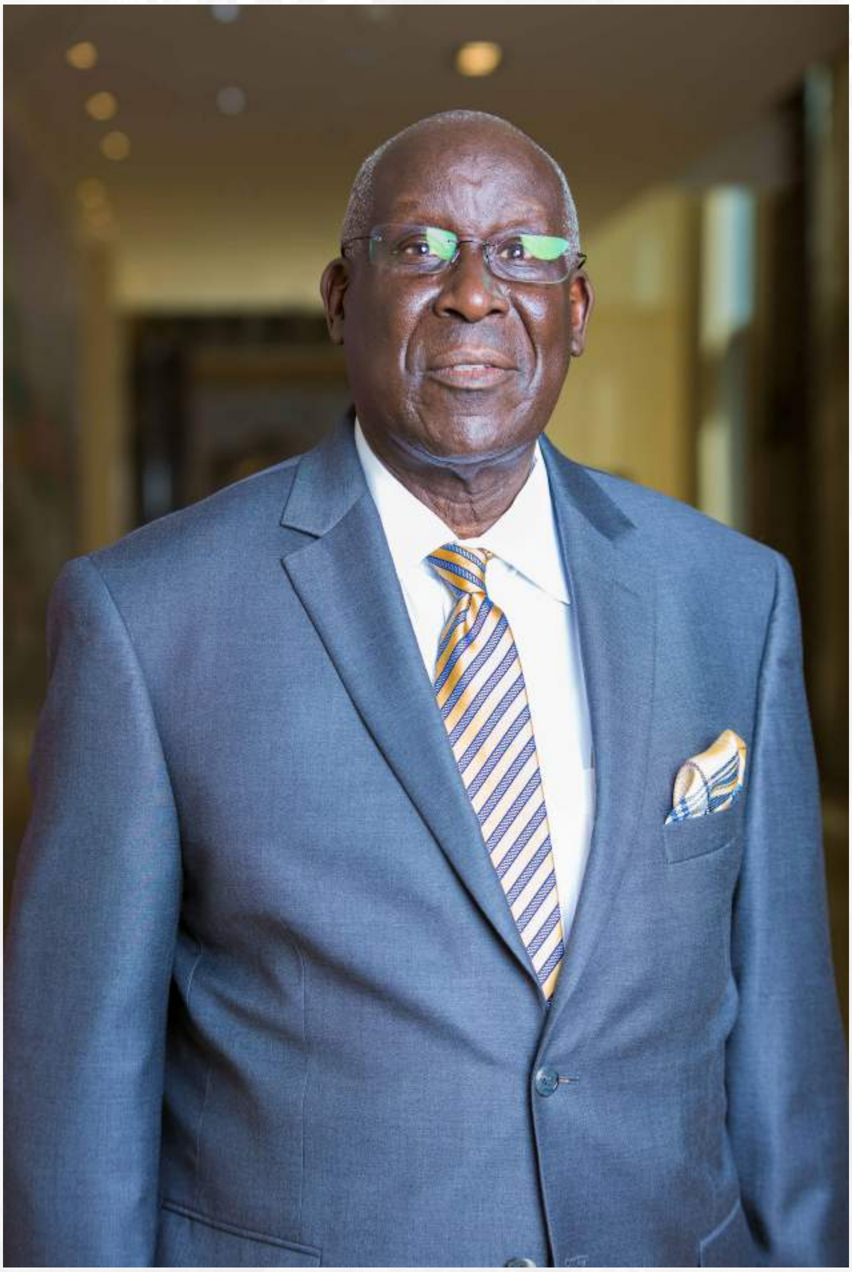
Mr Ephraim Bichetero (Uganda)
Africa Reinsurance Corporation
20/06/2019- Present

Dr Omodele Jones (Sierra Leone)
Independent Board Member
20/07/2018- Present

SHELTER AFRIQUE

MESSAGE FROM THE CHAIRMAN

Annual Report 2020



Globally, the year 2020 began on a very optimistic note with a forecast GDP growth rate of 2.4 per cent; however, within Quarter 1 in March 2020, the onset of the Coronavirus (COVID-19) pandemic brought considerable human suffering and significant economic disruption. The economic crisis sparked by the pandemic and the "Great Lockdown" negatively impacted global economic growth beyond anything experienced in nearly a century. Large scale quarantines, travel restrictions and social-distancing measures resulted in a sharp fall in consumer and business spending leading to a global recession with the GDP rate estimated to have contracted by an average of -4.5 per cent. African economies were severely impacted. Economic growth in Sub-Saharan Africa (SSA) is projected to have declined from 2.4 per cent in 2019 to an average of -3.6 per cent in 2020, the first recession in SSA in 25 years. A collapse in economic activity in SSA arising from the COVID-19 containment measures and macroeconomic instability will increase poverty and endanger lives and livelihoods.

On the corporate scene, the COVID-19 pandemic led to massive disruptions with record bankruptcies and staff redundancies not seen since the 2008 global financial crisis, especially in the aviation and hospitality sectors. Within the financial industry, in which Shelter Afrique (SHAF) operates, credit conditions tightened significantly, leading to limited new lending with a focus on managing and supporting current loan portfolios by banks. Without exception, all organisations had to revise earlier approved Strategic Plans and Financial Year 2020 Budgets to factor in the impact of COVID -19.

As a responsible corporate citizen and despite limited financial resources, the Company did lend token support with an investment outlay of US$ 100,000 to assist in alleviating the negative impact of COVID -19 to vulnerable communities in three-member countries where we are represented comprising Kenya, Cote d'Ivoire and Nigeria. In these countries, through the Shelter Afrique foundation, we donated various personal protective equipment, foodstuffs, and sanitation facilities.

Performance Highlights

Notwithstanding the challenging economic environment in 2020, it is gratifying to report that the Company was successful in concluding the much-anticipated Debt Restructuring Agreement (DRA) with six Development Finance Institutions (DFIs) and two commercial banks, namely the African Development Bank, the European Investment Bank, Agence Francaisse du Development, KFW, West African Development Bank (BOAD), Islamic Development Bank and NCBA and Ghana International Bank.

The Company delivered strong financial performance and position for the year ended 31st December 2020. The completion of the DRA signified the normal resumption of business by the Company. This means that the Company can return to the financial markets to mobilise new resources to fund the business.

It will be noted that the critical financial highlight is that SHAF has, for the first time since 2014, returned and posted a positive operating profit and comprehensive income of US$ 1.34 Million and US$ 1.85 Million, respectively. This indicates a gradual return to Financial Sustainability, which is one of the Company's 3 Strategic Goals, along with Enhancing Shareholder Value & Development Impact and Organisational Sustainability.

Future Outlook

Despite the "new normal" COVID-19 environment, SHAF is back to business. The COVID-19 pandemic presents considerable opportunities to deliver decent and affordable housing to our people on the continent and improve living and sanitation standards, which are necessary to mitigate the pandemic. As we adapt to the new operating environment, the future looks bright, and we shall accordingly focus on the following key areas: loan asset growth through quality disbursements; intensive global financial resources mobilisation; enhanced corporate governance; sound enterprise risk management; and continued recruitment of a best fit and agile motivated Staff complement.

Photo
The 131st Board Meeting in Session virtually with Board Chairman Dr Steve Mainda and Managing Director Andrew Pandeka Chimphondah

Appreciation
I would like to express our sincere gratitude to our Shareholders and Lenders for their support through the continued capitalisation of the Company, with US$ 16.66 Million received in 2020 and the DRA concluded in 2020, respectively. This was achieved amidst severe fiscal constraints, which resulted in our member countries' budgets being redirected to contain the adverse health and socio-economic impact of COVID -19.

For our valued clientele, current and prospective, I thank you so much for being our partners in this journey of delivering affordable housing for Africa. This year marks 40 years of existence of The Company; we are grateful for the continued commitment to a shared vision of affordable housing and look forward to another four decades.

I would like to record my most profound appreciation to my colleagues on the Board for their commitment, dedication, and immense contribution in steering the Company during a challenging year. I am confident that with the continued support of all stakeholders and their collective wisdom, we shall prevail in restoring and sustaining SHAF's noble mandate of delivering affordable housing to our beloved continent.

Finally, on behalf of the Board, I would like to applaud the Managing Director, Andrew Chimphondah, his management team, and all staff for contributing to the Company's positive performance in the year under review. It has been a challenging time amid the COVID-19 pandemic; however, we have faced the challenge with resilience and a "can do" attitude that will stand us in good stead in the future.

Dr Steve Mainda EBS

Chairman of the Board of Directors

EXECUTIVE
COMMITTEE

Mr Andrew Pandeka Chimphondah (Zimbabwe)
Managing Director and Chief Executive Officer

Mr. Kingsley Muwowo,
Chief Finance Officer (Zambia)

Mr Alfred Nicayenzi,
Chief Operations Officer (Burundi)

Mrs Natasha Koli-Muhire, AG
Company Secretary (Kenya)

Mr Yankho Chitsime,
Head of New Business (Malawi)

Mr Bernard Oketch,
Head of Enterprise Risk Management (Kenya)

Mr Mohamed Barry,
Head of Internal Audit (Guinea)

Dr Muhammad Gambo,
Head of Policy, Research and Partnerships (Nigeria)

Ms Houda Boudlali
Head of Legal Services- (Morocco)

SHELTER AFRIQUE

EXECUTIVE **REPORT**

Annual Report 2020

Photo
Managing Director and Chief Executive Officer, ***Andrew Chimphondah***

The human condition, such as we call it, is one of perpetual motion; the human race has always moved forward. Every day we are met with news of how technology moves us closer to optimal efficiency, whether it is the shrinking and proliferation of communications technology to the wonders of modern travel or breakthroughs in medical science. We have always moved forward as a human race; it is not often that we, collectively, have to stop to reflect and consider ourselves, our past, our present. Yet, that is what the world witnessed in 2020; in recent memory, it is hard to recollect a time when we were forced to be still and wait. While it may appear that the wheels of industry and commerce are gradually beginning to turn again, the harrowing images of hollowed travel terminals and medical facilities teetering on the edge of collapse or the countless bodies lined up at the morgue will still be fresh in our memories and etched in our hearts for a very long time. As an organisation, we have an additional reason to reflect and, more importantly, forecast. 2021 represents the 40th year since the Memorandum of Understanding that birthed Shelter Afrique was signed, to be precise, on the 4th of September 1981. The AGM in which this report will be presented will also the 40th Annual General Meeting of the organisation. This is a momentous milestone which marks the 40th Anniversary of our wonderful institution. As an old adage would state that “life begins at 40!”

Photo
The Governor of Machakos County, Kenya, His Excellency Dr Alfred Mutua receives COVID -19 relief presented by The Managing Director from the SHAF Foundation whilst the Board Chairman Dr Steve Mainda looks on.

As we consider all that has happened in the last year, we must also consider all that has happened for the organisation in 40 years. We must reflect on how the organisation that began with a membership of 17 countries has grown to 44 member countries and two institutional members in the Africa Reinsurance Corporation and the African Development Bank. Our Centre of Excellence, a more recent and much-needed addition to the organisation, estimates that since its inception Shelter Afrique has been responsible for over 22,673 projects, There are many more highlights of the organisation and naturally, challenges too, more than this report has pages for, but the most important thing as we consider our history is the question of the spirit and the organisation's ethos. We must be gripped with the question of whether Shelter Afrique has continued in the spirit of which it was formed when the MOU was signed all those years ago. We must also consider if we find this not to be the case, what can be done to revive that spirit and perhaps consider as well whether the ethos is still relevant. These are the matters I believe we should be occupied with, and discussions I hope guide our Annual General Meeting and subsequent interactions.

Anniversaries are moments to celebrate and sometimes reflect soberly; the 40th Anniversary for Shelter-Afrique is an occasion for celebration and reflection. I humbly submit that the Company remains relevant. It has room to become more relevant. The attainment of 40 years proves its relevance; I believe SHAF's very existence is evidence of its significance because it signals a recognition by our member countries that the lack of decent and affordable homes is in itself a crisis. Whilst there is room for improvement in amplifying this role, the Company's raison d'etre and purpose is unequivocal.

As we are taken with questions of what our past can tell us and what the future holds too, there is no better time to announce that after six years of perennial losses, the Company recorded a modest profit of $1.85 million in 2020. There is no clearer indication that the turnaround plan recommended by the Board and approved by Shareholders has been effective. This provides a solid foundation for the Company to redefine itself for the next 40 years without that albatross.

In this integrated report, we have presented the following 2020 reports:;

- Our strategy,
- The Centre of Excellence on impact,
- Board Operations and Governance.
- Finance and Treasury
- Enterprise Risk Management and
- Internal Audit
- Human Resources Management .
  There are also other reports detailing different aspects of the business. Naturally, these reports provide high-level information on The Company's operations.

We have also tried to provide a retrospective narrative where we can; to highlight and understand the organisation's journey over the last four decades. It gives me great pleasure to provide hereunder some notable highlights for the Financial Year 2020, even as I invite you to read the report for more details.

(a) Successful Conclusion of the Debt Restructuring Agreement.
a. This was concluded with our lenders. This played a crucial role in fast-tracking the Company's return to profitability, despite the impact of COVID-19 Pandemic. This marks a strong vote of confidence by our lenders and partners on the viability of The Company.

Photo right
SHAF INTERNS during their induction programme

(b) First Profit Posted after 6 Years
a. The Total Comprehensive Income increased to USD 1.85M in 2020 from a loss of the US$1.26M recorded in 2019.This is a 247 per cent increase year-on-year.
(c) Strong Liquidity Position
a. We also ended the year with a high liquidity position with a cash balance of US$47.4, giving a solid liquidity ratio of 27 per cent, 12 per cent points above the 15 per cent prudential limit.
(d) Capital Subscriptions of US$16.65M
a. Despite the limitations placed on national budgets by the pandemic, we ended the year with a total of US$ 16.65M in new capital subscriptions from member countries.
(e) Development Impact to 26 000 beneficiaries.
a. In 2020 we estimate that we delivered 5,101 housing units, housing 25,505 individuals; this translates to 15,303 direct jobs and 20,404 indirect jobs created. This is the real way we impact livelihoods and improve the quality of life in Africa.
(f) Shaf Foundation Covid-19 Relief
a. We were also active with the SHAF Foundation; at the height of the Coronavirus pandemic when most African countries went into lockdown and provided relief materials to 4000 low-income beneficiaries across Africa.
(g) Launch of the SHAF Intern Program
a. Lastly, at the Annual General Meeting in 2019, we launched the SHAF Intern Programme. The SHAF Intern programme is a well-structured capacity development programme housed under the CoE designed to attract young and talented multi-disciplinary individuals from SHAF member countries with outstanding academic, and leadership and professional qualities.

Recruitment began in 2020, and the programme started at the beginning of 2021 with 11 interns from seven of our member countries.

It has been my privilege to serve as your Group Managing Director and Chief Executive Officer over the last three years, but perhaps more so during this occasion in our Company's history. As I have discharged my duties and travelled across the continent, I have become more convinced that the need for affordable housing is not only apparent but even more urgent. This, I believe, is a sentiment shared by all our shareholders.

I would like to thank the shareholders for their support manifested by their capital contributions and our esteemed lenders for signing the DRA which gave the Company and new lease of life. I would also like to thank our Board Chairman, Dr Steve Mainda for his wise counsel and the Board members for their tireless support and their steadfastness.
Last but not least, I would like to thank the Executive Management and committed staff from Shelter-Afrique who remain the most important asset on our Balance Sheet because without their dedicated effort under the oversight of our Board, the current stellar results would not have been realised.

I invite you now to review the Departmental Reports and Financial Statements for the 2020 Financial Year.

Andrew Pandeka Chimphondah

Group Managing Director and Chief Executive Officer , Chairman-African Union For Housing Finance

FORTY YEARS BUILDING AFRICA

Photo
Alfred Nicayenzi,
Chief Operating Officer

ABRIDGED
2021 - 2025 STRATEGY

Annual Report 2020

he challenge facing member states in effectively tackling the shortage of affordable housing persists and has been amplified by the advent of the COVID-19 pandemic. The pandemic has brought to the fore the need for our people to live in decent and affordable houses to ease many health and social challenges arising from the pandemic. Accordingly, a viable solution towards addressing this challenge is for African governments to commit resources to large scale Public-Private Partnerships (PPPs) housing projects.

Overview of Housing Delivery in Africa
Urban areas across Africa currently account for over 472 million people, and the numbers are expected to double over the next 25 years. Nigeria, for instance, is expected to add an estimated 189 million urban dwellers between 2018 and 2050. Furthermore, these urbanization trends are taking place alongside a significant housing deficit across Africa with the shortage in Kenya and Tanzania estimated to be at 2 million and 3 million units respectively (Center for Affordable Housing Finance in Africa, 2020) as shown in table below

Housing Deficit across Africa

Countries	*Housing Deficit*
Tanzania	3 million units
Zimbabwe	1.3 million units in urban areas
Kenya	2 million units
Nigeria	22 million units
Morocco	400,000 units
Senegal	370,000 units

Photo
Corporate Headquarters for Shelter Afrique Nairobi

With 2030 approaching, it is pertinent that we evaluate the possibilities of achieving the SDGs, particularly those directly related to housing provision. SDG 11 states "By 2030, ensure access for all to adequate, safe, and affordable housing and basic services and upgrade slums." Considering the exponential population growth rate across African cities and the ever-growing need for decent and affordable housing in the region; the development and implementation of sustainable, and inclusive affordable housing delivery strategies has become even more pertinent.

Two areas are key to addressing Africa's housing challenges; expanding access to, and the supply of affordable housing facilities and climate adaptation and mitigation strategies. In Burundi, 12.5% of the adult population have access to financing services, and only 1% in South Sudan (Mwesigye, 2019). Additionally, as of 2010, an estimated 85% of Africa's urban population were unable or ineligible to secure formal housing loans (UN-HABITAT, 2010). Thus, expanding access to affordable housing finance to those at the 'bottom of the pyramid' is critical to achieving the goals of sustainable development; As indicated in SDGs 1, 4,5, 8 and 10 which focus on zero poverty, quality education, decent work and economic growth, reduced inequalities respectively.

According to a report by the African Development Bank assessing the impacts of Climate Change on Africa's Economic Growth, Eastern and Western Africa could experience an estimated 15 per cent decline in GDP by 2050 owing to a lack or failure of adaptation and/mitigation strategies.

This is alongside the increasing vulnerability of many communities across the continent to the effects of climate change which have in recent years resulted in increased rainfall and flooding, erosion, drought, and famine. Enhancing resilience and sustainability strategies across Africa is crucial in enabling Africa to achieve its set development goals. Key to this strategy is the development of green/sustainable housing. Both areas offer immense opportunities to Development Finance Institution's such as Shelter Afrique both in terms of impact and scale.

In line with these, Shelter Afrique products and services which attends to the demand and supply sides are tailored to providing solutions to the challenges in the affordable housing and urban development industry in Africa.

Shelter Afrique's clearly defined business model, provides the right match and fit of relevant product offerings to specific market segments. The core product offerings comprise Flagship PPPs Large Scale Projects; Flagship Lines of Credit to address both the supply and demand sides of affordable housing in member states. In addition, as part of this new Strategy and driven by the overriding need to meet our member states requests, we have also introduced a new product offering of a: Flagship Social Housing Product, which will be rolled during the execution of the new strategy.

On the back of the three primary product offerings, there are also complementary products such as Rental Housing, Equity Investments through Joint Ventures, Guarantees, and Housing Micro-finance on the demand side for Lines of Credit. Additional products include Project Finance, Urban Regeneration & Alternative Building Technologies, and Trade Finance on the supply side to augment the Flagship PPPs product.

A distinctive feature of the revised Strategy is the establishing and operationalising of The Centre of Excellence (CoE) Unit, which is solely dedicated to providing research solutions and building capacity in our member states and advocating for affordable housing. A list of COE activities over the years of establishment can be found in the subsequent section. The COE specialises in creating appropriate, affordable housing policy frameworks, providing technical expertise, and conducting masterclasses to deepen capacity. This will speed up the funding of infrastructure and related services critical to the development of large scale integrated human settlements.

As a Development Finance Institution (DFI), we shall continue to focus on mitigating development risk through the partnership with strong and experienced counterparties such as developers with a proven track record and the capacity to preferably build housing units of

Photo
The SHAF Management Team during the 2020 Strategy Session

more than 1,000 units tempered with innovative solutions aimed at providing a sustainable developmental impact on both supply and demand sides of housing provision. In this regard, the Company will focus and encourage developers to use alternative building methods which are environmentally friendly and green compliant,inorder to attract the much needed planned funding from the issuance of Green Bonds.

The deficit for large self-reported housing units as reported by the Centre for Affordable Housing Finance (CAHF) 2020 Yearbook in select countries as follows: Nigeria-22 million, Tanzania- 3 million, Kenya- 2 million, South Africa- 2.3 million, Angola- 1.7 million, Ghana- 1.7 million, Zimbabwe- 1.25 million and Ethiopia- 1.2 million to mention just a few countries in Africa. (Source: CAHF (2020) Housing Finance in Africa Yearbook).

In light of the preceding, the focus of the Board and Management during the period 2021 - 2025 will be on the following two key goals: -
i) Restoration of economic viability and financial sustainability; and
ii) Deliver development impact and enhance shareholder value to member states.

The three Key Strategic Goals (SGs) stated below from the previous plan remain valid and relevant and are each supported and operationalised by specific objectives as tabulated below:

Strategic Goals and Key Objectives

SG#	Strategic Goal	Key Objectives
SG1:	Financial sustainability	• Mobilise Equity Capital from existing and new members of at least US$20m per year • Achieve financial viability by 2020 and financial sustainability by 2023 • Mobilise Debt Capital of a minimum of US$ 200 million by 2023 • Achieve Credit Rating equivalent GCR "B" and Investment Grade (BBB+) by Bloomfield • Reduce Non-Performing Loans (NPL) by at least US$ 10 million annually until the NPL ratio is at or below 15%
SG2:	Enhance shareholders' value and development impact	• Achieve and Report Development Impact • Implement a customer-centric engagement model • Be the preferred provider of affordable housing financial services and solutions • Build and strengthen strategic partnerships with financial Institutions, research and industry bodies • Corporate Social Responsibility • Increased CoE activities • Implement Stakeholder Engagement Strategy
SG3:	Organisational sustainability	• Operational Excellence: Improved Business Processes & Turnaround Times • Launch SHAF Everywhere and digital transformation • Attract, retain and develop talent • Commence SHAF Rebranding

Construction underway by Teyliom in Dakar, Senegal, financed by Shelter-Afrique.

Photo
Dr Muhammad Gambo,
Manager, Policy, Research and Policy

DEVELOPMENT
IMPACT REPORT

2020 IMPACT INDICATORS

The development Impact assessment was conducted to determine the impact of Shelter Afrique's operations, projects, and programmes (OPP) as of February 2021.

Shelter Afrique had achieved the following development activities in support of affordable housing delivery and urban development in Africa for projects active in the indicated period.

These development activities indicate how the organisation leveraged its resources to support Africa's development agenda by delivering the following development indices.

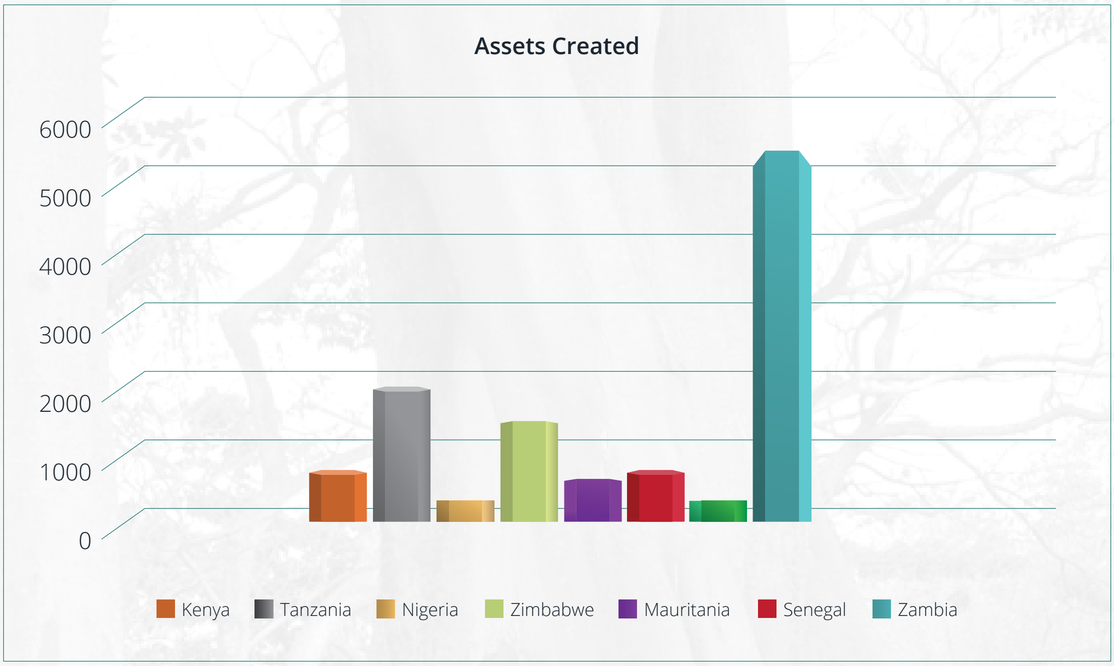
- **Delivery of decent and qualitative housing projects to support Africa's rapid urbanisation trend:**

*A total of **5,101 housing** units were delivered housing **25,505 individuals.***

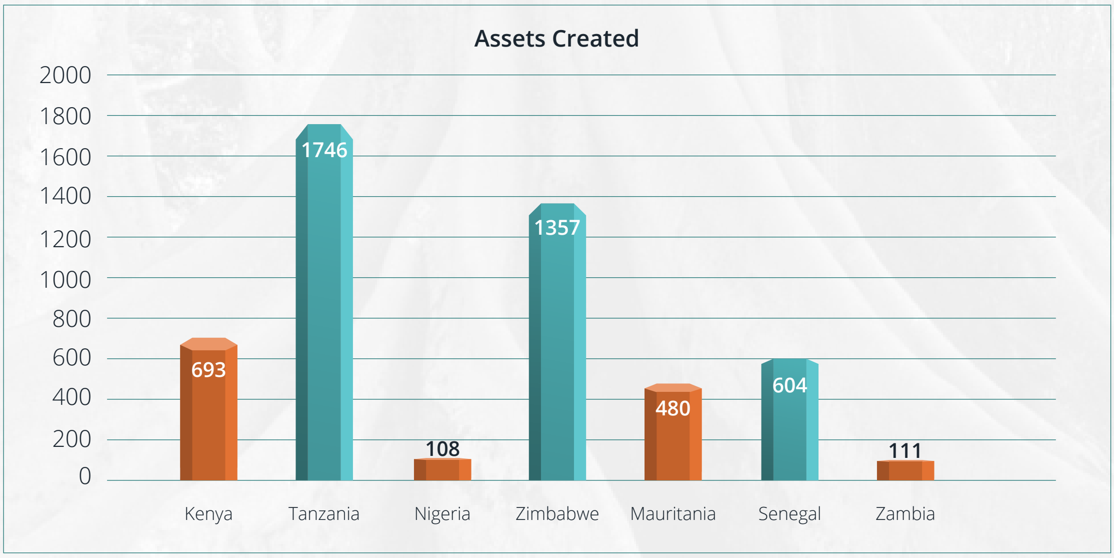
Breakdown of Assets Created and Corresponding Countries

Countries	*Assets Created*	*%*
Kenya	693	13.60%
Tanzania	1748	34.30%
Nigeria	108	2.13%
Zimbabwe	1357	20.15%
Mauritania	480	9.40%
Senegal	604	11.80%
Zambia	111	2.18%
	Total = 5101	**100%**

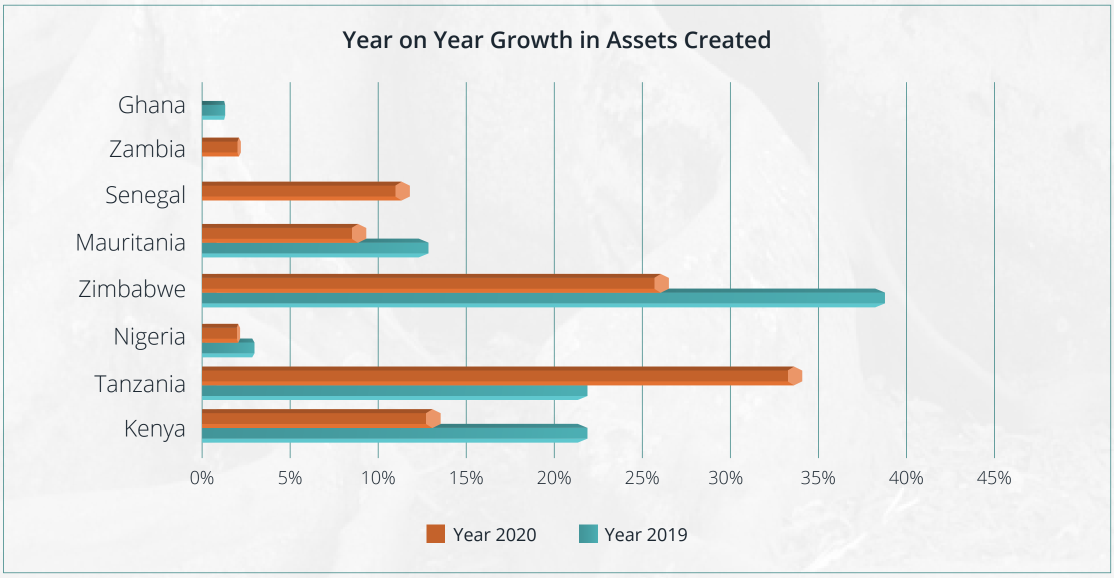
Graphic representation of Assets Created and Corresponding Countries



Year on Year Growth in Assets Created



Graphic representation of Year-on-Year growth in Assets Created and Corresponding Countries.



- **Creation of jobs as a result of construction activities to enhance income opportunities and expand economic activities.**

As countries across Africa strategise on how best to revive their economies from the impact of the COVID-19 pandemic, it is also paramount that urgent attention is paid to boosting inclusive and decent employment opportunities. As of 2020, the number of youths not in employment, education, or training (NEET) was estimated at 20.7 per cent in Africa. With business closures, and an estimated 1.6 billion informal workers significantly impacted by the pandemic globally, the built environment offers new opportunities in areas such as construction. The World Green Building Council highlights that the Energy and Environment Partnership projects across Africa, supported by the Nordic Development Fund, has led to the creation of an estimated 8000 jobs over the past seven years. Thus, highlighting the significant opportunities offered not only within the built environment but in the growing field of green and sustainable building.

In light of this, Shelter Afrique has partnered with the International Finance Corporation (IFC) EDGE with the sole aim of to enhancing green building in Africa.

EDGE, an innovation of IFC, a member of the World Bank Group, is an online platform with a green building standard and a certification system for more than 150 countries. EDGE was created in response to the need for a measurable solution to prove the financial case for building green and help jumpstart the mainstreaming of green buildings. EDGE empowers building professionals to quickly and easily determine the most cost-effective ways to build green based on occupant behaviour, building type and the local climate.

As an EDGE Champion, Shelter Afrique is committed to championing Green Affordable Housing Delivery in Africa towards achieving the set objectives of delivering affordable housing in Africa through sustainable practices. In line with these, Shelter Afrique is committed to providing 4,416 Edge Compliant affordable housing units across Africa; this initiative fits The Company's 2021-2025 corporate strategy.

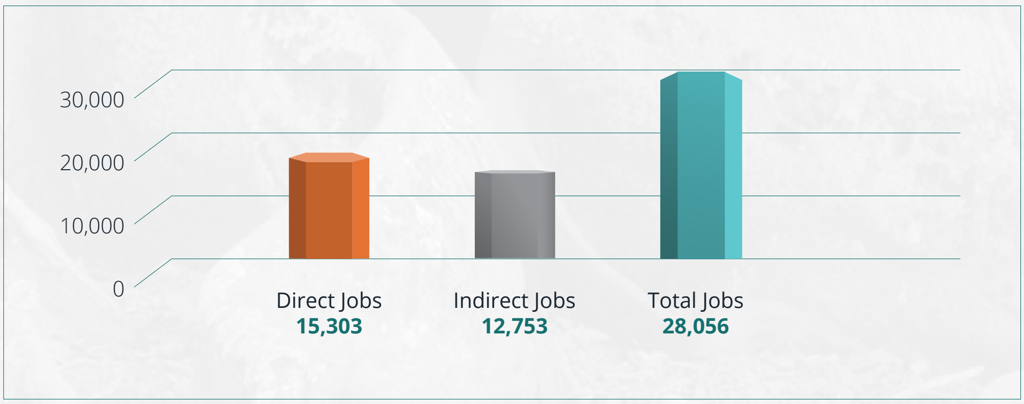
Furthermore, Shelter Afrique, through its Centre of Excellence (CoE) in partnership with the IFC EDGE team, aims to deliver the EDGE Discovery workshop to developers across Africa to enhance their capacities to adopt EDGE as a tool for affordable housing delivery.

The 2020 Impact assessment indicates the jobs created through Shelter Afrique initiatives.

15,303 direct jobs and 12,753 indirect jobs were created.

Graphic Representation of Jobs Created

JOBS CREATED



- **Impact on Housing and Living Conditions**

Affordability (the average mortgage/selling price of the unit) is 39,756 US Dollars. The issue of housing affordability across Africa is multi-dimensional, owing to factors such as low incomes, the cost of construction materials, the cost of land as well as time-consuming and costly bureaucratic processes. This issue is further exacerbated by the lack of adequate and affordable housing finance facilities. Mortgage penetration across the continent remains very low in the region. Thus, housing affordability is crucial to ensuring access to adequate housing for all across Africa.

Considering the increased level of urbanisation in Africa, the demand for affordable housing among low and middle-income households across Africa is high. And this demand is projected to grow tremendously in the coming decades. In this context, Shelter Afrique aims to contribute to the increasing need for housing in Africa continuously. In 2020, the average selling price/mortgage of a housing unit delivered through Shelter Afrique's initiatives was US$ 39,756. Table 4 provides a breakdown of the average mortgage/selling price of the housing units in the respective countries.

Photo top page
Qwetu Student Residences in Nairobi, Kenya

Photo
Interior of the QWETU Student Residences

Gender Empowerment

The market for financial services to help women purchase and renovate their homes is large and growing in developing countries. A study carried out by the International Finance Corporation (IFC) in 2019 revealed that the estimated market size for women's housing finance (loans) is $14.8 billion in Kenya. Thus, this market remains a largely untapped market opportunity.

In the broader context, it is estimated that over 300 million women in Africa lack access to affordable housing and equal property rights.
Gender stereotypes and traditional gender norms prevalent across Africa also prevent women from owning, controlling, inheriting land and property. Time poverty and lack of access to equal employment opportunities further prevent women from accessing certain goods and services.

Photo
Stephen Ndungu Kihara,
SHAF Beneficiary

In 2020, 277 women were empowered with housing units through Shelter Afrique's initiatives.
Gender empowerment is an integral component of achieving social and economic development. SDG 5 of the 17 Goals for Sustainable Development is categorically aimed at achieving gender equality and empowering all women and girls.

Student Housing
In September 2017, Stephen Ndungu Kihara decided to move to Qwetu Residences, located along Jogoo Road, Nairobi, Kenya. At the time, Stephen was completing his bachelor's degree in Business and Information Technology at Strathmore University; And before moving to Qwetu, he had resided in other private student hostels which were inconvenient and unsuitable for

"Having Wi-Fi enabled systems all through the building coupled with other convenient facilities in the residence generally enhanced my educational performance because I was motivated"
Stephen Ndungu Kihara.

student's living.
Stephen, who currently serves as a Customer Experience Executive at Qwetu residences, narrated how the residences positively impacted his studies through the world-class services offered. These include high-speed internet, free bus shuttle, CCTV & 24/7 security amongst others.
In November 2016, Shelter Afrique provided financing of 434 million Kenyan Shillings (US$4.06 million) to the developers of Qwetu Residences. Currently, Qwetu has four operational student residencies accommodating more than 3000 students from 59 nationalities. Qwetu is the only student accommodation provider in Kenya with residences that are fully equipped to provide an excellent student accommodation experience.

The Centre of Excellence Activities

The vision of the CoE is to be a one stop platform for R&D, capacity building and advocacy to support affordable housing delivery and urban development in Africa as mandated in the SHAF foundation charter. The CoE objectives are aligned with the company's strategic goals and are expected to advance the overall course of Shelter Afrique as a Pan African institution that is charged with the mandate to finance development of affordable housing.

This alignment is related to two key strategic objectives of the company highlighted below:

- Strategic Goal 2: Enhancing shareholders' value and development impact through implementing a customer centric engagement model and building strategic partnerships with financial institutions, research and industry bodies and;

- Strategic Goal 3: Organizational sustainability: Enhance staff performance and raise engagement through continuous learning, capacity building, team building and knowledge management.

The Centre of Excellence (CoE) review encapsulates the activities of the centre for the year. The review covers the centre's key activities clusters which includes the following:

- Capacity Development: With the ever-changing end user needs and emerging trends and technologies in the affordable housing and urban development space; thereby capacity building is key to empowering practitioners with the requisite skills, knowledge and capabilities to enable more effective practices in the industry. The CoE implements its capacity development objectives by partnering with related experts and organizations which are aimed at ensuring optimal practices in the affordable housing, urban development and largely the built environment space in Africa.

- Advocacy: The CoE engages in advocacy initiatives which are expected to build the political and social environment for action-based policies in the affordable housing and urban development space in Africa. The CoE's advocacy strategies are vital to sensitizing and developing public awareness on the key challenges and related solutions aimed at achieving sustainable cities and communities and improved living conditions.
- Research and Development (R&D): R&D in the affordable housing and urban development space refers to the knowledge creating process underpinned by rigorous scientific investigation; which leads to improved practices towards enabling sustainable communities and improved standards of living. The CoE engages in periodic applied R&D to innovate and implement solutions in affordable housing delivery and the built environment space in Africa.

- Partnerships: The CoE collaborates with related stakeholders in the built environment space to achieve its objective of contributing to providing innovative solutions to the affordable housing and urban development challenges in Africa. These collaborations are necessary due to the nature of the industry with respect to having multi-faceted challenges and varying needs and objectives of stakeholders.

Centre of Excellence (CoE) 2019 Activities Review

CoE Activities Cluster	Deliverables	Timeline
SG1:	Creating Virtual Presence/Website for the CoE. The CoE website is the interface for delivering the activities of the centre. The website is configured in a manner to effectively serve as a knowledge, capacity development and advocacy portal towards achieving the objectives of the centre. The website can be accessed on www.shaf-coe.org.	April 2019
Capacity Building	The Centre of Excellence (CoE) Masterclass, Nairobi, Kenya. Theme: The Centre of Excellence (CoE) Masterclass Series Presents - Gearing up for the Big Four Agenda: Practical Lessons for Developers and Contractors delivering PPPs	April 2019
	Module Presentation at the Strengthening Women's Involvement in PPP's (SWIP3) capacity building program, Abuja, Nigeria. Theme: PPP Fundamentals, Structuring and Implementation	October 2019
	The Centre of Excellence (CoE) Masterclass, Harare, Zimbabwe. Theme: Re-evaluating the Zimbabwean Real Estate Industry: Delivering Practical Frameworks for the Affordable Housing Value Chain	December 2019
	Green Buildings Developers Workshop delivered in collaboration with the International Finance Corporation	May 2021
Advocacy	Participation in the 1st UN Habitat General Assembly. The specific programs participated in the assembly includes: • Participation in the Multi-Actors Dialogue on Inclusive Urban Renewal and Co-production of Housing in Central and Western Africa on Friday 24th May 2019 • Hosted a side event in collaboration with the UN Habitat with the theme "Achieving the New Urban Agenda: Innovative Financing and Engagement Strategies for Affordable Housing and Urban Development in Africa"; Which held on Monday 27th May 2019. • In collaboration with the Investor relations unit, organized Regional and country consultations and meetings with the delegations of the following member countries: Cameroon, Tanzania, Central Africa Republic, Burkina Faso, Uganda, Namibia, Swaziland, Rwanda, Senegal and Zimbabwe. • SHAF Managing director delivered a Communique Statement on the final day of the Assembly	May 2019
	Guest Lecture Presentation at the Strathmore Business School, Nairobi. Theme: PPPs in the Housing Sector – Lessons for Kenya	July 2019
	Keynote presentation at the West Africa Built Environment Research Conference, Accra, Ghana. Theme: Addressing the Challenge of Affordable Housing for Lower- and Middle-Income Workers in African Countries	August 2019
	Keynote presentation at the West Africa Built Environment Research Conference, Accra, Ghana. Theme: Addressing the Challenge of Affordable Housing for Lower- and Middle-Income Workers in African Countries	August 2019

REPORT ON INVESTOR RELATIONS AND **SHAREHOLDING**

Photo
Kahumbya Bashige,
Manager Investor Relations

Despite the COVID 19 pandemic, shareholders demonstrated their support of the institution and its mandate by injecting a total of USD 16.7M equity into the company. This amount represents 160% of the annual target of USD 10M and 71% growth over the 2019 collections of USD 9.78M.
The Nigerian government was the largest contributor with a payment of USD 9.38M accounting for 56% of the total collections. Substantial contributions also came from Togo (10.7%), Morocco (7.8%), Mali (7.4%) and Rwanda (7.2%). A breakdown of the funds mobilised is shown below:

Total Capital Contribution for 2020

S/N	MEMBER COUNTRY	MEMBER COUNTRY
1	Rwanda	1.21
2	Uganda	0.176
3	Morocco	1.37
4	Zimbabwe	0.36
5	Swaziland	0.027
6	Mali	1.25
7	Lesotho	0.63
8	Namibia	0.41
9	Togo	1.851
10	Nigeria	9.382
	Total	**16.666**

The receipts during the year also led to four shareholders (Zimbabwe, Lesotho, Namibia, and Morocco) paying their dues fully for both the 2013 and 2017 call.

The Company also made efforts to onboard prospective Class B and C members, and an Expression of Interest was received from Fonds de Solidarite Africain to invest USD 1.8M in Class B shares

Photo
The Group Managing Director and the Vice-Chairman of the Board,Mr Sekou Demba during an Investor Relations Cocktail at the World Urban Forum 10 held in Abu Dhabi

CORPORATE GOVERNANCE **AND SHAREHOLDER RELATIONS**

39TH ANNUAL GENERAL MEETING

Photo
Natasha Koli,
AG Company Secretary

In light of the COVID-19 pandemic and its effects, the Board of Directors, at its 128th meeting, adopted holding a virtual AGM subject to circular shareholder approval. The Shareholders of Shelter Afrique approved the holding of the 39th Annual General Meeting and attendant events virtually, hosted by the Republic of Kenya and held virtually on 17th September 2020 at the Crowne Plaza Hotel, Nairobi, Kenya.

The 39th Annual General Meeting was officiated by Honourable Nouzha Bouchareb, Minister of Habitat, Urbanization and Urban Policy of the Kingdom of Morocco – outgoing Chairperson of the 38th AGM Bureau. After that, there was a change of guard in the AGM Bureau following the election of Honourable James W. Macharia, Minister of Transport, Infrastructure, Housing, Urban Development and Public Works, The Republic of Kenya, as the Chairman of the 39th AGM Bureau. Other elected members were the 1st Vice president of the Bureau, Honourable Célestine Ketcha Courtès, Minister of Housing and Urban Development, Republic of Cameroon and the 2nd Vice President of the Bureau, Honourable Daniel Garwe, Minister of the National Housing and Social Amenities, Republic of Zimbabwe.

The general nature of the business transacted included:

- Election of the Chairman and two Vice-Chairmen of the 39th General Meeting.
- Presentation by the Board Chairman.
- Presentation and adoption of the Annual Report, Audited Accounts for the year 2019.
- Presentation of the Directors' Annual Remuneration.
- Report and approval of the Remuneration Policy for 2019/2020.
- Presentation of Special Business relating to:

1. Appointment of Class "B" Directors representing the African Development Bank.
2. Appointment of the External Auditors for the year 2021 and approving their remuneration.

The meeting was quorate with 24 members attending, namely: Benin, Cameroon, Central African Republic, Congo, Gambia, Ghana, Equatorial Guinea, Kenya, Lesotho, Liberia, Malawi, Mali, Morocco, Namibia, Nigeria, Rwanda, Sierra Leone, Tanzania, Togo, Uganda, Zambia, Zimbabwe, African Development Bank (AfDB), Africa Reinsurance Corporation, and passed the following resolutions:

Photo
The Chairperson of the 39th Annual General Meeting, The Cabinet Secretary for Transport, Infrastructure, Transport, Infrastructure, Housing and Urban Development, Kenya, addressing delegates virtually

Resolutions and actions from the 39th Annual General Meeting

Agenda Item	*Proposed Resolution*	***C/L**
1. Agenda	**Ordinary Resolution:** To consider and approve the Agenda for the 39th Annual General Meeting	**Carried:** The meeting adopted the Agenda as presented.
2. Election of the 39th Bureau.	**Ordinary Resolution** To appoint the Chairman and two (2) Vice Chairmen of the 39th Annual General Meeting	**Carried:** The meeting appointed the 39th AGM Bureau as follows: **CHAIRPERSON OF THE 39TH AGM BUREAU** The Honourable Cabinet Secretary and Minister of Transport, Infrastructure, Housing and Urban Development, Republic of Kenya- Honourable James. W. Macharia **1ST VICE-CHAIRPERSON OF THE 39TH AGM BUREAU:** The Honourable Minister of Housing and Urban Development of the Republic of Cameroon -S.E. Madame Celestine Ketcha Courtès. **2ND VICE-CHAIRMAN OF THE 39TH ANNUAL GENERAL MEETING:** The Honourable Minister of National Housing and Social Amenities of the Republic of Zimbabwe – Honourable Daniel Garwe.
3. Minutes of the 38th AGM held in Marrakech, 20th June 2019	**Ordinary Resolution** To review and adopt the Minutes of the 38th AGM held in Marrakech, Morocco, on 20th June 2019.	**Carried:** The meeting reviewed and adopted the Minutes of the 38th Annual General Meeting held on 20th June 2019 in Marrakech, Morocco.
4. Annual Report and Accounts for the period ending 31st December 2019.	**Ordinary Resolution** To consider and adopt the Annual Report and Accounts for the period ending 31st December 2019.	**Carried:** The meeting: (a) Adopted the Annual Report and Accounts of the Company for the period ending 31st December 2019; (b) Resolved that: (i) There would be no payment of dividend for the financial year 2019; and (ii) There would be no allocations to the Shelter Afrique Foundation for the financial year 2019.
5. Appointment of the Directors representing African Development Bank on the Board of Directors on Shelter Afrique.	**Ordinary Resolution** To consider and approve the appointment of the Directors representing the African Development Bank on the Board of Directors.	**Carried:** The meeting appointed the following directors representing the African Development Bank to the Board of Directors of Shelter Afrique for a term of three (3) years: a) Dr Chii. P. Akporji – Director b) Mr Abayomi Ayodabo - Alternate Director

Resolutions and actions from the 39th Annual General Meeting

Agenda Item	Proposed Resolution	*C/L
6. Annual Remuneration Report for 2020/2021	**Ordinary Resolution:** To consider and approve the Policy and Procedure for Remuneration of Directors and Senior Executives for 2020/2021.	**Carried:** The meeting: (a) Adopted the Annual Remuneration Report for the period 2019/2020 and; (b Approved the Remuneration Policy for the period 2020/2021, which policy will continue to be applicable until the Company resumes profitability.
7. Appointment and remuneration of External Auditors	**Ordinary Resolution:** To consider and approve: I. The re-appointment of Deloitte and Touche as external auditors for the Company for 2020. II. The remuneration of the External Auditors for 2020.	**Carried:** The meeting re-appointed M/S Deloitte & Touche as the Company's External Auditors for the Financial Year ending 31st December 2020 at a fee of US$ 46,000 (excluding disbursements and taxes).
6. Date and Venue for the 40th and 41st Annual General Meeting.	**Ordinary Resolution:** I. To confirm the Republic of Cameroon as the host for the 40th Annual General Meeting (AGM) and mandate the Board of Directors to set a date for the 40th AGM. II. To evaluate available proposals and confirm the venue for the 41st AGM.	**Carried:** The meeting resolved that: i. The 40th Annual General Meeting shall be held in and hosted by the Republic of Cameroon and; ii. The 41st Annual General Meeting shall be held in and hosted by the Republic of Zimbabwe. iii. The Board of Directors shall determine the date and time for the 40th and 41st Annual General Meetings.

BOARD MEETING **AND RETREATS**

Board of Directors

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

Board Charter

The Board has adopted a Board Charter that sets out its functions and powers and is complementary to the requirements regarding the Board and Board Members contained in the Statutes and the General By-Laws of Shelter Afrique and the resolutions of the General Meeting. The Charter regulates Board and Committee composition, provides for positions such as Chairperson, Vice-Chairperson and Company Secretary, makes provision for duties and responsibilities of the Board of Directors and stipulates methodology and terms for performance evaluation for the Board. The Charter also lays out guidance on Director induction, development and training as well as decision making within the Board. Matters related to conflicts of interest and related party transactions are also covered in detail with clear guidance on how these should be dealt with. The Shareholders approve the Board Charter and changes to it at a General Meeting. In 2020, there were no proposed changes to the Board Charter recommended to the General Meeting for approval.

Board Composition

Shelter Afrique's Board comprises 7 (seven) Class 'A' Directors representing 44 African member countries, 2 (two) Class 'B' Directors representing 2 (two) Institutions, and 2 (two) Independent Directors. All Directors are non-executive. The Directors have diverse skills and expertise and are drawn from various sectors critical to delivering our mandate to our key stakeholders. The names and biographical details of each Director, including their main associations outside Shelter Afrique, are available on the Company's website www.shelterafrique.org. The names of the Directors who held office in 2020 are set out below.

Photo right
The Managing Director, the Chaiperson of the Bureau and the Board Chairman arrive at the 39th Annual General Meeting

Class Share A Board Representatives and Term of Appointment

Item / Group	Title	Names	Country	Term
Group 1	Director	Charles Hinga Mwaura	Kenya	20/07/2018 19/07/2021
	Alternate Director	Lexton. T. Kuwanda	Zimbabwe	20/07/2018 19/07/2021
Group 2	Director	Nghidinua Daniel	Namibia	20/07/2020 19/07/2023
	Alternate Director	Dorcas W. Okalany	Uganda	20/07/2020 19/07/2023
Group 3	Director	Dr. Theresa Tufour	Ghana	20/07/2018 19/07/2021
	Alternate Director	Ouadja Kossi Gbati	Togo	20/07/2018 19/07/2021
Group 4	Director	Mina Azerki	Morocco	20/07/2020 19/07/2023
	Alternate Director	Nejib Snoussi	Tunisia	20/07/2020 19/07/2023
Group 5	Director	Marie-Rose Biyong	Cameroon	20/07/2020 19/07/2023
	Alternate Director	Ahmadou Sardaouna	Cameroon	20/07/2020 19/07/2023
Group 6	Director	Olaitan Komolafe	Nigeria	20/07/2020 19/07/2023
	Alternate Director	George Bombo Bright	Liberia	20/07/2020 19/07/2023
Group 7	Director	Sékou Demba	Mali	20/07/2020 19/07/2023
	Alternate Director	Ousmane Wade	Senegal	20/07/2020 19/07/2023

Class Share A Board Representatives and Term of Appointment

Item / Group	Title	Names	Country	Term
INDEPENDENT DIRECTORS	Independent Director	Dr Omodele R.N. Jones	Serving his 2nd term	20/07/2018 19/07/2021
	Independent Director	Dr Stephen Mainda	Serving his 1st term	20/07/2018 19/07/2021

Class B Shareholder Representatives and Term of Appointment

Institutions	Title	Names	Term
AfDB	Director	Patience Chika Akporji	17/09/2020 16/09/2023
	Alternate Director	Abayomi Ayodabo	17/09/2020 16/09/2023
Africa-Re	Director	Kiiza Bichetero	20/06/2019 19/06/2022
	Alternate Director	Seydou Kone	20/06/2019 05/07/2022

Roles & Responsibilities

The Board is responsible for the conduct of the company's general operations and, for this purpose, exercises all powers provided for it in the Statutes, By-Laws and the authorities delegated to it by the General Meeting.

The Board's responsibilities include but are not limited to: -

• Oversight and supervision of the general business of the Company.

• Ensuring that the Vision, Mission and Core Values of the Company are in line with shareholders needs and that the organisation's culture is established and embedded.

• Approving the Company's Strategy, financial and business objectives and ensuring that it has oversight and is kept current on the progress of achieving those objectives.

• Setting the Risk Appetite of the Company and assessing performance relative to the Company's Risk appetite.

Responsible for the effective operation of The Company by appointing, evaluating the performance of Senior Management, including compensation and succession planning.

Board Committees

The Board has 4 (four) substantive committees, namely the Audit, Risk & Finance Committee, Investment Committee, Human Resource and Governance Committee and the Strategy Committee. The Board committees were established to enable the Board - fulfil its oversight responsibilities relating to the mid to long-term strategy for the Company, risks and opportunities relating to such strategy, and strategic decisions regarding investments, expansion, acquisitions and divestitures by the Company.

For the Board to discharge its mandate effectively, matters are discussed in detail in the committees before resolution by the Board. These committees assist the board in ensuring that proper policies, strategies, internal controls and structures are in place to achieve the Company's objectives and obligations to its stakeholders. All the committees have specific terms of reference and hold meetings quarterly or as frequently as necessary. The Board may delegate some of its powers to any committee and may appoint any other committee, including ad hoc committees, as and when it is deemed necessary.

Board Operations

The Board Charter regulates board operations. On an annual basis, the Board sets an annual Work Plan with a progressive agenda to guide its objectives. A schedule of calendar dates for Board meetings to be held in the following year is also fixed in advance by the Board. In 2020, the Board held its meetings as follows: -

Number of Board Meetings Conducted in 2020

No.	Meeting	Number of Meetings	Scope of Business Conducted
1	Full Board	4	Strategy, Policies, Finance, Investor Relations, Risk Appetite, Audit & Control Environment, corporate governance, People and Culture and
2	Audit, Risk and Finance Committee	4	Financial performance, reporting and integrity, Assets & Liabilities management, Internal & External Audit - (findings & recommendations), enterprise risk identification, assessment, management and compliance, and related Policy reviews.
3	Human Resources and Governance Committee	5	People & Culture, procurements, administration, nominations, remuneration, compensation of both the Board and Staff, ICT Governance, Succession Planning and related Policy reviews.
4	Investment Committee	4	Credit policy & strategy recommendations, new credit approvals, restructuring, and loan workout strategies as proposed by Management.
5	Strategy Committee	4	Strategy development, implementation of the strategy, monitoring of the status of Strategy implementation, review of the continued relevance of SHAF vision, mission and values, and monitor the annual progress of the organisation turnaround.

Director Independence
The Board always ensures that every director can act independently. On an annual basis, Directors are assessed against set guidelines to ensure that they always remain independent. In 2020, all Directors remained independent as per established guidelines.

Conflicts of Interest and Related matters
Board members and Management are not allowed to enter related party transactions, which by nature raise conflicts of interest or potential conflicts of interest that have a direct or indirect financial benefit. Any conflicts of interest must be disclosed to the Board of Directors. The Board Charter lays out clear guidelines on dealing with conflicts of interest at the Board level. Board members do not participate in any discussion or decision making regarding a matter in which he/she has a conflict of interest. There have been no significant related party transactions, pecuniary transactions or relationships between the Company and its Directors or management except for those disclosed in Note 34 to the financial statements for the year ended 31 December 2020.

Directors' Remuneration
The aggregate emoluments paid to Directors for services rendered during the financial year are disclosed in Note 34 to the financial statements for the year ended 31 December 2020. The Directors' Remuneration was reduced as per the resolution of the 37th AGM held on 20th July 2018 as further revised by the resolution of the 39th AGM held on 17th September 2020.

Induction Program, Training and Education
Upon his/her election, each Board Member participates in an induction programme covering the Board's duties and responsibilities and the individual directors' role on the Board. The induction also covers the Company's strategy, financial and legal affairs, policies and operations as well as general and specific aspects of the Company's business. An induction programme was undertaken in September 2019 for new directors. The Board of Directors also annually reviews and identifies areas where Board Members require further training or education. The Board approved the Director Development Plan for 2020, and the same was implemented albeit partially due to company cost rationalisation deemed necessary in light of the Covid-19 pandemic.

Performance Evaluation for the Board
On an annual basis, the Board carries out a performance evaluation to assess its performance against set targets. The Board also carries out assessments for its Committees, individual directors, the Managing Director and Company Secretary. Results of the evaluations are collated and transformed into an action plan to guide Board improvement initiatives. A Board Evaluation was conducted in 2020, and the recommendations are under implementation.

Adiva Estates by MIXTA Nigeria in Lagos, Nigeria financed by Shelter-Afrique

HUNTSVILLE

CORPORATE SOCIAL **RESPONSIBILITY ACTIVITIES**

Annual Report 2020

Shelter Afrique, in a bid to be a responsible corporate person and according to King IV Code of Corporate Governance and the CSR Policy of Shelter Afrique, conducted charitable activities in Kenya, Cote d'Ivoire and Nigeria. The charitable activities were aimed at helping combat the COVID-19 pandemic and funding emergency relief for the less privileged and vulnerable members of the community. The proposal to carry out CSR activities is in line with Objective 2 and Objective 3 of the Strategic Plan (2019-2023).

Shelter Afrique joined its efforts with governments, multinationals and various corporate entities in the fight against the pandemic by playing an active role during the pandemic. The activities involved the distribution of Personal Protective Equipment ("PPE"), test kits, foodstuff as well as cash donations to identified beneficiaries from the most vulnerable among the society.

The budget for all CSR activities was USD99 000 distributed equally among the three countries where Shelter Afrique has regional offices. The proposed activities augment Shelter Afrique's impact in member states. Kenya, Ivory Coast and Nigeria were selected as they are the three (3) member states where the company had a physical presence when there were lockdowns and cessation of movement in various member states. This was a way for Shelter Afrique to give back to the member states that have sustained it through the years, particularly during the crisis period. It was a gesture of solidarity with member states and paved the way for better rapport and partnership with shareholders and other key stakeholders.

KENYA
CARTON CITY INFORMAL SETTLEMENT

Carton City is an informal settlement scheme with approx. 400-500 households adjacent to Shelter Afrique's flagship joint venture project (Everest Park Estate), located in Athi River along Mombasa Road. The choice of the target group was informed by the fact that the community is within the vicinity of Everest Park Estate. Some inhabitants of Carton City provide manual labour during the construction of Everest Park Estate, while others still offer casual labour to the current residents of Everest Park Estate.

Photo top

The Group Managing Director and the Board Chairman present COVID-19 relief items to His Excellency ,Dr Alfred Mutua the Governor of Machakos County, Kenya

On 4th May 2020, the Chairman of the Board of Directors and Management of Shelter Afrique visited Carton City Informal Settlement. Before the visit, the Government of Kenya imposed a lockdown on counties that had widespread active cases of COVID-19, such as Nairobi, Mombasa and Kilifi.

During a vibrant occasion graced by the Honourable Governor of Machakos County, Alfred Mutua and representatives of the Board and Management of Shelter Afrique distributed foodstuff to the inhabitants. The total budget for the foodstuff was USD 23,000. Each family was given a food bag with the following foodstuff:

1. Maize Flour – 4kg
2. Sugar – 4kg
3. Salt – 2kg
4. Tea Leaves – 1kg
5. Beans – 4kg
6. Green Grams – 4kg
7. Rice – 5kg
8. Cooking Oil – 3 litres

KENYA MEDICAL RESEARCH INSTITUTE

Kenya Medical Research Institute ("KEMRI") is East and Central Africa's premier medical research institute. It is a government parastatal. Following an acute shortage of COVID-19 test kits due to current global demand, KEMRI has developed in-house capabilities to produce Rapid Testing Kits to test target COVID-19 patients within 15 minutes.

The choice of KEMRI as a beneficiary of Shelter Afrique's CSR initiative was informed by the fact that, with increased production of Rapid Testing Kits, the Government of Kenya would be able to identify more persons infected with COVID-19. This would enable the health authorities to take remedial measures such as quarantine and treatment, which in turn would support the flattening of the curve.

Thus, on 30th April 2020, at a ceremony hosted in Shelter Afrique Boardroom, the Chairman of the Board of Directors of Shelter Afrique donated a cheque of USD 10,000 to KEMRI to go towards the production of COVID-19 Rapid Testing Kits.

Photo bottom

The Group Managing Director and the Board Chairman present COVID-19 relief items to His Excellency ,Dr Alfred Mutua the Governor of Machakos County, Kenya

IVORY COAST

In Ivory Coast, the donations made by institutions to support the government effort to combat COVID-19 were either in the form of direct cash donations through the Ministry of Public Health or the Ministry of Social Affairs. Other private donations were made in the form of food or cash directly to the communities or local authorities.

The Department of Infectious and Tropical Diseases (SMIT) of Treichville is the main hospital at the forefront of combating COVID-19. By giving the financial donation of FCFA 5 million (USD 8,400) to SMIT, Shelter Afrique directly aided the health workers and personnel. The donation was made through the parent Ministry, which is the Ministry of Public Health.

KOUMASSI GRAND CAMPEMENT AND YOPOUGON KOWEIT INFORMAL SETTLEMENTS

Two informal settlements were selected, namely Grand Campement (Koumassi) and Koweit (Yopougon) in Abidjan, with a combined 2,000 households. Each family was given a food bag with the following essential foodstuff:

1. Rice – 5kg
2. Sugar – 1kg
3. Cooking Oil – 0.9L
4. Soap – 3 Bars
5. Milk (powder 10 packets of 250g)

The Regional Business Manager in Ivory Coast, Edmond Adijkpe, organised a ceremony that was attended by Celestin Koalla, a director on the Board of Shelter Afrique and other distinguished government officials namely:

- Mr Bruno Nabagné KONE, Minister of Construction, Housing and Urban Planning;
- Mr Gilbert Kafana Koné, MP/Mayor of Yopougon, Minister to the President Office in charge of the relationship with the Institutions of the Republic;
- Mr Cissé Bacongo, MP/Mayor of Koumassi, Minister to the President Office in charge of Political Affairs.

Photo:
The Minister of Construction and Housing and Urban Planning for Ivory Coast, Mr Bruno Kone, delivering a food pack to a 70-year-old retiree

Photo:
The Regional Representative in Nigeria, Elizabeth Ogbonegbu, at the distribution of relief materials in Dakibiyu Village, Abuja, Nigeria

NIGERIA

DAKIBIYU VILLAGE

In Nigeria, Shelter Afrique distributed relief packages to residents of DakiBiyu Village in Abuja, Nigeria.

The Regional Business Manager in Nigeria engaged the liaison person at the Ministry of Works and Housing, Edna Tobi, who recommended coordination and partnership with Architect Ezekiel Nya-Etuk, a key stakeholder in the housing sector as the Ministry of Works and Housing was on total shutdown. Coincidentally, Architect Ezekiel was the first Nigerian to facilitate a housing loan for the government from Shelter Afrique and has continued to remain a valued partner.

To guarantee that the essential foodstuff and supplies were fairly distributed across all households within the community, Shelter Afrique conducted a house-to-house registration of potential beneficiaries. Shelter Afrique opted to directly donate to women because they are responsible for cooking and taking care of family members.

Photo

Mr. Kingsley Muwowo,

Chief Finance Officer (Zambia)

CORPORATE AND **FINANCIAL MANAGEMENT**

Annual Report 2020

The slow resumption of underwriting new business and the unprecedented outbreak of the COVID-19 pandemic impacted the financial performance for the year 2020. Consequently, the revenue streams continued to decrease year on year basis; this was driven by low disbursements and the sustained decline of the existing loan book.

However, the Company recorded an operating profit of US$1.34 Million, a 324 per cent increase from operating loss of US$ 0.59 Million incurred in 2019. The comprehensive income was US$ 1.85 Million, a 247 per cent increase from the previous year's loss of US$ 1.26 Million. The profit was mainly attributed to impairment recoveries of US$ 4.45 Million, from a US$ 7.1 Million receipt from UN Headquarters SPV project in Swaziland a 118 per cent increase from the US$ 2.00 Million recoveries in the year 2019. There was also a realised gain of US$ 0.52 Million from the equity divestment in the Banque de L'Habitat du Burkina Faso (BHBF), contributing to the other comprehensive income for the period. Interest income declined by 37 per cent to US$ 9.69 Million from US$ 15.34 Million, and fee income decreased by 42 per cent to US$ 0.76 Million from US$ 1.30 Million. The key performance indicator was the 11 per cent decline in the net loan book from US$ 114.63 Million in 2019 to US$ 101.66 Million in 2020.

Overall, the positive financial performance in profitability is a crucial milestone after a sustained period of 5 years of incurring losses from 2015 to 2019. The Company also recorded significant improvements on critical metrics such as the considerable reduction in interest expense by 73 per cent from US$ 6.70 Million in 2019 to US$ 1.80 Million in 2020. This improvement was made on the back of a 52 per cent decrease in borrowings from US$ 71.66 Million in 2019 to US$ 34.71Million in 2020. The Debt Restructuring Agreement (DRA) was signed on 6th May 2020.
It is also imperative to note that in absolute terms, the Company contained operating expenses with a 1 per cent decrease from US$ 8.44 Million in 2019 to US$ 8.35 Million in 2020

Financial Position

Total assets reduced by 10 per cent from US$ 193.13 Million in 2019 to US$ 174.61 Million in 2020, attributed to the 11 per cent decrease in net loan assets from US$114.63 Million to US$101.67 Million as explained above on the back of reduced lending given the slow resumption of new business and the impact of COVID-19 Pandemic, which resulted to a significant increase in credit risk resulting into scaled-down lending activities.

Liquidity decreased by 17% per cent from US$ 56.97 Million in 2019 to US$ 47.41 Million in 2020, attributed to significant debt serving payments on the CFA Bond and DRA debt amounting to US$ 36.95 Million. The liquidity ratio closed at 27 per cent, which is 12 per cent points above the minimum threshold of 15 per cent.
Shareholder Funds increased by 16 per cent from US$ 115.42 Million in 2019 to US$ 133.66 Million in 2020 due to the new capital subscriptions of US$16.66 Million and the profit of US$ 1.85 Million for the year.

This brings the total paid-up capital by 12 per cent, from US$ 140.64 Million in 2019 to US$ 157.29 Million in 2020.

Debt reduced by 52 per cent from US$71.66 Million in 2019 to US$ 34.71 Million in 2020 due to the principal and interest payments of US$34.47 Million and US$ 4.34 Million, respectively. There was no additional debt taken up in the year.

Changes in Equity

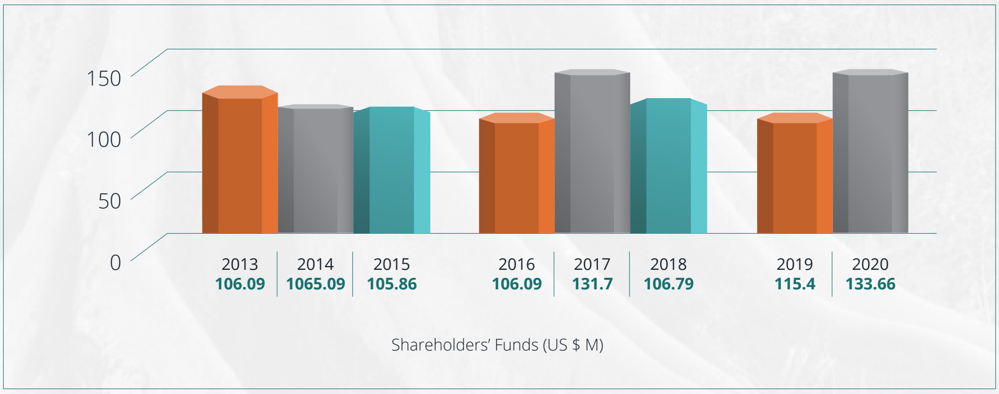
Total equity increased by 16 per cent from US$ 115.42 Million in 2019 to US$ 133.66 Million in 2020. This is attributed to capital subscription receipts of US$ 16.66 Million and the profit for the reporting period.

Cash Flows

Cash and cash equivalents decreased by 17% per cent from US$ 56.97 Million in 2019 to US$ 47.41 Million in 2020. The cash position of the Company reflected the impact of inflows of US$ 16.66 Million capital subscriptions received during year and the positive operating cash flows. In terms of cash outflows, The Company paid US$ 34.50 Million and US$ 4.34 Million to service principal and interest debt obligations respectively in comparison to previous year's US$ 45.70 Million and US$ 5.9 Million, respectively.

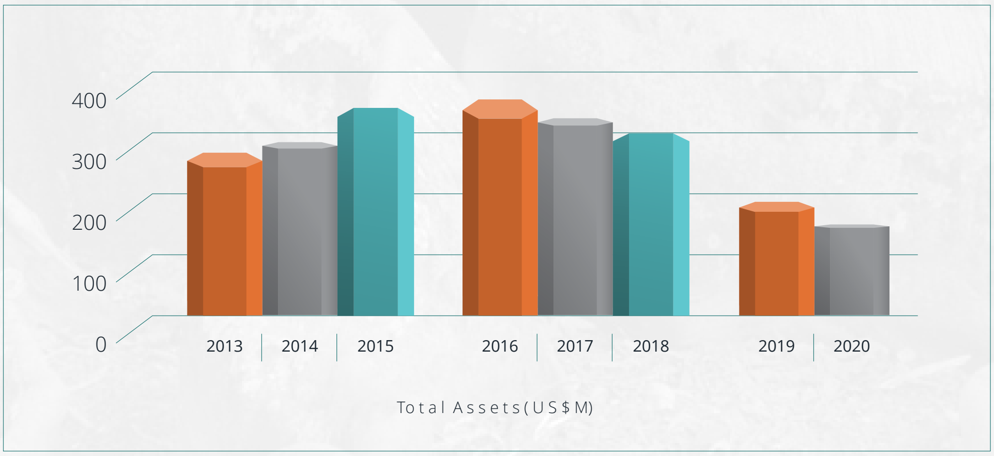
Selected Financial Indicators

SHAREHOLDERS' FUNDS (2013-2020)



TOTAL ASSETS (2013-2020)

Cross-section of Total Assets in an eight-year period



KEY OPERATIONAL AND FINANCIAL DATA – 2013 -2020 (US$ MILLIONS)

Year	*2013*	*2014*	*2015**	*2016*	*2017*	*2018*	*2019*	*2020*
Approvals	104.5	141.13	129.73	89.43	-	-	-	25.41
Cumulative Approvals	787.33	928.46	1,058.19	1,147.62	-	-	-	1,173.03
Disbursement	79.73	73.11	103.65	51.4	27.52	6.50	3.40	19.50
Cumulative Disbursement	403.83	476.94	580.59	631.99	659.51	666.01	669.41	688.91
Total Assets	270.19	289.3	335.85	336.51	311.86	229.43	193.13	174.61
Profit (Loss)	4.75	0.45	(4.94)	(12.68)	(7.79)	(9.25)	(1.26)	1.85
Paid-Up Capital	59.84	60.82	62.23	62.6	88.62	91.76	97.39	106.78
Capital Receipts	5.90	1.63	2.49	0.64	46.14	5.56	9.79	16.66
Revenue Reserves	29.43	27.85	22.91	9.49	1.73	(27.52)	(28.39)	(25.22)
Provisions for the year	2.28	4.83	10.14	19.2	10.9	9.92	4.39	3.19

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

SELECTED FINANCIAL INDICATORS (US$ MILLION)

Operating Results		*2013*	*2014*	*2015**	*2016*	*2017*	*2018*	*2019*	*2020*
Operating Profit before provisions		6.65	5.59	5.2	6.52	4.84	0.69	3.13	4.52
Profit (Loss) for the year		4.75	0.76	-4.94	-12.68	-7.79	-9.25	-1.26	1.85
Administrative Expenses	(a)	6.51	7.87	9.63	9.2	8.42	8.68	8.05	8.01
Financial Position									
Net Loans and Advances		195.41	216.85	274.28	283.11	247.4	165.19	114.64	101.67
Financial Investments		59.67	51.87	30.47	7.71	21.98	30.78	50.48	42.20
Total Assets		270.19	289.3	335.85	336.51	311.86	229.43	193.13	174.6
Total Equity		106.09	105.9	105.86	93.36	131.7	106.79	115.42	133.66
Total Debt		160.62	177.79	224.57	236.16	173.65	116.78	71.66	34.71
Financial Ratios									
Total Debt to Total Assets (%)		59.45	61.46	66.87	70.18	55.68	50.9	37.1	19.88
Debt/Equity ratio (%)		151.4	167.88	212.14	252.96	131.85	109.35	62.09	25.97
Earnings (Loss) per share (US$)		81.86	12.62	-80.36	-203.17	-103.04	-102.56	-13.31	12.99
Total Equity		15.86	-	6.82	-	-	-	-	-

a) Administrative expenses are operating expenses less depreciation and amortisation

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

Photo
Nancy Okita,
Human Resource Administration

HUMAN RESOURCES AND **ADMINISTRATION REPORT**

Report on Covid-19 Measures taken

The 2020 financial has proven the importance of Human Capital and the importance of creating flexible working arrangements universally. Human resources management was occupied primarily with how to create a safe working environment, ensure the safety of our staff, respond to emergencies and imbibe a new COVID-19 culture of work. The highlights below enumerate how The Company approached this.

- Instituted an immediate policy of working from home, which is reviewed in light of government announcements on movement, travel and work.
- Immediately, placed an embargo on travel for staff and shifted to virtual engagements and meetings.
- Open communication channels for all members of staff to keep them informed on the latest developments and management decisions;
- Installed Sanitising stations and temperature checks in line with the World Health Organisation Guidelines
- Introduced a strict facemask policy across all offices; facemasks and sanitisers are provided for by the organisation
- Shifted the cleaning practices of the building and offices across Africa to build in best practice in viral infection prevention
- Installed a culture to encourage social distancing and prevent the spread of the contagion in the office; staff are constantly reminded of the need and benefits of social distance measures.
- Built a community within the organisation and introduced regular town hall meetings with experts in the field to provide guidance and sensitise staff, most notably with KEMRI, with whom we have formed a partnership.
- Ensure that the medical coverage and insurance will cover all COVID related illnesses for staff and families.
- Entered into a partnership with reputable labs across all our offices to ensure staff and their families are tested at no cost to them.
- HRA engaged all our tenants through the Property company to inform them of the new Covid19 containment processes;
- Collaboration with national, state, and local public health institutions and agencies and emergency responders;
- Enhanced continuous communication to staff on the need to continually observe high standards of hygiene & sanitation, including government directives on curfews and the various city lockdown from other counties.
- The listing of medical facilities available to staff updated and shared with staff to keep them appraised of applicable medical institutions and doctors covering the illness.
- Continuous implementation of protective measures at the head office and regional offices, including social distancing, use of masks, sanitisation as well as taking of temperatures for all members of public visiting the head office and regional offices.
- EXCO approved a payment holiday for all staff who may wish to use this in light of the economic pressures of the pandemic.

Photo
Kenneth Kithinji,
ICT Manager

INFORMATION **TECHNOLOGY**

Annual Report 2020

The shifting of daily office life to working from home has been one of the far-reaching consequences of the coronavirus pandemic witnessed in 2020. This change never seen in the world before presented new opportunities and challenges in equal measure to many companies, including Shelter Afrique.

To Shelter Afrique, it has been an opportunity to evaluate its processes, systems and infrastructure to establish its level of resilience in driving business during a crisis and normal business operations.

Fortunately, the SHAF ANYWHERE program initiated in 2018 was instrumental in sustaining the company operations during this period. The SHAF Anywhere program seeks to provide information and necessary resources to the staff to operate from any location. It also aims to bring products and services closer to customers given The Company's mandate of delivering affordable housing for all in Africa. Understandably, it is untenable to have an office in every member state, but technology can step in and meet the operational needs across SHAF's market footprint.

With the COVID-19 pandemic, working from home or remotely turned out to be the new normal. This has accelerated the adoption of technology solutions that drive teleworking and virtual workforce.

Key ICT deliverables

Despite the COVID19 challenges, the Information Communication and Technology (ICT) unit managed to implement strategic ICT projects and deliver several critical virtual events.

A significant achievement was delivering a very successful and first-ever virtual Annual General Meeting and symposium held on September 2020. The virtual AGM and Symposium were seamless, with technology enabling shareholders and partners to attend the meetings from various parts of Africa and the World.

By leveraging the power of collaborative technology, the company demonstrated to the World and its Shareholders its prowess in utilising innovative technology solutions to fulfil its mandate.

To enhance communication and collaboration internally and also outside the world, the company implemented a simultaneous interpretation system in its head office. The solution has been of significant business value in this era of virtual meetings and events.

Another significant milestone was the development of a new website. With the increased use of social media and the adoption of technology globally, digital branding is critical in positioning Shelter Afrique in the digital space. The website has a new look repositioning the company in the digital space as the first point of contact with our customers and partners.

Photo
ICT Setting up the first virtual AGM

Future projects
In 2021 the focus will be implementing a digital transformation strategy prepared and approved in the current financial. The plan aims to create an agile and responsive organisation, where technology and information are fully leveraged to bring about a more efficient, innovative and collaborative company. A few of the projects have already been implemented, while others are in the pipeline.

A critical project lined for rollout is the reimplementation of the existing enterprise resource planning (ERP) system and SWIFT payment platform. These systems are overdue for an upgrade, having been operational for over ten years now. The system is an enabler of the following operational processes: finance management (financial reporting), treasury, personnel/employee information management, performance management, payroll processing, procurement, and loan management. The main driver of this project is to achieve operational excellence for a lean and agile organisation to achieve strategic goal three on organisational sustainability.

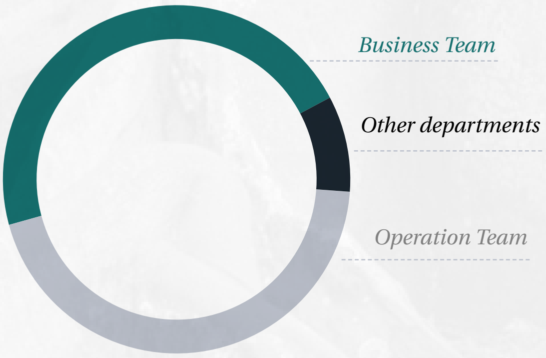
LEGAL **SERVICES**

Annual Report 2020

Photo
Houda Boudlali,
Head of Legal Services

The Legal Services Department (LSD) was established according to a Board Resolution passed by the 126th Board Meeting held on 26th September 2019. It was resolved that; the roles of the Company Secretary and Head of Legal services roles be separated. This was aimed at improving operational efficiency and enhancing service delivery of the legal function.

Key support areas during 2020



LSD support

50% Business Team
45% Operation Team
5% Other Departments

Legal achievements.

In 2020 among many accomplishments, some events can be highlighted:

- The split between the Legal Services Department and Company Secretary Office: The legal department and the company secretary office previously forming one department became two different entities in August 2020.
- Domestication of the host legal agreement: The host legal agreement of Nigeria hosting one of the regional offices has been domesticated to allow Shelter Afrique to enjoy the same privileges and immunities as they do in the host country Kenya.
- Major files: During 2020, the LSD worked on different cases, and some of them were of great value for the company, such as the lines of credit advanced to Teyliom, SOPROFIM, Mixta, MSD, Banc ABC and Wema Bank.
- Litigation: Signing and endorsement by the High Court of KIGALI of the amicable settlement agreement between SHAF and OXYPROP. As a result, work has resumed on-site with a level of completion estimated at 68 per cent as at date.

Going Forward

In perspective, the LSD wishes to better serve the internal client by supplementing the efforts of business development, improved customer centricity by guaranteeing a prompt turnaround, reduce litigation budget by proposing success fees.

ENTERPRISE RISK **MANAGEMENT**

Annual Report 2020

Photo
Bernard Oketch,
Chief Risk Officer

Effective enterprise risk management is fundamental to achieving our institutional mandate. While we remain committed to increasing shareholder value by developing and growing our business within our Board-determined risk appetite, we are mindful of achieving this objective in line with the interests of all key stakeholders. We seek to achieve an appropriate balance between risk and developmental impact and continue building and enhancing risk management capabilities that assist in delivering our growth plans in a controlled environment. Risk management is at the core of our business model as we seek to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite. Our risk management approach includes minimising undue concentrations of exposure, limiting potential losses from risk events, and ensuring the continued adequacy of all our financial resources coupled with organisational resilience.

Our risk management processes proved effective in FY2020, despite a challenging economic environment brought about by the effects of the COVID19 pandemic. Below are highlights of our risk framework.

RISK GOVERNANCE

Our governance approach to managing risks within the company leverages the three lines of defence model as depicted in the figure below. The model promotes transparency, accountability, and consistency through clear identification and segregation of roles.

The above risk governance structures coupled with the attendant practices align with the ISO 31000 Risk Management Standard, COSO Integrated ERM Standard and Basel III Risk Management Standard. Risks are identified, measured, managed, controlled, and reported. The Board of Directors has overall responsibility for the proper management of risks within the company. They supervise and authorise an enterprise risk management framework, relevant risk policies and procedures, risk appetite and models.

The Board has delegated this important function to the Audit, Risk & Finance Committee (ARF). ARF and other risk committees regularly request in-depth reviews of current, new and emerging risk issues and flashpoints that may impact the company. The Managing Director retains overall responsibility for managing risks within the company and is assisted by the Executive Committee (EXCO) and the Head of Enterprise Risk Management Department (Chief Risk Officer) in discharging this role.

Strategic Risks
Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

Strategic Risk Identification
In identifying key strategic risks, The Company, through its senior management team (EXCO), uses specific methods to identify and measure strategic risk. These measures include Environmental Analysis, SWOT Analysis and PESTEL analysis. During FY 2020, the following were the key strategic risks that impacted The Company and had to be managed adequately to guarantee financial sustainability and relevance in a problematic business operating environment.

a) The COVID-19 pandemic significantly impacted our business activities and projections in 2020. New business underwriting was slowed down; there was increased credit risk due to adverse macro-economic shocks to our customers. Appropriate risk-mitigating measures were undertaken to reduce the impact of the pandemic on the business. The steps are to be sustained into FY 2021.

b) The loan portfolio continued to decline due to the slow disbursement of already approved business deals. The conversion rate from approvals to disbursements was below the set target. This, coupled with the continued maturity of the existing loan book, did exacerbate the adverse effects. We expect enhanced disbursements in FY 2021. This expectation is informed by the fact that most of the credit facilities that were approved in 2020 will be ready for disbursement in FY 2021.

c) African currencies were under pressure from foreign currencies such as the American dollar due to the scarcity of foreign currencies and uncertain forex markets. The volatility occasioned by these currencies led to unrealised forex losses. We expect the trend to ease as countries get their economies back to optimal operation after the lockdowns and monetary policy strategies working in addressing the imbalance.

d) Recoveries from the non-performing loan book was relatively low, with recoveries primarily affected by the COVID19 pandemic, which made it challenging to implement the recoveries strategies optimally. Alternative approaches have been considered and being implemented into the FY 2021 to enhance recoveries.

e) Funding risks remain significant due to the constant need for optimal funds for deployment to underwrite new business and support liquidity. With the revised business strategy for 2020-2025, plans are afoot to raise over US$1B from the DFI and capital markets in the next five years. The capital markets are being targeted to enable the raising of local currency housing bonds.

f) Asset qualities remain our key strategic objective. We continue to monitor and manage the risk profile of our performing and non-performing asset portfolios to ensure that their quality does not deteriorate. For assets that deteriorate, we adequately impair them (provide for them). We have also enhanced our new business underwriting practices (i.e., processes, governance structures, models, policies and systems) that guarantee quality assets' underwriting.

g) Financial sustainability is core to our business strategies and continued solvency, and therefore the need for the company to be sustainable cannot be over-emphasised. The company has made a modest profit in FY 2021 and expects to remain profitable into FY 2021.

Credit Risk

The Company grants credit to only strong reputable counterparties, which must be playing a significant role in the development of the affordable housing sector. These clients could be either Tier 1 and 2 financial institutions or Primary Mortgage Institutions (PMIs) with a significant real estate development book or strong real estate developers. The Company may choose to invest a portion of equity in a fund that is specific for financing the development of affordable housing; however, the business model for this type of investment must demonstrate a substantive ROI and developmental impact.

Credit Risk Management

The Company has a documented and Board approved lending policy. The policy governs the credit granting process and prescribes the principles and limits to be adhered to in any lending transaction. The following credit risk management principles have been adopted for the sound management of credit risk within the company:

- The Board of directors is responsible for approving and periodically reviewing the credit risk strategy and significant credit risk policies of the company.

- The senior management team (EXCO) is responsible for implementing the credit risk strategy approved by the Board of Directors and developing policies and procedures for identifying, measuring, monitoring, and controlling credit risk. Such policies and procedures shall address credit risk in all the company's business activities and individual credit and portfolio levels.

- The company identifies and manages credit risk inherent in all its products and activities. All new products and activities are subject to adequate risk management procedures and controls before being introduced or undertaken and approved in advance by the Board of Directors or its appropriate committee.

- The company operates within sound, well-defined credit-granting criteria. The criteria define the target market and provide a thorough understanding of the borrower or counterparty, the purpose and structure of the credit and its source of repayment.
- The company has established overall credit limits at the level of individual borrowers and counterparties and groups of connected counterparties that aggregate in a comparable and meaningful manner different types of exposures on and off the balance sheet.

Market Risks

The Company's strategy is to obtain cost-efficient funding from diversified sources and provide lending that is tailored to the needs of its customers. This gives rise to foreign exchange risk and structural interest rate risk due to mismatches in The Company's assets and liabilities in currency composition, contractual maturity profile and interest rate characteristics.

Cross-currency basis risk stems from the hedging techniques used by the company to mitigate the above risks. This risk is inherent in transactions related to exchanging foreign currencies at a future point in time and is mainly driven by liquidity supply and demand in those currencies. Structural risk is the interest rate risk that arises from mismatches in interest-fixing periods between The Company's lending operations and funding and, in some cases, currency risk that occurs when borrowings and lending take place in different currencies. Our treasury team manages market risks.

Market Risk Management Roles and Responsibilities

The Board has delegated its oversight role in managing market risk to the Audit, Risk & Finance Committee. The Committee receives monthly and quarterly reports from management to enable it effectively to execute this mandate.

The company has an ALCO committee, which oversees the activities that give rise to market risk exposures and establishes operating guidelines, including various levels of operational limits within the maximum limits set by the Board. All of the company's market risks are managed on a day-to-day basis by the Treasury team.

Operational Risk

The Company has defined the following Operational risk, which is also aligned to Basel III definitions of operational risks.

Outline of Operational Risks and Event

Operational Risk Event Types	*Description*
Internal Fraud	Losses due to acts intended to defraud, misappropriate property, or circumvent regulations, law, or company policy.
External Fraud	Losses due to acts intended to defraud, misappropriate property, or circumvent the law by a third party.
Employment practices and workplace safety	Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or diversity/ discrimination events.
Clients, products, and business services	Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product.
Damage to physical assets	Losses arising from loss or damage to physical assets from a natural disaster or other events.
Business disruption and system failure	Losses arising from the disruption of business or system failures.
Execution, delivery & process management	Losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

1.1.1. Operational Risk Management Roles & Responsibilities

Management of operational risks within the company is bestowed on the following governance units.

- **Board Audit, Risk & Finance Committee (ARF)** - The ARF approves the Operational Risk Management Policy, which sets out the fundamental principles of The Company's operational risk management and control. Based on regular reporting to the committee, they can adequately oversee the company's operational risks.

- **Enterprise Risk Management Department** - The Head of ERM/ CRO has the ultimate responsibility for ensuring that appropriate operational risk management practices are in place and operating effectively following the operational risk management policy and the standards set out in the policy framework. The department is also responsible for monitoring and reporting risk events and their mitigations to the Board through the Board Audit, Risk & Finance Committee.

- **Business Units/ Departments** – As the first line of defence, they own the risks in their operations. They are responsible for ensuring that operational risks are identified, and appropriate action is taken to mitigate the risks.

- **Internal Audit** – as the third line of defence, it provides independent assurance on the controls and risk management practices adopted and being implemented to mitigate operational risks.

INTERNAL **AUDIT**

Overview of the function:

Photo
Bernard Oketch,
Chief Risk Officer

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

At its time of creation, the unit mainly focused on conventional audit, using the compliance audit approach. From 2014, the team started moving from compliance audit to risk-based audit. One of the key activities was the creation of the audit universe and planning a risk-based audit.

Currently, the unit has incorporated the advisory and consultation roles within the audit process, where it focuses more on working together with the auditees and management team to achieve the organisation's strategic goals and objectives. This has enabled the team to become a strategic business partner with the various units in the organisation. It has also aligned its departmental objectives with the organisation's strategic direction for value addition.

The unit's goal for the future is to reach its full potential by automating its processes that touch on governance, risk management and control by the year 2022.

FY Year 2020 Activities:
The primary function of the Internal Audit is to provide an objective and independent assurance to the Board that adequate management processes are in place to identify and monitor the organisation's key risks. The function further ensures that adequate internal controls and risk management are in place to manage those risks. The Company's Internal Audit Unit independently performs its audit engagements according to the audit work plan approved by the Board through the Audit Risk and Finance Committee. It evaluates the effectiveness of the organisation's risk management, internal controls and governance. The unit operates under the revised Internal Audit Charter approved by the Board in June 2020. The charter defines the roles, objectives, authority and responsibilities of the audit function.

The Internal Audit Unit's capacity is enhanced by the co-sourced team (PKF), supporting the function.

In 2020, the world witnessed an unprecedented pandemic, the Covid-19 virus outbreak, which posed a significant worldwide challenge. Even with this disruption, the Internal Audit Team conducted several critical reviews on the organisation's operations.

One of the reviews was COVID 19 Risk Management & Business Continuity Plan. This was a critical review because it assessed the capability of the organisation to continue delivering its services at acceptable levels following the disruption by implementing the laid down strategies while minimising risks to staff contracting the virus.

Another review was the Internal Control environment based on the COSO framework. This engagement was meaningful in assessing the adequacy and effectiveness of the organisation's control environment, whose outcome informed the organisation-wide risk profile adopted by management.

Lastly, the ISO review was also completed in FY 2020. This review was done to assess compliance with the policies and processes set out within the organisation's ISO framework; to ensure the organisation maintains its ISO 9001:2015 certification.

The transformation of the Audit unit over the past ten years:

Internal Audit Transformation over the years

Old process	Transformation
One-man resourced unit with relatively limited capacity	A more resourced team that has enhanced ability to perform the work in the current advanced environment.
The transformation from compliance audit to focusing on controls.	Embedding risk-based approach audit focusing on value addition.
Upgrade from a manual audit process.	Upgrade to a semi-automated audit process.
Conventional audit process	Improving our processes by aligning audit performance guidelines with the international auditing standards (IIA).
Lack of quality assurance	Introduction of the quality assurance program.

In the long term (5-10 years), the unit will:

- In the next five years, we hope to achieve full automation of the processes.
- Getting accreditation for the unit by IIA through the quality assurance program.
- Attain a fully-fledged unit in 10 years.

RECOVERIES OF NON-PERFORMING LOANS

Annual Report 2020

TIn 2020, management continued with the implementation of the Board-approved NPLs Management Strategy 2019-2023. Management reviewed the effectiveness of the NPLs management strategy considering the status of the NPLs book, key achievements, and challenges in the recovery efforts. The Board of directors considered and approved the review that presented the key recovery strategies used to reduce the existing NPLs book.

Photo
Macharia Kihuro,
Manager, Special Operations Unit

Unlike in 2019, where great success was achieved with total NPLs recoveries of USD16.3 million, representing 110 per cent of the year's annual target of USD15 million, 2020 was riddled with a myriad of challenges in collections exacerbated by the COVID-19 pandemic. In 2020, only USD 3.1 million was collected, with about USD 1 million being the contribution to the bottom line. This is lower than in 2019, where NPLs recoveries efforts directly contributed approximately USD 6.6 million to the income statement through the realisation of suspended interests, default interests & other fees as well as loan writebacks. Despite those challenges, SOU has successfully negotiated and reached a final settlement for accounts representing exposure of about $22.3 million. Upon conclusion of the legal documentation, this amount will come into duction of the outstanding NPL book. This will have a material impact on the balance sheet (NPL ratio) and the P&L (provisions write-backs) when recognised.

Management will continue pushing for the SOU to be a Strategic Business Unit (SBU), which is not only a cost centre but also a profit centre. The contribution from the legacy non-performing book will remain critical as the new business department continues to ramp up its efforts to grow the loan book. Considering the lead time required, it is expected that collecting and generating income from the NPL portfolio will remain essential to the financial performance of the company for the next 2-3 years before a critical mass of new earning assets takes the relay and generates new revenue streams.

Despite the challenges experienced in the recovery efforts in 2020, management is very committed to realigning the collections efforts to the realities of the day. The COVID-19 pandemic has dictated that the strategies adopted in NPLs recovery need to be refined as well. The SOU team has also been benchmarking the NPLs management with other commercial banks, especially those involved in real estate business financing. Most banks have been trying to avoid a largely confrontational approach that could end up with legal tussles and eventually no-sale at the public auctions. Flexibility and good negotiation skills have become vital as the team embarks on more aggressive and coordinated alternative dispute resolution processes.

The SOU team has emphasised benchmarking the best standards and practices as far as NPLs management is concerned. The team has also been compiling the lessons learnt while managing the NPLs book, and all these lessons will be cascaded to the new business team to ensure better quality in future. Additionally, the management has used the lessons learnt to review the existing NPLs management policies and procedures, and the Board of Directors has already approved the changes. These changes are expected to improve the NPLs management in two ways: first, they will help reduce chances of the performing loans joining the NPL list. Second, the lessons will benefit the organisation by increasing the chances of quicker recovery/collection once a file enters the NPL category.

The Management and the Board of Directors have made it clear that NPL management is a crucial component of the business turnaround strategy for the company. Conversion of non-performing assets into either interest or rent earning assets is critical to the performance of the business. Indeed, effective management of the legacy portfolio inclusive of the NPLs is an essential cog to the sustainability of SHAF as the company re-launches its activities and new business opportunities are converted into earning assets.

Despite the challenges posed by the weak legal and regulatory framework managing non-performing facilities on the continent and the incomplete status of most of the projects in the portfolio, management has developed and deployed a strategy, policies and procedures tailored to the realities on the ground that have delivered impressive results. In the short to medium term, the recovery efforts will rely more on more dynamic and practical solutions some of which will be anchored on Alternative Dispute resolutions (ADRs). Experience has shown that this guarantees quicker exits instead of an over-reliance on legal solutions to all the NPLs. In addition, several once stalled and incomplete projects have been renegotiated, and SOU has reached settlement agreements that delivered a way forward. Subsequently, they have been restructured, repositioned where required and are undergoing completion.

Finally, the management has further prepared an endgame forecast for the existing NPLs book. The principal idea is to ensure that by the end of the current strategic plan, the NPL book is substantially reduced through various recovery strategies that have been approved by the Board of directors. These multiple measures are designed as part of an end-game strategy to dramatically reduce the current NPL portfolio of USD88M by the end of 2023.

Photo
Yankho Chitsime,
Business Development Director

BUSINESS **OPERATIONS**

New Business Going Forward - Challenges and Prospects

Going forward, the New Business Department envisages taking advantage of developing opportunities while addressing the unique challenges that characterise financing in the housing sector.

There are evident opportunities in the following areas:
- Supporting large scale social housing initiatives within our Member States. This will require active collaboration between SHELTER-AFRIQUE, relevant Governments and social investors to design appropriate solutions.
- Development of purpose-built students' accommodation. This will address the sizeable bed spaces deficit evident across institutions of higher learning across our Member States.
- Development of Rent-to-Own housing schemes as an innovative way to address homeownership in the absence of appropriate mortgage products within our financial systems.
- Establishment of alternative building technology (ABT) plants/factories that change housing development across Africa. ABT is arguably the best approach to develop mass housing with speed and in most cases, at a lower cost relative to conventional construction methods.

The main challenges to SHELTER-AFRIQUE's business development initiatives include:
- Lack of enough local large-scale developers with the capacity to deliver large mass housing schemes necessary to address the growing housing deficit across our Member States. In this regard, SHELTER-AFRIQUE will continue developing capacity building programs targeted at growing local developers' capacity.
- Lack of appropriate and credible data necessary to develop business development strategies. SHELTER-AFRIQUE's Centre of Excellence is working with partners to address this challenge.

Photo
Zachary Munene,
Regional Manager, Eastern and Southern Africa

REPORT FROM THE EAST **AND SOUTHERN REGIONS**

Annual Report 2020

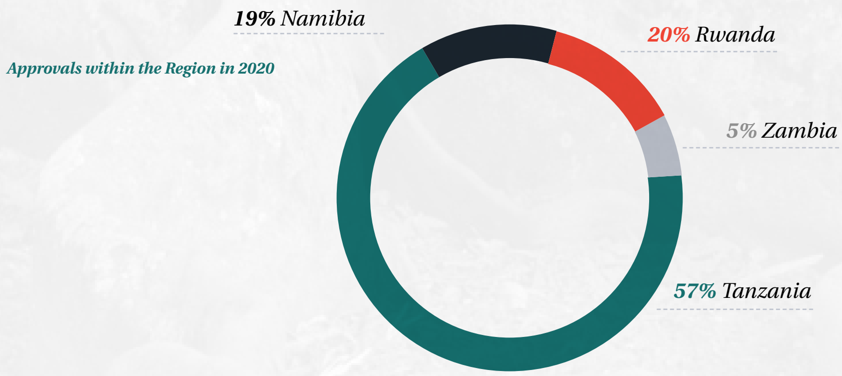
The year 2020 presented unique opportunities and challenges to new business development within the Eastern and Southern Africa Regions. The onset of the COVID-19 Pandemic early in the year set the tone on how business was conducted for the remainder of 2020. In this regard, the Regional Office Team, working in collaboration with other departments, adopted new ways of business development and credit appraisal, essentially adopting technology to achieve its objectives.

A physical business development mission was conducted in Namibia in February 2020, and this yielded an impressive pipeline of deals. Subsequent business development initiatives were carried out virtually, given travel restrictions in force for the longer part of 2020.

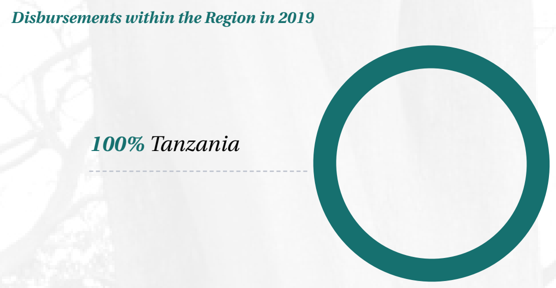
Despite the challenges, the Region successfully achieved approvals amounting to USD 17.6 million and disbursed up to USD 5.1m to various entities. This was a marked improvement from 2019 where the Region achieved approvals amounting to USD 12.2 million and disbursed USD 256,575. The year-on-year growth for approvals and disbursements for the Region was 43.6% and 1888% respectively. The charts below show the distribution of approvals and disbursements within the region during 2019 and 2020.

2019 Approvals Distribution - Eastern & Southern Africa Region

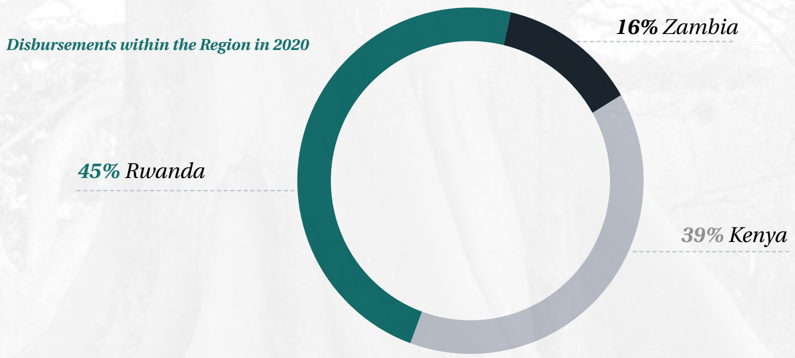
2020 Approvals Distribution - Eastern & Southern Africa Region



2019 Disbursements Distribution - Eastern & Southern Africa Region



2020 Disbursements Distribution - Eastern & Southern Africa Region



As SHELTER-AFRIQUE celebrates its 40th Anniversary, it is worth highlighting significant successes that the institution has recorded within the Region in the recent past:

- Establishment of The Regional Office in 2014 to improve service delivery to our unique clientele base.
- Aligned with decentralized client engagement strategy and customer centricity values of the Company.

Approved investments amounting to over USD 440m in favour of counterparties in the Region.

- Equity Investment into Tanzania Mortgage Refinance Company (TMRC).

o Impact: The Company to date is the third-largest shareholder in TMRC.

- Equity Investment into the Kenya Mortgage Refinance Company (KMRC) in 2020.

o Investment in seed capital of mortgage refinances companies across our member countries remains a primary strategic objective at SHELTER-AFRIQUE due to the catalytic nature of such investments to attract further funding that improves affordable mortgage availability to citizens of our member countries.

- Project Financing of Phase 2 of Everest Park in 2020.

o – an affordable housing joint venture initiative in Athi River – Kenya.

o Today, both Phase 1 and Phase 2 are completed and fully occupied,

o Impact =440 affordable housing units to the market. Over 2,000 persons were provided with affordable shelter, and the project created direct and indirect employment to over 1,700 workers.

- Project financing of the United Nations Headquarters in the Kingdom of Eswatini in 2015.

o The office complex was completed, and currently, several UN Agencies are housed within that complex in Mbabane.

- Pioneer project finance investments into Purpose-Built Students Accommodation (PBSA) across our Member States.

o In 2016, The Company invested in the development of over 700-bed spaces of PBSA in Kenya through ACORN.

o This asset class remains an attractive investment proposition to SHELTER-AFRIQUE, given the massive developmental impact that accrues from investing in such an asset class while bridging the acute shortage in students' accommodation.

- Provision of lines of credit to Commercial banks in Kenya, Tanzania, Zimbabwe, Zambia, and Rwanda.

o Our funding has gone a long way to reduce tenor-mismatches in their balance sheet.

o Our funding has made it possible for these retail intermediaries to offer long term affordable mortgages to their growing retail borrowers.

- Pioneer Anchor Fund investor into The Pan African Housing Fund (PAHF).

o a dedicated housing fund whose activities cut across Kenya, Rwanda, and Zambia.

o was established to address the shortage of quality affordable housing facing sub-Saharan Africa.

o The Fund was also designed to tackle the need to upskill local property developers in line with the best international standards,

o as well as creating stable communities that have access to basic services such as water, electricity, and sewerage systems.

Aerial View of the Sole Lagoon Estate by Emerald Properties financed by Shelter Afrique in 2014

Photo
Edmond Adjikpe,
Regional Business Manager, West, Central and Northern Africa

REPORT FROM WEST, CENTRAL **AND NORTHERN REGION**

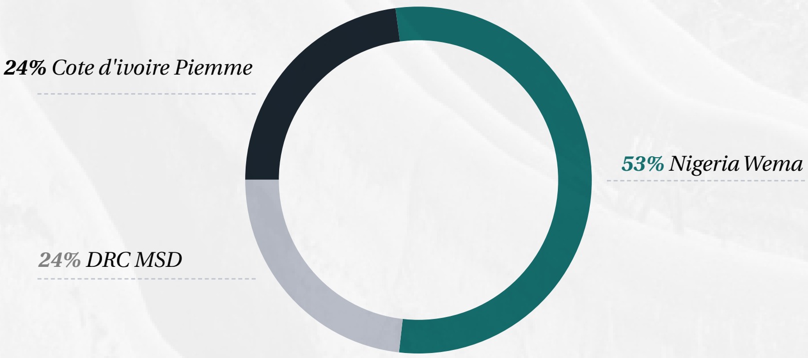
Annual Report 2020

The year 2020 presented unique opportunities and challenges to new business development within the West and Central Africa Regions as well.
Some physical business development missions were conducted in Nigeria, in Côte d'Ivoire and the Democratic Republic of Congo in 2020, and this yielded an impressive pipeline of deals and approvals. Subsequent business development initiatives were carried out virtually, given travel restrictions that were in force for the longer part of 2020.

Despite the challenges, the Regions successfully achieved approvals amounting to USD 17 million and disbursed up to USD 12m to various entities. The charts below show the distribution of approvals and disbursements within the region during 2020.

2020 Approval distribution : West & Central Africa Region

Approval within the Region SHOW 2019 PIE CHARTS FOR APPROVAL AND DISBURSEMENTS TOO



2020 Disbursement distribution : West & Central Africa Region

Disbursement within the West and Central Regions

The West & Central Africa Regional Office covers the Abidjan Principal Office established in 2016 and the Abuja Sub-regional office set up in 2014.

The Regional Office represents more than 45 per cent of Shelter Afrique portfolio as of the end of 2020, with constant sustainable growth year by year. Being close to the key markets, the West & Central Africa Regional Office key achievements are listed below:

- To promote large affordable housing programs across the country's members, the Regional Office team worked actively with Governments Authorities and solid regional developers to conclude some public and private partnerships and direct funding to private's players. The breakdown is as follows.

Number of Board Meetings Conducted in 2020

Country	Key Partners	Size of The Project	Type of Partnership
Cote d'Ivoire	Housing Ministry	3,000	Public & Private
Nigeria	Kaduna State (ongoing)	60,000	Public & Private
Togo	Housing Ministry	3,000	Public & Private
Liberia	National Housing Authority	960	Public & Private
Cameroon	Housing Ministry	3,000	Public & Private
Nigeria	Echostone	2,000	Private
Senegal	Teyliom	1,942	Private
Senegal	Mixta	162	Private
Cote d'Ivoire	Mixta	356	Private
Marocco	Mixta	371	Private
TOTAL		**74,791**	

- Shelter Afrique is a founding shareholder of CRRH-UEMOA, the regional mortgage refinancing institution covering more than eight countries members.

- One of the critical things that happened in 2020 was the gazetting of Shelter Afrique's host country agreement with the Federal Republic of Nigeria. In addition, Nigeria paid US$9m to Shelter Afrique, part of her share capital subscription, to further demonstrate her commitment to Shelter Afrique.

FORTY YEARS BUILDING AFRICA

BUSINESS **OPERATIONS**

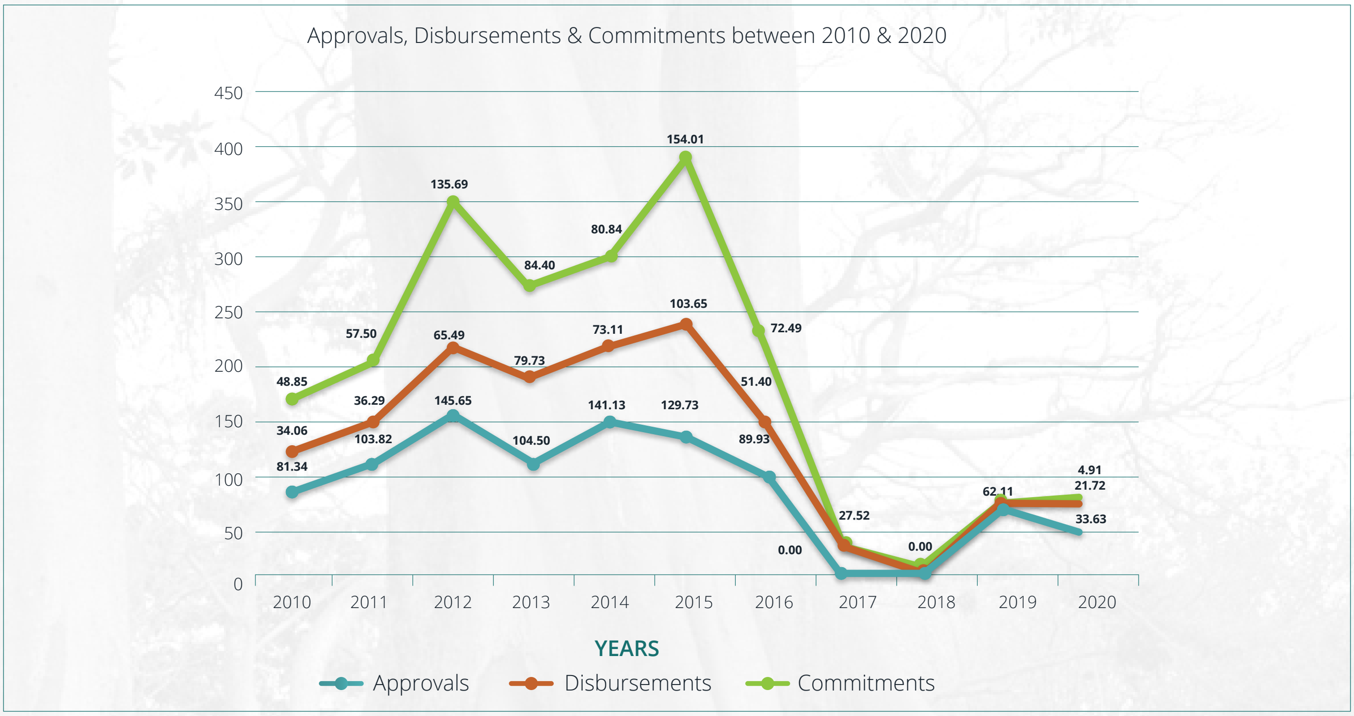
Annual Report 2020

The table and chart below summarisesThe Company's cumulative approvals, commitments, and disbursements between 2010 and 2020. The information also indicates the non-existent lending during the two years (2017 and 2018).

Photo
Said Diaw
Head of Specialised Technical Services

Cumulative approvals, disbursements and commitments between 2010 and 2020

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Approvals	81.34	103.82	145.65	104.50	141.13	129.73	89.93	0.00	0.00	62.11	39.63
Cumulative Approved Loans	433.36	537.18	682.83	787.33	928.46	1,058.19	1,148.12	1,148.12	1,148.12	1,210.23	1,249.86
Disbursements	34.06	36.29	65.49	79.73	73.11	103.65	51.40	27.52	6.92	2.15	21.72
Cumulative Disbursements	222.32	258.61	324.10	403.83	476.94	580.59	631.99	659.51	666.43	668.58	690.30
Commitments	48.85	57.50	135.69	84.40	80.84	154.01	72.49	0.00	0.00	0.00	4.91
Cumulative Commitments	262.35	319.85	455.54	539.94	620.78	774.79	847.28	847.28	847.28	847.28	852.19



LOAN APPROVALS

Following the financial constraints experienced by The Company within the two years 2017 and 2018, followed by the implementation of the New Strategy 2019-2024 as recommended by the Shareholders, approvals of the first year reached USD 62.11 million. Unfortunately, due mainly the COVID-19 pandemic, from the beginning of the year, lending activities were well affected and with all efforts a cumulative approval of USD 39.63 million, hence only 64 per cent of the achievement of the previous years and ...% of the annual target of USD .... The borrowing programme did not get off to the expected start and the fear of forex-risk fluctuations made many borrowers to decline offers made. Furthermore, most of the 2019 approvals were not committed by the borrowers impacting the disbursements.
The table below gives a summary of the year's approvals:

Loan approvals during 2020

Country	*Region*	*Developer*	*Type of Instrument*	*Client Type*	*Amount in USD*	*Type of Development*	*Facility Currency*	*Maturity*
1. Rwanda	Eastern	Remote Group	Dept	Private	3,500,000	Residential	USD	Below 3 yrs
2. Rwanda	Eastern	Oxyprop	Dept	Private	2,428,631	Residential	USD	3 to 5 yrs
3. Senegal	Western	Teyliom	Line of Credit	Private	11,600,000	Residential	USD	Above 5 yrs
4. Zambia	Southern	Zambian Homes Loan	Line of Credit	Financial Institution	800,000	Residential	USD	Above 5 yrs
5. DRC	Central	MSD 2	Dept	Private	4,000,000	Residential	USD	Above 5 yrs
6. Cote d'ivoire	Western	Piemme Cote d'ivoire	Dept	Private	3,996,880	Residential	EURO	3 to 5 yrs
7. Namibia	Southern	NIC	Dept	Private	3,300,000	Residential	USD	Below 3 yrs
8. Tanzania	Eastern	TMRC	Line of Credit	Financial Institution	10,000,000	Residential	USD	Above 5 yrs
Total (in USD)					**39,625,511**			

Loan approvals per country during 2020

Country	*Amount in USD*	*Ratio*
1. Rwanda	5,928,631	15%
2. Senegal	11,600,000	29.3%
3. Zambia	800,000	2.0%
4. DRC	4,000,000	10.1%
5. Cote d'ivoire	3,996,880	10.1%
6. Namibia	3,300,000	8.3%
7. Tanzania	10,000,000	25.2%
Total in USD	**39,625,511**	**100%**

CHANGE

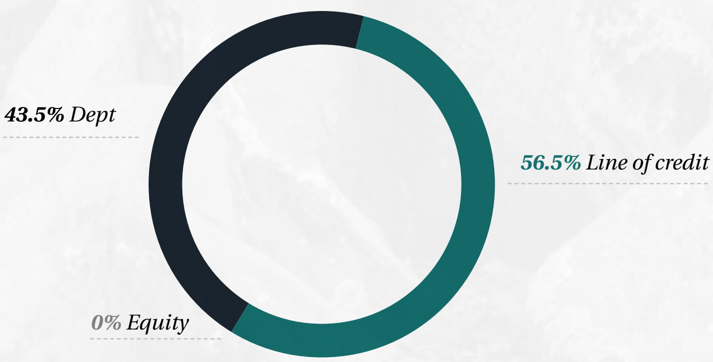
Furthermore, the following statistics below will be presented in graphs:

1. Loan Approval per Lending Instrument.
2. Approved Projects by Currency.
3. Regional Distribution of Projects Approved.
4. Maturity Profile of Approved Facilities.

Like the previous year, lines of credit dominate the approval of the year 2020 with a ratio of 56.5 per cent though it declined from the 84.5 per cent the year before. Construction finance, through debts, occupied the balance of the approved portfolio at a level of 43.5 per cent. There was no equity investment during the year compared to the 4 per cent achieved in 2019.

Approvals per Lending Instrument

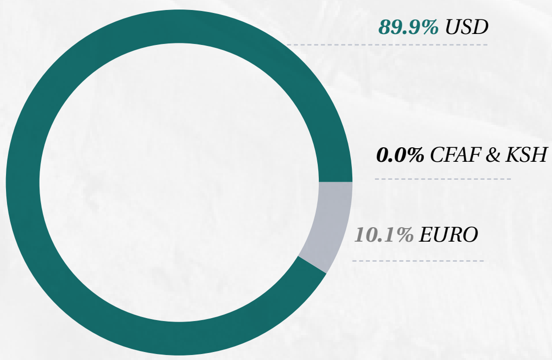
Loan Approvals per Lending Instrument



The USD continued to be the dominant loan currency, with 89.9 per cent compared to the 87.5 per cent of the total approved projects in 2019. The other 10.5 per cent was approved in Euros. Therefore, due to unavailability, no loan was given in local currency (KSH and CFAF) and inadvertently this limited forex-risk to borrowers. For that, The Company should be in better financial position and rating to facilitate going back to the markets

Approvals per Currency

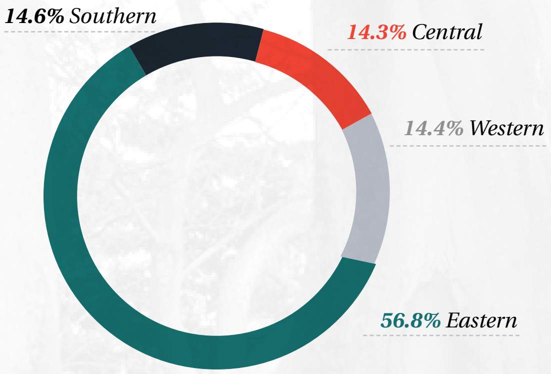
Approved Projects by Currency



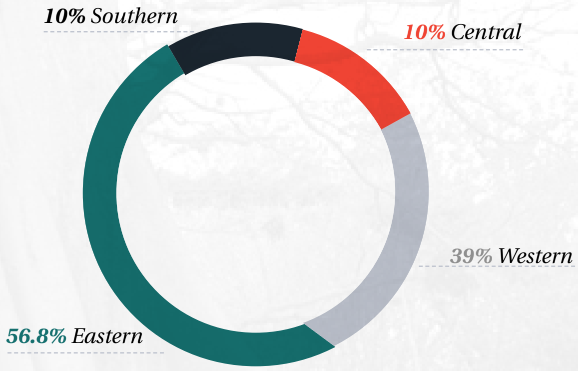
The Eastern and the Western Region take the lead in terms of loans approved with 40 per cent and 39 per cent, respectively. This is a welcome development, and it shows a broadening of the portfolio which is usually concentrated in the Eastern region. The remaining 20 per cent is shared equally between Central and Southern regions and the task will be to ensure a more even distribution of approvals.

Approvals per Region

Regional Distribution of Projects Approved



Approvals per Region



Like in 2019, the approvals of 2020 are characterised by several transactions with tenors above five years i.e., long terms facilities. These transactions, mostly lines of credit, represented 56.5 per cent of the approvals and have tenures which matches with the activities of banks and financial institutions intervening in the housing market. Also, there is a portion for a rental project of a repeat client in DRC for a specific market in the mining area.

Maturity tenure for the approved loans

Maturity Profile of Approved Facilities

LOAN COMMITMENTS

The loans committed for a total of USD 22,328,631are all from the approvals of the year. See a breakdown below. Table 15 Loans Committed during 2020

Country	Developer	Type of Instrument	Amount in USD	Facility Currency
1. Rwanda	Remote Estates Limited	Equity	3,500,000	USD
2. Senegal	Teyliom International	Dept	11,600,000	USD
3. Rwanda	Oxyprop	Dept	2,428,631	USD
4. Zambia	Zambian Homes Loan	Dept	800,000	USD
5. DRC	Mzuri Sana MSD	Equity	4,000,000	USD
Total (in USD)			**22,328,631**	

LOAN DISBURSEMENTS

The Company disbursed USD 21.7 million o six pre-existing facilities and four new loans during the year. This was within seven different countries. A fraction portion was for equity in PAHF.
The table below gives a summary of the 2020 year's disbursements:

Loan Disbursements during 2020

Country	Client	USD
1. Kenya	Serene Valley (Sigona)	29,522
2. Ghana	Edlorm Properties LTD	1,123,134
3. Various (PAHF)	Pan African Housing Fund LLC	241,240
4. Kenya	KMRC	1,980,198
5. Rwanda	Remote Gruop	2,300,00
6. Tchad	Soprofim	2,300,000
7. Rwanda	Oxyprop	2,933,520
8. Senegal	Teyliom	10,000,000
9. Zambia	Zambian Homes Loan	800,000
10. DRC	MSD 2	2,000,000
Total in USD		**21,719,561**

The table below gives a summary of the year's disbursements per country:

Loan Disbursements per country during 2020

Country	*CLIENT*	*USD*
1. Various (PAHF)	241,240	29,522
2. DRC	2,00,000	1,123,134
3. Ghana	1,123,134	241,240
4. Kenya	2,009,720	1,980,198
5. Rwanda	2,611,947	2,300,00
6. Senegal	10,000,000	2,300,000
7. Tchad	2,933,520	2,933,520
8. Zambia	800,000	10,000,000
Total in USD	**21,719,561**	**100%**


40th
ANNIVERSARY
Celebration

FORTY YEARS
BUILDING AFRICA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR YEAR ENDED
31 DECEMBER 2020

FORTY YEARS
BUILDING AFRICA

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

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS

Shelter Afrique Centre
Longonot Road, Upper Hill
P O Box 41479 – 00100
Nairobi
Kenya

INDEPENDENT AUDITORS

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

PRINCIPAL BANKERS

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

NCBA Bank Kenya Limited
P O Box 30437- 00100
Upper hill, Nairobi
Kenya

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

BNP Paribas
Paris International Business Center
10, boulevard Malesherbes
75 008 Paris
France

Ecobank
8, Avenue L.S. Senghor
B P 9095 CD Dakar
Senegal

SOLICITORS

MMC ASAFO
MMC Arches, Spring Valley Crescent
off Peponi Road, Westlands
P.O Box 75362 – 00200
Nairobi, Kenya

Iseme Kamau & Maema Advocates
IKM Place, Tower A, 1st Floor, 5th Ngong Avenue
Off Bishops Road
P.O. Box 11866-00400
Nairobi, Kenya

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

CORPORATE INFORMATION (Continued)

BOARD OF DIRECTORS

Dr Stephen Mainda	*- Chairperson*
Mr. Sékou Demba	*- Vice Chairperson*
Dr. Omodele R. N. Jones	
Mr. Nghidinua Mathews	
Mr. Charles Hinga Mwaura	
Dr. Theresa Tufour	
Mr. Corneille Karekezi	*- Appointed 20 July 2020*
M. Dibong nee Biyong Marie-Rose	*- Appointed 20 July 2020*
Mr. Olaitan Olugbenga Komolafe	*- Appointed 20 July 2020*
Dr. Patience Chika Akporji	*- Appointed 17 September 2020*
Ms. Melei Yed Anikpo	*- Resigned 16 July 2020*
Mr. A. Boulares	*- Resigned 16 July 2020*
Mr. Jean Paul Missi	*- Resigned 16 July 2020*
Dr. P.M. Tunde Reis	*- Resigned 16 July 2020*
Ms. Soula A.I. Proxenos	*- Resigned 16 July 2020*
Mrs. Dorcas .W. Okalany	*- Alternate Director to Mr. Nghidinua Mathews*
Mr. Ousmane Wade	*- Alternate Director to Mr. Sekou Demba*
Mr. Ouadja Kossi Gbati	*-Administrateur de Dr. Theresa Tufour*
Mr. Nejib Snoussi	*- Alternate Director to Mr. Mina Azerki*
Mr. Ahamadou Sardaouna	*- Alternate Director to Mr. Dibong nee Biyong Marie-Rose*
Mr. George Bombo Droit	*- Alternate Director to Mr. Olaitan Olugbenga Komolafe*
Eng. G.S. Mlilo	*- Alternate Director to Mr. Charles Hinga Mwaura*
Mr. Seydou Kone	*- Alternate Director to Mr. Corneille Karekezi*
Mr. Yomi Ayodabo	*- Alternate Director to Dr. Patience Chika Akporji*

SENIOR MANAGEMENT

Mr. Andrew Chimphondah	*- Group Managing Director*
Mr. Kingsley Muwowo	*- Chief Finance Officer*
Mrs. Natasha Koli	*- Acting Company Secretary*
Mr. Alfred Nicayenzi	*- Chief Operations Officer*
Mr. Bernard Oketch	*- Head of Enterprise Risk Management*
Mr. Yankho Chitsime	*- Head of New Business*
Mr. Victor Laibuni	*- Head of Human Resources & Administration*
Mr. Muhammad Gambo	*Manager: Policy, Research and Partnerships*

AUDITEUR INTERNE

M. Mohamed Barry

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

REPORT OF THE DIRECTORS

The Directors have the pleasure of submitting their annual report together with the audited financial statements of The Company for Habitat and Housing in Africa (Shelter – Afrique) (the "Company") for the year ended 31 December 2020, which show the state of financial affairs of Shelter Afrique.

Legal capacity

The Company is a Pan-African housing finance and development institution, established by African Governments, the African Development Bank, the African Reinsurance Corporation and the CDC Company Plc in 1982 to address the need for innovative and sustainable housing delivery systems in Africa. It is an international body with 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 13 of the financial statements. The total comprehensive income for the year amounts to US$ 1,850,284 (2019: loss of US$ 1,258,829).

Dividends

The dividend policy provides for distribution of dividends only if the net profit for the financial year concerned is at least US$ 1 million. The Directors, however, do not recommend the payment of a dividend for the current financial year (2019: US$ nil).

Shelter afrique foundation

The Directors do not recommend the appropriation of any funds to the Foundation. (2019: US$ nil).

Reserves

The reserves of the Company are set out on page 15 of the financial statements.

Directors
The Directors who served during the year and to the date of this report are as listed on page 3. 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
Company Secretary
Nairobi
2021

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

STATEMENT ON CORPORATE GOVERNANCE

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 3.

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.

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 as it designed and implemented a corporate turnaround strategy. In accordance with the Company's practice, one Board meeting is normally scheduled to coincide with the occasion of the Annual General Meeting.

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

Directors' Remuneration

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

Related Party Transactions

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

Board committees
The Board has in place four main committees, namely the Audit, Risk & Finance Committee, the Investments Committee, Strategy Committee and the Human Resource & Governance Committee. To discharge its mandate effectively, matters are discussed in detail in the four committees before resolution by the Board. These committees assist the Board in ensuring that proper policies, strategies, internal controls and organizational structures are in place to achieve the Company's objectives and obligations to its stakeholders. All the committees have detailed terms of reference and hold meetings as necessary. The Board may delegate some of its powers to any committee and may appoint any other committee, including ad hoc committees, as and when it is deemed necessary. As part of its turnaround strategy, the Board operated two ad hoc committees in 2020, one of which completed its duties during the year. The second is expected to attain its objectives during the calendar year 2020. The authority for the day-to-day running of the Company is delegated by Statute to the Managing Director. For the period of implementation of the turnaround strategy, the Board is operating an elevated level of oversight of delegated authorities.

Risk management and internal control
Management, in consultation with the Board Committees, is responsible for the Company's day-to-day overall risk management to minimize potential adverse effects on its financial performance while the Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Company has an ongoing process of identifying, evaluating and managing significant risks inherent in its business, by the Risk Management department. This process is also reviewed by the internal auditor. The internal auditor reports administratively to the Group 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. In implementing its turnaround strategy, the Board has taken steps to significantly enhance the operating independence and effectiveness of the internal audit unit. Steps are being taken to enhance the enterprise risk management system to improve the detection and mitigation of foreseeable risks and to eliminate silo management of risks. The Board requirement for the certification of the financial statements by the Chief Financial Officer and the Chief Executive Officer is an example of the robust measures put in place to improve enterprise risk management.

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

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

Strategic planning & implementation
The Board meets quarterly for scheduled meetings to review the Company's performance against business plans as well as to formulate and oversee management's implementation of strategy and on other occasions to deal with any issue that requires attention between the quarterly meetings. The Board has recently implemented improved systems for meeting and/or holding management to account. During the year, the Board held four ordinary meetings in keeping with its elevated level of vigilance during a period of corporate recovery and turnaround. These meetings have included a significant element of Board time devoted to review of the business strategy that should significantly enhance the value of the company's activities to the identified needs of stakeholders. It is anticipated that future annual reports shall give equal prominence to the reporting of the impact of the company's activities relative to our mission and vision as they have historically done to the reporting of the financial effect. A stronger and more attractive Shelter Afrique should emerge from the Board's turnaround strategy.

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. During the year, as part of its turnaround plan, the Board proposed to meetings of shareholders, certain amendments to the corporate statutes. They were accepted and are expected to contribute to an improved enterprise risk management system and to provide for a more robust capital structure and position. The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

....	....
Director	Director

20th April 2021

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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, their financial position. 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.

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

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

Director

Director

20th April 2021

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

CERTIFICATION OF FINANCIAL STATEMENTS BY THE CHIEF FINANCE OFFICER AND THE GROUP MANAGING DIRECTOR

We, Andrew Chimphondah and Kingsley Muwowo certify that:

1. We have reviewed the annual report and accounts for The Company for Habitat and Housing in Africa (Shelter Afrique) for the year ended 31 December 2020.

2. Based on our knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report.

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

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

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

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

c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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

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

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

Kingsley Muwowo
Chief Finance Officer

Andrew Chimphondah
Group Managing Director

20th April 2021

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", set out on pages 13 to 76, which comprise the statement of financial position as at 31 December 2020, 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 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 2020 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 Auditors' 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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. The matter noted was 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 it.

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

Key audit matter (Continued)

Key audit matter	How our audit addressed this key audit matter
Impairment provision on loans and advances to customers The standard requires the Company to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates. As at 31 December 2020, the Company reported total gross loans of US$ 164 million (2019: US$ 187 million) and expected credit loss provisions of US$ 62 million (2019: US$ 72 million). This is disclosed under note 16. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus are: • Forward looking Information - IFRS 9 requires the Company to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the macro-economic information used and the probability weightings applied. • Significant Increase in Credit Risk ('SICR') - The criteria selected to identify a significant increase in credit risk is a key area of judgement within the Company's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded. • Model estimations - Inherently judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD and LGD models used are the key drivers of the Company's ECL results and are therefore most significant judgmental aspect of the Company's ECL modelling approach. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole hence we determined impairment allowance on loans and advances to be a key audit matter	Our procedures to address the risk included: • Involving our credit specialists in evaluating the appropriateness of the Company's IFRS 9 impairment methodologies and independently assessing probability of default, loss given default and exposure at default assumptions. • Testing on a sample basis the key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD assumptions applied; • Evaluating the appropriateness of the significant increase in credit risk criteria used by the Company for the different loan categories; • Performing credit assessment on stage 3 facilities to ascertain the reasonableness of the forecast of recoverable cash flows, realisation of collateral, and other sources of repayment for defaulted loans; and • Assessing whether the disclosures appropriately disclose the judgements which exists when determining the expected credit losses. We found that the model used for the valuation, key judgements and estimates of the ECL to be appropriate and reasonable. In addition, the disclosures in the financial statements pertaining to compliance with the accounting standards including disclosure of IFRS 9 were found to be appropriate.

Other information
The Directors are responsible for the other information. The other information comprises the Report of the Directors, Statement of Corporate Governance, Certification of financial statements by the Chief Finance Officer and the Group Managing Director and the Shareholding Information Schedule which were obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditors' 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 auditors' 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 and fair presentation of financial statements 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.

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

• 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

• 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 Audit, Risk and Finance Committee 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 Audit, Risk and Finance Committee 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 Audit, Risk and Finance Committee, 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 auditors' 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.

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi
2021 20th April 2021

FCPA Anne Muraya, Practicing certificate No. 1697
Signing partner responsible for the independent audit

FORTY YEARS BUILDING AFRICA

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 US$	2019 US$
Interest income	4	9,698,631	15,337,668
Interest expense and similar charges	5	(1,802,687)	(6,703,964)
Net interest income	6	7,895,944	8,633,704
Fees and commissions income	6	760,891	1,303,730
Other income	7	366,026	256,413
Grant income	28	3,879	3,879
Operating income	-	9,026,740	10,197,726
Operating expenses	8	(8,353,553)	(8,441,643)
Net foreign exchange (losses)/gains	10	(675,441)	234,959
Impairment charges on short term deposits	13	(16,764)	(251,372)
Impairment charge on loans and advances	16	(3,193,487)	(4,399,090)
Recoveries on impaired loans and advances	16	4,448,828	2,043,128
Share of profit in joint ventures	18	89,443	22,656
Profit/(loss) for the year		**1,325,766**	**(593,636)**

Other comprehensive income/(loss) for the year

	Note	2020 US$	2019 US$
Items that will not be reclassified subsequently to profit or loss			
Unrealised gain/(loss) on equity investments	19	107,245	(665,193)
Realised gain on disposal of equity investment	19	597,032	-
Loss on property revaluation	20	(179,759)	-
Other comprehensive income/(loss) for the year		524,518	(665,193)
Total comprehensive income/(loss) for the year		1,850,284	(1,258,829)
Earnings per share **Basic and diluted earnings/(loss) per share**	**11**	**12.99**	**(6.28)**

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		Note	2020 US$	2019 US$
ASSETS	Bank and cash balances	12	5,206,525	6,491,129
	Short term bank deposits	13	42,200,586	50,482,387
	Derivative financial assets	14(a)	173,361	346,386
	Properties held for sale	15	4,570,850	4,643,805
	Loans and advances to customers	16	101,668,959	114,634,813
	Other receivables	17	6,573,107	3,836,796
	Investments in joint ventures	18	3,687,279	3,696,255
	Equity investments	19	5,840,000	3,960,000
	Property and equipment	20	4,443,772	4,758,284
	Intangible assets	21	139,218	177,674
	Government grant	22	100,867	104,746
	TOTAL ASSETS		**174,604,524**	**193,132,275**
EQUITY AND LIABILITIES	***Capital and reserves***			
	Share capital	23	106,781,000	97,388,000
	Share premium	23	50,510,981	43,250,192
	Revaluation reserve		2,566,150	2,777,594
	Accumulated deficit		(27,096,417)	(28,083,460)
	Credit loss reserve		1,000,000	1,000,000
	Investment revaluation reserve		(1,421,925)	(2,496,610)
	Special reserve – Shelter Afrique Foundation	24	1,320,044	1,585,277
	Total equity		**133,659,833**	**115,420,993**

	Note	2020 US$	2019 US$
LIABILITIES			
Derivative financial liability	14(b)	258,246	-
Other payables	25	1,427,501	1,746,653
Provisions	26	2,892,961	2,166,391
Dividends payable	27	1,369,118	1,369,118
Deferred income	28	541,440	772,094
Medium term notes	29	1,579,852	4,763,406
Lines of credit	30	33,133,819	66,893,621
Total liabilities		***40,944,691***	***77,711,283***
TOTAL EQUITY AND LIABILITIES		***174,604,524***	***193,132,275***

The financial statements on pages 13 to 76 were approved and authorised for issue by the Board of Directors on 2021 and signed on its behalf by:

Director ***Director***

20th April 2021

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Share capital US$	Share premium US$	Revaluation reserve* US$	Accumulated deficit US$
At 1 January 2019	*91,760,000*	*38,899,748*	*2,809,279*	*(27,521,509)*
Issue of share capital	*5,628,000*	*4,350,444*	-	-
Loss for the year	-	-	-	*(593,636)*
Other comprehensive loss for the year	-	-	-	-
Payments on behalf of Shelter Afrique Foundation	-	-	-	-
Transfer of excess depreciation	-	-	*(31,685)*	*(31,685)*
At 31 December 2019	***97,388,000***	***43,250,192***	***2,777,594***	***(28,083,460)***
At 1 January 2020	*97,388,000*	*43,250,192*	*2,777,594*	*(28,083,460)*
Issue of share capital	*9,393,000*	*7,260,789*	-	-
Profit for the year	-	-	-	*1,325,766*
Other comprehensive loss for the year	-	-	*(179,759)*	-
Cumulative loss on equity instrument transferred to accumulated deficit upon disposal	-	-	-	*(370,408)*
Payments on behalf of Shelter Afrique Foundation	-	-	-	-
Transfer of excess depreciation	-	-	*(31,685)*	*31,685*
At 31 December 2020	**106,781,000**	***50,510,981***	***2,566,150***	***(27,096,417)***

	Credit loss reserve** US$	Investment revaluation reserve US$	Special reserve - Shelter Afrique Foundation US$	Total equity US$
At 1 January 2019	*1,000,000*	*(1,831,417)*	*1,670,352*	*106,786,453*
Issue of share capital	-	-	-	*9,978,444*
Loss for the year	-	-	-	*(593,636)*
Other comprehensive loss for the year	-	*(665,193)*	-	*(665,193)*
Payments on behalf of Shelter Afrique Foundation	-	-	*(85,075)*	*(85,075)*
Transfer of excess depreciation	-	-	-	-
At 31 December 2019	***1,000,000***	***(2,496,610)***	***1,585,277***	***115,420,993***
At 1 January 2020	*1,000,000*	*(2,496,610)*	*1,585,277*	*115,420,993*
Issue of share capital	-	-	-	*16,653,789*
Profit for the year	-	-	-	*1,325,766*
Other comprehensive loss for the year	-	*704,277*	-	-
Cumulative loss on equity instrument transferred to accumulated deficit upon disposal	-	*370,408*	-	*(265,233)*
Payments on behalf of Shelter Afrique Foundation	-	-	*(265,233)*	-
Transfer of excess depreciation	-	-	-	*31,685*
At 31 December 2020	***1,000,000***	***(1,421,925)***	***1,320,044***	***133,659,833***

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

*****In 2018, the Board passed a resolution creating a new reserve account, credit loss reserve to act as an overlay of future credit losses.***

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		Note	2020 US$	2019 US$
Cash flows from operating activities	Net cash generated from operations	32(a)	14,314,314	55,260,943
	Interest paid on medium term notes	29	(143,452)	(356,634)
	Interest paid on lines of credit	30	(4,239,226)	(5,629,472)
	Net cash generated from operating activities		9,931,636	49,274,837
Cash flows from investing activities	*Purchase of equity investments*	*19*	*(2,215,860)*	*(652,188)*
	Proceeds from sale of equity investments	*19*	*889,314*	-
	Purchase of property and equipment	*20*	*(115,056)*	*(45,052)*
	Purchase of intangible assets	*21*	*(53,668)*	*(199,413)*
	Proceeds from sale of property held for sale		*75,532*	*83,121*
	Net cash used in investing activities		*(1,419,738)*	*(813,532)*
Cash flows from financing activities	*Paid up capital during the year*	*23*	*16,653,789*	*9,786,960*
	Payments on behalf of Shelter Afrique Foundation	*24*	*(265,233)*	*(85,075)*
	Repayment of medium-term notes	*29*	*(3,442,775)*	*(3,426,791)*
	Repayment of lines of credit	*30*	*(31,024,084)*	*(42,221,877)*
	Net cash used in financing activities		*(18,078,303)*	*(35,946,783)*
	(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		*(9,566,405)* *56,973,516*	*12,514,522* *44,458,994*
		32(b)	***47,407,111***	***56,973,516***

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

NEW AND REVISED REPORTING STANDARDS

1. Adoption of new and revised International Financial Reporting Standards (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2020

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

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease

The adoption of the amendment has not had a material impact on the amounts reported in these financial statements or the accompanying disclosures.

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.

The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

ii) New and amended IFRS Standards that are not yet effective for the current year ended 31 December 2020

At the date of authorization of these financial statements, the Company has not applied the following new and amended IFRS Standards that have been issued but are not yet effective:

New and Amendments to standards	Effective for annual financial periods beginning on or after
I IFRS 17-Insurance	1 January 2023, with earlier application permitted
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Yet to be set, however earlier application permitted
Amendments to IAS 1 – Classification of liabilities as current or non-current	1 January 2023, with earlier application permitted
Amendments to IAS 37 – Onerous contracts – Cost of fulfilling a contract	1 January 2022, with earlier application permitted
Annual improvements to IFRS Standards 2018 -2020	1 January 2021

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transactions arise.

The Directors of the Company are currently assessing the impact of these amendments and plan to adopt the amendments on the required effective date if necessary.

Amendments to IAS 1 – Classification of liabilities as current or non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

ii) New and amended IFRS Standards that are not yet effective for the current year ended 31 December 2020 (Continued)

Amendments to IAS 1 – Classification of liabilities as current or non-current (continued)

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

The adoption of this amendment will have no impact on these financial statements.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

The annual improvements include amendments to the following standards relevant to the Group:

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

iii) Early adoption of standards

The Company did not early-adopt any new or amended standards in 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of preparation

The financial statements are prepared on the historical cost basis of accounting except for leasehold land and buildings which are measured at revalued amount and equity investments which are measured at fair value. The financial statements are also prepared in accordance with International Financial Reporting Standards ("IFRS").

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

(b) Fees, commission and other income

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

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

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

(c) Borrowing costs

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

(d) Investments in joint ventures

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

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

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

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

h) Property and equipment (Continued)

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

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

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

Revaluation surplus

Leasehold land and buildings are revalued every five years. The carrying amounts are adjusted to the revaluations and the resulting increase, net of deferred tax, is recognised in other comprehensive income and presented in the revaluation reserve within equity.
Revaluation decreases that offset previous increases of the same asset are charged or recognised in other comprehensive income with all other decreases being charged to profit or loss.
Revaluation surpluses are not distributable.
Depreciation on revalued land and buildings is recognised in profit or loss. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.
Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

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

Buildings	**2.38 & 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.

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

i) Impairment of non-financial assets

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

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

(i) Retirement benefit costs

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

(j) 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.

(k) Financial instruments

Measurement methods

Amortised cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets — assets that are credit-impaired at initial recognition — Shelter Afrique calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

Interest income and expense (Continued)

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

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

Initial recognition and measurement

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

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

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

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

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

Financial assets

(i) Classification and subsequent measurement

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

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

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

Debt instruments

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

Classification and measurement of debt instruments depend on:

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

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

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

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

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

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

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

Cash flow characteristic of the asset: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, Shelter Afrique assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, Shelter Afrique considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

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

Equity instruments

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

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

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

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

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

(ii) Impairment of financial assets

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

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

(iii) Modification of loans

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

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

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

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

(i) lassification and subsequent measurement

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

• Financial liabilities at fair value through profit or loss; this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

• Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies; and

• Financial guarantee contracts and loan commitments

(ii) Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between Shelter Afrique and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(m) 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.

(n) Provisions

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

The expense relating to a provision is presented in profit or loss, net of any reimbursement.

(o) Dividends

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

(p) Shelter Afrique Foundation

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

(q) Deferred income

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) Leases

The Company as a lessor

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

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

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

(s) 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.

(***t) Segment reporting***

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

(u) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprises cash in hand, bank balances and short-term deposits net of bank overdrafts.

(v) Share capital

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

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

(w) Taxation

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

(x) Comparatives

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Measurement of the expected credit loss allowance

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

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

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

(b) Business models and SPPI (Solely for Payment of Principal and Interest)

Determining the appropriate business models and assessing the SPPI requirements for financial assets may require significant accounting judgement and have a significant impact on the financial statements.

(c) Revaluation of leasehold land and buildings

Leasehold land and buildings are measured at revalued amounts. The fair value is determined based on the market and cost approaches using comparable market prices for similar items when available and replacement cost where appropriate.

(d) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount. Non-financial assets that are not subject to amortisation are tested annually for impairment. These calculations require the use of estimates and assumptions such as future expected cash flows and pre-tax discount rate

(e) Property and equipment

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

Critical judgements in applying the Group's accounting policies

There were no critical judgements, apart from those involving estimations (which are presented separately above), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Interest income

	2020 US$	2019 US$
Project finance loans	3,437,287	6,214,063
Lines of credit advances	4,799,362	7,410,595
Placements with financial institutions	8,236,649	13,624,658
	1,461,982	1,713,010
	9,698,631	**15,337,668**

Geographical segmentation

Eastern Africa	4,019,508	7,514,975
Southern Africa	2,487,674	3,926,718
Francophone West/Central Africa	982,327	1,082,154
Anglophone West Africa	747,140	1,100,811
	8,236,649	**13,624,658**

The main types of loan products are:

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

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

5. Interest expense and similar charges

	2020 US$	2019 US$
Interest expense		
Medium term notes (note 29)	207,136	432,556
Lines of credit (note 30)	1,891,872	6,306,277
	2,099,008	**6,738,833**
Other similar charges		
*Other financial charges**	(296,321)	(34,869)
	1,802,687	**6,703,964**

* This relates to commitment fees expense previously accrued for based on the undrawn portion of the lines of credit facilities reversed on cancellation of the undrawn facilities upon the Company signing a debt restructuring arrangement (DRA) with lenders of the lines of credit during the year.

6. Fees and commissions income

	2020 US$	2019 US$
Commitment fees – Project finance	8,786	12,697
– Lines of credit	727	-
Appraisal fees – Project finance	135,066	150,928
– Lines of credit	42,500	70,000
Front end fees – Project finance	107,339	46,747
– Lines of credit	114,022	82,154
Penalty fees – Project finance	-	478,697
– Lines of credit	15,152	14,334
Management fees – Project finance	151,919	185,683
– Lines of credit	33,871	67,207
Other fees – Lines of credit	151,510	137,789
– Project finance	-	57,494
	760,891	**1,303,730**

Geographical segmentation

	2020 US$	2019 US$
Eastern Africa	225,968	454,263
Southern Africa	127,854	101,190
Francophone West/Central Africa	219,855	507,800
Anglophone West Africa	187,214	240,477
	760,891	**1,303,730**

Commitment fees

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

Appraisal fees

These are fees paid by the borrower to cater for any project appraisal expenses incurred when appraising the project. These are paid prior to the loan agreement being signed and are stated at 0.5 per cent on the loan amount. Fees in credit relate to fees refunded to clients on cancelled projects.

Front-end fees

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

Penalty fees

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

Management fees

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

Other fees

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Other income

	2020 US$	2019 US$
Rental income	261,531	194,211
Gain/(loss) on sale of properties held for sale	2,577	(977)
Dividend income from equity investments	9,221	13,316
Interest on staff loans	92,697	49,863
	366,026	**256,413**

8. Operating expenses

	2020 US$	2019 US$
Staff costs (note 9)	*5,571,440*	*4,913,760*
Depreciation on property and equipment (note 20)	*249,809*	*244,277*
Amortisation of intangible assets (note 21)	*92,124*	*146,525*
Amortisation of grant income (note 22)	*3,879*	*3,879*
Auditor's remuneration	*46,000*	*46,000*
Directors' fees	*161,650*	*147,500*
Other Directors' costs	*68,591*	*180,485*
Official missions	*140,758*	*369,470*
Consultancy fees	*263,289*	*751,036*
Business promotion	*95,902*	*88,245*
Other administration costs	*1,660,111*	*1,550,466*
	8,353,553	***8,441,643***

9. Staff cost s

	2020 US$	2019 US$
Salaries and wages	*4,270,455*	*3,788,104*
Post-employment benefits (defined contribution plans)	*479,375*	*403,077*
Service pay (note 25(b))	*749,345*	*549,535*
Leave pay (note 25(a))	*72,265*	*169,380*
Other costs	*-*	*3,664*
	5,571,440	**4,913,760**

10. Net foreign exchange (losses)/ gains

Net (loss)/gains on foreign currency transactions	*(675,441)*	*234,957*

11. Earnings per share

Earnings per share is calculated by dividing the profit/(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares has been computed as a reasonable approximation of the number of ordinary shares outstanding during the period, which is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. There were no discontinued operations and no potentially dilutive shares outstanding at 31 December 2020 and 31 December 2019.

	2020 US$	2019 US$
Profit/(loss) attributable to shareholders	1,325,766	(593,636)
Weighted average number of ordinary shares	102,085	94,574
Basic and diluted earnings/(loss) per share	12.99	(6.28)

12. Cash and bank balances

Cash and bank balances	*5,206,525*	*6,491,129*
Amounts per currency		
United States Dollars (US$)	*3,048,292*	*3,048,292*
Kenya Shillings	*248,590*	*1,502,268*
FCFA	*299,425*	*103,182*
Euro	*446,332*	*1,252,136*
South African Rand	*1,161,463*	*740,934*
Naira	*2,422*	*4,046*
	5,206,525	**6,491,129**

13. Short term bank deposits

	2020 US$	2019 US$
Call and term deposits with banks	43,756,751	52,021,788
Less: provision for impairment	(1,556,165)	(1,539,401)
	42,200,586	**50,482,387**

Amounts per currency		
United States Dollars (US$)	*38,279,924*	*38,279,924*
Kenya Shillings	*1,229,768*	*8,046,773*
Rand	*-*	*1,218,351*
FCFA	*2,260,502*	*-*
Euro	*430,392*	*-*
	42,200,586	***50,482,387***

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

	2020 US$	2019 US$
The movement in provision is as follows:		
At 1 January	1,539,401	1,288,029
Increase in provision during the year	16,764	251,372
At 31 December	**1,556,165**	**1,539,401**

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

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

	2020	2019
United States Dollars (US$)	*3.19%*	*3.21%*
Kenya Shillings	*6.94%*	*8.05%*
Rand	*6.00%*	*6.25%*
FCFA	*2.50%*	*-*
Euro	*4.50%*	*-*

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. 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.

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

	2020 US$	2019 US$
(a)Derivative financial asset *African Development Bank*	*431,607*	*346,386*
(b) Derivative financial liability *NCBA Bank Kenya Limited*	*258,246*	*-*

15. Properties held for sale

Land (note 15(a))	*1,221,239*	*1,221,239*
Buildings (note 15(b))	*3,349,611*	*3,422,566*
	4,570,850	**4,643,805**
(c) Land		
At 1 January and at 31 December	*1,221,239*	*1,221,239*
(d) Buildings	*2,422*	*4,046*
At 1 January	*3,422,566*	*3,506,664*
Sale of properties	*(72,955)*	*(84,098)*
At 31 December	***3,349,611***	***3,422,566***

The Company's properties held for sale comprise 11 apartments (2019: 11) in Eden Beach Resort & Spa in Mombasa, Kenya, and 16 houses (2019: 17) and vacant land in Athi River, Kenya.

16. Loans and advances to customers

	2020 US$	2019 US$
Principal loans and advances	*148,779,600*	*171,416,933*
Interest and fees receivable	*15,583,622*	*15,833,010*
	164,363,222	*187,249,943*
Impairment provision	*(62,694,263)*	*(72,615,130)*
Net loans and advances	*101,668,959*	*114,634,813*
Profile of the loans and advances		
Current portion	*46,575,495*	*50,299,993*
Non-current portion	*55,093,464*	*64,334,820*
	101,668,959	***114,634,813***
Product analysis		
Project finance	*50,413,869*	*50,845,207*
Lines of credit	*51,255,090*	*63,789,606*
	101,668,959	***114,634,813***

The average effective interest rate as at 31 December 2020 12.04 % (2019: 12.04 %) per annum.

	2020 US$	2019 US$
The movement in the principal loans and advances is as follows:		
At 1 January	*171,416,933*	*216,418,897*
Disbursements during the year	*19,498,123*	*3,439,565*
Repayment during the year	*(33,526,419)*	*(50,269,847)*
Amounts written off during the year	*(33,526,419)*	*(50,269,847)*
Capitalised interest and fees	-	*1,651,740*
Exchange difference	*(1,458,182)*	*176,578*
At 31 December	***148,779,600***	***171,416,933***

	2020 US$	2019 US$
The movement in the impairment of loans and advances is as follows		
At 1 January	*72,615,130*	*70,145,285*
Charge for the year	*3,193,487*	*4,399,090*
Recoveries on impaired loans and advances	*(4,448,828)*	*(2,043,128)*
Write off during the year	*(7,006,186)*	*-*
Exchange difference	*(1,659,341)*	*113,883*
At 31 December	***62,694,263***	***72,615,130***
Maturity analysis of gross loans		
Within one year	*109,269,757*	*122,915,125*
One year to five years	*49,606,868*	*59,471,512*
Over five years	*5,486,597*	*4,863,306*
	164,363,222	***187,249,943***

17. Other receivables

Staff loans	*3,879,084*	*2,438,561*
Other debtors and prepayments	*3,671,428*	*2,395,984*
Less: provision for impairment	*7,550,512*	*4,834,545*
	(997,405)	*(997,749)*
	6,573,107	***3,836,796***

Other receivables mainly relate to rent receivables.

	2020 US$	2019 US$
Current portion	*2,230,090*	*1,072,786*
Non-current portion	*4,343,017*	*2,764,010*
	6,573,107	***3,836,796***
As at 1 January	*997,749*	*996,333*
Exchange difference	*(344)*	*1,416*
At 31 December	***997,405***	***997,749***

Staff loans and advances are granted in accordance with the Staff Rules and Regulations approved by the Board of Directors. The effective rate on staff loans and advances was 4% (2019: 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 is unsecured, and settlement occurs in cash. For the year ended 31 December 2020 and 31 December 2019, the Company did not record any impairment relating to staff loans.

18. Investments in joint ventures

	2020 US$	2019 US$
Everest Park Project	1,128,977	1,103,458
Rugarama Park Estates Project	2,313,520	2,328,200
Kew Gardens Project	244,782	264,597
*Glenwood Gardens Project**	-	-
	3,687,279	**3,696,255**

Movement in the joint ventures is as follows:		
At 1 January	72,615,130	70,145,285
Share of profit	3,193,487	4,399,090
Exchange difference	(4,448,828)	(2,043,128)
At 31 December	**3,687,279**	**3,696,255**

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

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18 (a) Everest Park joint ventures.

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.

	2020 US$	2019 US$
Statement of financial position:		
Property held for sale	4,352,050	5,304,979
Trade and other receivables	49,166	52,955
Cash and cash equivalents	156,972	101,104
Total current assets	**4,558,188**	**5,459,038**
Borrowings and other payables		
Revenue	896,632	495,320
Other income	166,403	51,281
Less: Direct Costs	(827,355)	(394,281)
Gross profit	235,680	152,320
Administration expenses	(25,784)	(80,874)

18. Investments in joint ventures (continued)

	2020 US$	2019 US$
Profit before tax	209,895	71,446
Income tax expense	-	-
Profit for the year	209,895	71,446
Share of joint venture's profit (50%)	**104,948**	**35,723**

Reconciliation of investment in joint venture

1 January	1,103,458	1,062,700
Share of profit	104,948	35,723
Exchange difference	(79,428)	5,034
At 31 December	**1,128,978**	**1,103,458**

(b) Glenwood gardens project

Glenwood gardens project is a joint venture between shelter afrique and glenwood gardens limited with effect from 20 may 2015. The project is situated in ndenderu, ruaka, kiambu county, kenya. The purpose of the joint venture is to acquire, own, develop, construct, operate and sell the subject property and improvements as an investment for production of income. The joint venture was incorporated in kenya and the principal place of business is shelter afrique centre, longonot road, nairobi, kenya. The joint venture is not a listed entity. The venturers have the following undivided interest in the joint venture: shelter afrique – 50% and glenwood gardens limited - 50%. The term of the joint venture is up to 1 january 2022. In 2018 the joint venture was fully impaired and the profit or loss arising from the joint venture has also been fully impaired over the years. The joint venture was impaired because the project has stalled and is non-performing.

	2020 US$	2019 US$
Statement of financial position:		
Property held for sale	6,895,136	7,257,168
Cash and bank balances	3,505	3,818
Trade and other receivables	918,228	988,979
Total liabilities	**7,816,870**	**8,249,965**

(b) Glenwood Gardens Project (Continued)

	2020 US$	2019 US$
Statement of profit & loss and other comprehensive income:		
Revenue	-	-
Administration expenses	(3,791)	(2,460)
Loss before tax	(3,791)	(2,460)
Income tax expense	-	-
Loss for the year	(3,791)	(2,460)
Share of joint venture's loss (50%)	(1,896)	(1,230)
Reconciliation of investment in joint venture		
1 January	-	-
Share of loss	(1,896)	(1,230)
Impairment loss	1,896	1,230
At 31 December	-	-

(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 2020.

	2020 US$	2019 US$
Statement of financial position:		
Property held for sale	*15,296,375*	*16,475,112*
Land	*2,747,962*	*2,959,695*
Total assets	*18,044,337*	*19,434,807*
Borrowings and other payables	*14,948,906*	*16,097,635*
Total liabilities	*14,948,906*	*16,097,635*
Equity	*3,095,431*	*3,337,172*
Total equity and liabilities	***18,044,337***	***19,434,807***

(c) Projet Kew Gardens (suite)

État des profits et pertes et autres éléments du résultat global :		
Revenue	-	-
Administration expenses	*(4,168)*	*(7,912)*
Loss before tax	*(4,168)*	*(7,912)*
Income tax expense	-	-
Loss for the year	*(4,168)*	*(7,912)*
Share of joint venture's loss (19.8%)	*(825)*	*(1,567)*
Reconciliation of investment in joint venture		
1 January	*264,597*	*264,833*
Share of loss	*(825)*	*(1,567)*
Exchange difference	*(18,990)*	*1,331*
At 31 December	***244,782***	***264,597***

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(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. The project is currently under construction.

	2020 US$	2019 US$
Statement of financial position:		
Cash and bank balances	*195,000*	*128,000*
Work in progress	*6,739,000*	*6,766,000*
Property and equipment	*27,000*	*33,000*
Total assets	*6,960,000*	*6,927,000*
Other payables	*2,046,000*	*2,378,000*
Total liabilities	*2,046,000*	*2,378,000*
Equity	*4,915,000*	*4,549,000*
Total equity and liabilities	***6,960,000***	***6,927,000***

	2020 US$	2019 US$
Statement of profit & loss and other comprehensive income:		
Revenue	-	-
Administration expenses	*(29,360)*	*(23,000)*
Loss before tax	*(29,360)*	*(23,000)*
Income tax expense	-	-
Loss for the year	*(29,360)*	*(23,000)*
Share of joint venture's loss (50%)	*(14,680)*	*(11,500)*
Reconciliation of investment in joint venture		
1 January	*2,328,200*	*2,339,700*
Share of loss	*(14,680)*	*(11,500)*
At 31 December	***2,313,520***	***2,328,200***

19. Equity investments

31 December 2020

	Currency	At 1 January US$	Additions at cost US$	Disposals US$
At fair value through other comprehensive income				
Pan African Housing Fund LLC (Mauritius)	USD	1,570,000	241,240	-
Banque de L'Habitat du Burkina Faso (BHBF)	FCFA	400,000	-	(292,282)
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo	FCFA	1,020,000	-	-
Tanzania Mortgage Refinance Company Limited	USD	970,000	-	-
Kenya Mortgage Refinance Company Limited	KES	-	1,974,620	-
		3,960,000	***2,215,860***	***(292,282)***

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31 December 2019

	Currency	At 1 January US$	Additions at cost US$	Disposals US$
At fair value through other comprehensive income				
Pan African Housing Fund LLC (Mauritius)	USD	2,020,000	395,613	-
Banque de L'Habitat du Burkina Faso (BHBF)	FCFA	348,671	-	-
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo	FCFA	919,363	-	-
Tanzania Mortgage Refinance Company Limited	USD	710,000	256,575	-
		3,998,034	**652,188**	**-**

31 December 2020

	Currency	At 1 January US$	Additions at cost US$	Disposals US$
At fair value through other comprehensive income				
Pan African Housing Fund LLC (Mauritius)	USD	(751,240)	-	1,060,000
Banque de L'Habitat du Burkina Faso (BHBF)	FCFA	-	(107,718)	-
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo	FCFA	130,460	99,540	1,250,000
Tanzania Mortgage Refinance Company Limited	USD	90,000	-	1,060,000
Kenya Mortgage Refinance Company Limited	KES	638,025	(142,645)	2,470,000
		107,245	**(150,823)**	**5,840,000**

31 December 2019

At fair value through other comprehensive income				
Pan African Housing Fund LLC (Mauritius)	USD	(845,613)	-	1,570,000
Banque de L'Habitat du Burkina Faso (BHBF)	FCFA	56,260	(4,932)	400,000
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo	FCFA	120,735	(20,098)	1,020,000
Tanzania Mortgage Refinance Company Limited	USD	3,425	-	970,000
		(665,193)	**(25,030)**	**3,960,000**

In the current year, the Company disposed-off its investment in Banque de L'Habitat du Burkina Faso (BHBF) and purchased shares in Kenya Mortgage Refinance Company Limited.

The valuation methodology for these investments is disclosed in note 31 and the dividends received in respect of these investments are disclosed in note 7.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the Directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Investment in Caisse Régionale de Refinancement Hypothécaire (CRRH)

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

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

Investment in Banque de l'Habitat du Burkina Faso (BHBF)

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 comprised of 52,632 shares at a par value of FCFA 10,000 with a cost of FCFA 13,900 per share.

In the current year, the Company disposed-off the investment as follows:

	2020 US$	**2019 US$**
Proceeds from disposal	*889,314*	-
Banque de L'Habitat du Burkina Faso (BHBF)	*292,282*	-
Gain on disposal	*597,032*	-
Cumulative loss classified under investment revaluation reserve	*370,408*	-

Pan African Housing Fund LLC (PAHF)

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

Tanzania Mortgage Refinance Company Limited (TMRC)

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

Kenya Mortgage Refinance Company Limited (KMRC)

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. 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 US$
Cost or valuation						
At 1 January 2019	4,994,091	868,775	528,777	196,293	241,450	6,829,386
Additions	7,053	12,804	24,951	-	244	45,052
Disposals	-	(208,730)	(188,817)	-	(39,851)	(437,398)
At 31 December 2019	5,001,144	672,849	364,911	196,293	201,843	6,437,040
At 1 January 2020	5,001,144	672,849	364,911	196,293	201,843	6,437,040
Additions	-	57,593	57,463	-	-	115,056
Revaluation deficit	(872,330)	-	-	-	-	(872,330)
At 31 December 2020	4,128,814	730,442	422,374	196,293	201,843	5,679,766
Depreciation						
At 1 January 2019	424,385	674,893	457,711	184,641	130,138	1,871,768
Charge for the year	125,824	46,076	37,312	10,275	24,790	244,277
Eliminated on disposal	-	(208,730)	(188,708)	-	(39,851)	(437,289)
At 31 December 2019	550,209	512,239	306,315	194,916	115,077	1,678,756
At 1 January 2020	550,209	512,239	306,315	194,916	115,077	1,678,756
Charge for the year	142,362	47,546	35,128	-	24,773	249,809
Written back on revaluation	(692,571)	-	-	-	-	(692,571)
At 31 December 2020	-	559,785	341,443	194,916	139,850	1,235,994

	Leasehold land and buildings US$	Office equipment, furniture, and fitting US$	Computers US$	Motor vehicles US$	Residential equipment, furniture and fittings US$	Total US$
Net book value						
At 31 December 2020	**4,128,814**	**170,657**	**80,931**	**1,377**	**61,993**	**4,443,772**
At 31 December 2019	**4,450,935**	**160,610**	**58,596**	**1,377**	**86,766**	**4,758,284**
Net book value (cost basis)						
At 31 December 2020	**1,641,656**	**170,657**	**80,931**	**1,377**	**61,993**	**1,956,614**
At 31 December 2019	**1,673,341**	**160,610**	**58,596**	**1,377**	**86,766**	**1,980,690**

Included in property and equipment are assets with a cost of US$ 1,646,746 (2019: US$ 1,103,934) which have been fully depreciated. The normal annual depreciation charge on these assets would have been US$ 204,391 (2019: US$ 193,671).

20. Property and equipment (continued)

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

The fair value of the land was determined based on the sales comparison/market approach that reflects recent transaction prices for similar properties.

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

There has been no change in the valuation technique during the year.
Details of the fair value hierarchy for the Company's property carried at fair value as at 31 December 2020 and 31 December 2019 are as follows:

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
31 December 2020				
Leasehold land and buildings	-	-	4,128,814	4,128,814
31 December 2019				
Leasehold land and buildings	-	-	4,450,935	4,450,935

21. Intangible assets

	2020 US$	2019 US$
Cost		
At 1 January	*1,284,526*	*1,085,113*
Additions	*53,668*	*199,413*
As at 31 December	*1,338,194*	*1,284,526*
Amortization		
At 1 January	*1,106,852*	*960,327*
Charge for the year	*92,124*	*146,525*
Net book value	*1,198,976*	*1,106,852*
At 31 December	***139,218***	***177,674***

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$ 1,084,393 (2019: US$ 613,135) which have been fully amortised. The normal annual amortisation charge on these assets would have been US$ 134,736 (2019: US$ 126,749).

22. Government grant

	2020 US$	2019 US$
Value of grant received	200,000	200,000
At 1 January	104,746	108,626
Released to profit or loss	(3,879)	(3,879)
At 31 December	100,867	104,746
Actuel	3,879	3,879
Non-current	96,988	100,867
	100,867	104,746
Amounts released to date:	99,133	95,254

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. This is amortised over the duration of the remaining lease period. The related deferred income has been set out in note 28 to these financial statements.

23. Share capital and share premium

	2020 US$	***2019 US$***
Authorised: 1,000,000 ordinary shares of US$ 1,000 each	1,000,000,000	1,000,000,000
Issued and called: 288,246 (2019: 183,903) ordinary shares of US$ 1,000 each	288,246,000	183,903,000
Issued and fully paid: Class A: Issued and fully paid: 87,061 (2019: 77,668) ordinary shares of US$ 1,000 each	87,061,000	77,668,000
Class B: Issued and fully paid: 19,720 (2019: 19,720) ordinary shares of US$ 1,000 each	19,720,000	19,720,000
	106,781,000	97,388,000
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.

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

	Number of shares	***Ordinary shares US$***	***Share premium US$***	***Total US$***
At 1 January 2019	*91,760*	*91,760,000*	*38,899,748*	*130,659,748*
Paid up during the year	*5,520*	*5,520,000*	*4,266,960*	*9,786,960*
Write back from dividends (note 27)	*100*	*100,000*	*77,300*	*177,300*
Write back from fractional shares (note 25)	*8*	*8,000*	*6,184*	*14,184*
At 31 December 2019	***97,388***	***97,388,000***	***43,250,192***	***140,638,192***
At 1 January 2020	*97,388*	*97,388,000*	*43,250,192*	*140,638,192*
Paid up during the year	*9,393*	*9,393,000*	*7,260,789*	*16,653,789*
At 31 December 2020	***106,781***	***106,781,000***	***50,510,981***	***157,291,981***

The share premium arises from new and current shareholders who take up additional shares in the Company. The share premium is the difference between the par value of US$ 1,000 per share and the current share price. The current share price is US$ 1,773 (2019: US$ 1,773) for current shareholders and US$ 2,334 (2019: US$ 2,334) for new shareholders.

24. Special reserve – shelter afrique foundation

	2020 US$	2019 US$
At 1 January	1,585,277	1,670,352
Payments on behalf of Shelter Afrique Foundation	(265,233)	(85,075)
At 31 December	1,320,044	1,585,277

This amount is reserved for the Shelter Afrique Foundation whose formation was approved by the Annual General Meeting in June 2013. The Foundation is registered in Mauritius. An initial meeting of its Governing Council, drawn from the Directors of Shelter Afrique, was held in Mauritius in 2018. The Foundation receives seed capital from Shelter Afrique through appropriation of annual profit, provided the company has made profit in excess of US$ 1 million and the Directors approve the appropriation. The purpose of the fund is to mobilize funds for alleviating urban poverty with specific focus on providing grants and concessionary financing for housing projects targeted at very low-income. Companies support for innovation research aimed at development of new construction methods and processes, capacity building and general charitable projects.

The Directors do not recommend any appropriation to the Foundation in 2020.

25. Other payables

	2020 US$	2019 US$
Accruals	*1,480,121*	*1,703,917*
Post-employment benefits	*(158,157)*	*(80,534)*
Rent deposits	*76,787*	*96,881*
Share capital subscriptions (fractional shares)	*28,750*	*26,388*
	1,427,501	*1,746,652*
The movement in the share capital subscriptions (fractional shares) is as follows		
At 1 January	*26,388*	*27,982*
Increase in capital subscriptions during the year	*2,362*	*10,865*
Transfer from dividends payable (note 27)	*-*	*1,725*
Transfer to share capital (note 23)	*-*	*(14,184)*
At 31 December	***28,750***	***26,388***

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.

26. Provisions

	2020 US$	2019 US$
Service pay (note 26(a))	2,435,224	1,717,425
Leave pay (note 26(b))	457,737	448,966
	2,892,961	***2,166,391***

(a) Service pay

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

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

The Gratuity arrangement is defined benefit in nature with benefits linked to past service and salary at time of exit. The valuation of the arrangement has been done on a discount rate of 1% p.a. and a salary inflation rate of 3% p.a.

(a) Service pay (continued)

	2020 US$	2019 US$
At 1 January	1,717,425	1,219,373
Net expense recognised in the statement of profit or loss	749,645	648,926
Benefits and expenses paid during the year	(31,846)	(150,874)
At 31 December	***2,435,224***	***1,717,425***

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 2020, the Company contributed US$ 585 (2019: US$ 713) which has been charged to the profit or loss account.

	2020 US$	2019 US$
(b) Leave pay		
At 1 January	448,966	339,567
Increase in provision	72,265	164,956
Paid during the year	*(63,494)*	*(55,557)*
At 31 December	***457,737***	***448,966***

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

27. Dividends payable

	2020 US$	2019 US$
At 1 January	*1,369,118*	*1,548,143*
Transfer to share capital (note 23)	-	*(177,300)*
Transfer to fractional shares (note 25)	-	*(1,725)*
At 31 December	***1,369,118***	***1,369,118***

The Directors do not recommend the payment of dividend in the current financial period (2019: nil).

28. Deferred income

	2020 US$	2019 US$
Government of Kenya grant	*100,867*	*104,746*
AFD interest advantage grant	*321,759*	*321,759*
Deferred front end fees	*118,814*	*345,589*
	541,440	***772,094***

	2020 US$	2019 US$
The movement in the deferred income is as follows		
At 1 January	*772,094*	*878,257*
Amortization of Government of Kenya grant	*(3,879)*	*(3,879)*
AFD interest advantage grant for the year	**-**	*5,712*
Deferred front end fees	*(226,775)*	*(107,996)*
At 31 December	***541,440***	***772,094***

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.

29. Medium term notes

	2020 US$	2019 US$
Communauté Financière Africaine-Franc bond	*1,869,729*	*5,116,466*
Interest payable on loans	*42,176*	*115,646*
Deferred charges on medium term notes	*(332,053)*	*(468,707)*
	1,579,852	***4,763,406***

	2020 US$	2019 US$
Maturity analysis:		
Within one year	1,579,852	3,526,623
One year to five years	-	1,236,783
	1,579,852	***4,763,406***

The Communauté Financière Africaine-Franc (FCFA) (2014-2021) bond was for FCFA 10 billion- (US$18.5 million) and was raised in 2014 through CGF Bourse for the duration 2014 to 2021 at an interest rate of 6.6% p.a.

The medium-term note is unsecured. The amount has subsequently been paid in February 2021.

29. Medium term notes (continued)

	2020 US$	2019 US$
The movement in the medium-term note is as follows:		
At 1 January	4,763,406	8,285,023
Repayments in the year	(3,442,775)	(3,442,775)
Interest expense for the year	207,136	432,556
Interest paid in the year	(143,452)	(356,634)
Exchange difference	195,537	(170,748)
At 31 December	**1,579,852**	**4,763,406**

30. Lines of credit

	Start Date	Maturity Date	Currency	2020 US$	2019 US$
African Development Bank	2010	2024	US$	4,940,810	9,315,789
African Development Bank	2014	2024	US$	3,424,509	6,557,930
NCBA Bank Kenya Limited	2015	2024	KES	2,959,649	6,124,916
European Investment Bank	2014	2024	US$	2,197,979	4,207,863
African Development Bank - Social Housing	2013	2024	KES	1,140,756	2,378,647
African Development Bank - Trade Finance	2014	2024	US$	1,683,071	4,150,982
KFW Bank	2015	2024	US$	6,129,241	11,733,966
Ghana International Bank	2019	2024	US$	681,079	1,303,988
West African Development Bank	2019	2024	CFA	1,804,405	3,126,898
Islamic Corporation Development Bank	2019	2024	US$	8,172,321	15,645,289
Interest payable				-	2,347,354
				33,133,819	**66,893,621**

	2020 US$	2019 US$
Maturity analysis:		
Within one year	*5,096,088*	*26,351,488*
One year to five years	*28,037,731*	*40,072,306*
Over five years	*-*	*469,827*
	33,133,819	***66,893,621***

Profile of the loans and advances		
Current	*5,096,088*	*26,351,488*
Non-current	*28,037,731*	*40,072,306*
	33,133,819	***66,893,621***

30. Lines of credit (continued)

	2020 US$	2019 US$
The movement in the lines of credit is as follows		
At 1 January	66,893,621	108,489,934
Repayments in the year	(31,024,084)	(42,221,877)
Interest expense for the year	1,891,872	6,306,277
Interest paid during the year	*(4,239,226)*	*(5,629,472)*
Exchange difference	*(388,364)*	*(51,241)*
At 31 December	***33,133,819***	***66,893,621***

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

	2020	2019
United States Dollars (US$)	*4.72%*	*4.47%*
Kenya Shillings	*14.00%*	*13.39%*
FCFA	*7.69%*	*7.65%*

All loans are unsecured.

During the year, the Company was in compliance with the loan covenants relating to its lines of credit. The Company on 6 May 2020, signed a debt restructuring arrangement (DRA) with lenders of the lines of credit for debt restructuring. All the debt was restructured for five 5 years, from 2020-2024.

31. Fair value measurement

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides information about how the fair values of these financial assets and liabilities are determined (in, valuation technique(s) and inputs used).

Financial assets	Fair values as at 2020 US$	Fair value hierarchy 2019 US$	Valuation tech niques and key inputs
Financial assets at fair value through other comprehensive income			
- Equity investments	5,840,000	3,960,000	Level 3 Net asset valuation approach

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

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32. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Note	2020 US$	2019 US$
Profit/(loss) for the year		1,325,766	(593,636)
Adjustments for:			
Interest expense	5	2,099,008	6,738,833
(Gain)/loss on disposal of property held for sale	7	(2,577)	977
Share of profit from joint ventures	18	(89,443)	(22,656)
Depreciation of property and equipment	20	249,809	244,277
Amortization of intangible assets	21	92,124	146,525
Amortization of grant income	22	3,879	3,879
Exchange difference - joint venture	18	98,419	(6,366)
Exchange difference - equity investments	19	150,823	25,029
Exchange difference - medium term notes	29	195,537	(170,748)
Exchange difference - lines of credit	30	(388,364)	(51,241)
Working capital changes:			
Loans and advances to customers		12,965,854	50,552,043
Other receivables		(2,736,311)	(1,636,729)
Derivative financial assets		173,025	(344,472)
Other payables		(319,151)	(126,060)
Provisions		726,570	607,451
Deferred income		(230,654)	(106,163)
Net cash generated from operations		14,314,314	55,260,943

(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

	2020 US$	2019 US$
Bank and cash balances (note 12)	*5,206,525*	*6,491,129*
Short term bank deposits (note 13)	*42,200,586*	*50,482,386*
Cash and cash equivalents	*47,407,111*	*56,973,516*

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

33. Commitments and contingent liabilities

	2020 US$	2019 US$
(a) Commitments		
Approved and signed project loans	6,852,362	7,282,052
Commitments to Equity investments	894,418	1,216,200
Capital budget	1,204,000	445,200
	8,950,780	***8,943,452***

(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.

(c) Operating lease commitments

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

	2020 US$	2019 US$
Within one year	185,638	185,903
Within the second to fifth year inclusive	525,379	497,892
Later than five years	-	6,049
	711,017	***689,844***

During the year, the Company recognised property lease income of US$ 261,531 (2018: US$ 194,211) in profit or loss in respect of operating leases income.

34. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel

Except for staff loans and advances amounting to US$ 3,879,084 (2019: US$ 2,438,561) disclosed in note 17, there were no other related party transactions undertaken during the year between the Company and staff. The interest income received from staff loans and advances to key management staff as at 31 December 2020 amounted to US$ 92,697 (2019: US$ 49,864).

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

	2020 US$	2019 US$
Salaries and other short-term benefits	1,435,859	1,368,088
Post-employment benefits	186,561	121,849
	1,622,420	1,489,937
Directors' fees	*161,650*	*147,500*
	1,784,070	***1,637,437***

34. RELATED PARTY TRANSACTIONS (Continued)

(b) Investment in joint ventures

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

	2020 US$	2019 US$
Everest Park Project		
At 1 January	*2,042,125*	*2,455,945*
Loans granted	*-*	*344,472*
Interest charged on the loan	*355,299*	*429,288*
Repayments	*(1,063,479)*	*(1,687,087)*
At 31 December	***1,333,945***	***2,042,125***
Glenwood Gardens Project		
At 1 January and 31 December	*3,700,472*	*3,700,472*
Kew Gardens Project		
At 1 January and 31 December	*11,117,157*	*11,117,157*

35. FINANCIAL RISK MANAGEMENT

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

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

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

	2020 US$	2019 US$
(a) Capital management		
*Total equity**	*133,659,833*	*115,420,993*
Lines of credit	*33,133,819*	*66,893,621*
Medium term notes	*1,579,852*	*4,763,406*
Total debt	*34,713,671*	*71,657,027*
Gearing ratio	***0.26***	***0.62***

*Total equity includes all capital and reserves of the Company.

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Capital management (Continued)

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

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

The Company has several sources of capital available to it and seeks to optimize its debt-to-equity structure in order to ensure that it can consistently maximize returns to shareholders. Capital adequacy is monitored regularly by the Company's management and quarterly by the Board of Directors. The Company has undertaken to comply with Basel II capital adequacy framework which consists of setting an amount of minimum risk capital to cushion against unexpected losses. The Company has set a minimum capital adequacy ratio of 25%. This ratio stood at 32.16% in 2020 (2019 27.54%). 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 29 and 30, respectively, and equity attributable to equity holders, comprising issued and paid capital, reserves and accumulated deficit. 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

Credit risk is the risk of suffering financial loss, should any of Shelter Afrique's customers, clients or market counterparties fail to fulfil their contractual obligations to Shelter Afrique.

Credit risk arises mainly from customer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees and letters of credit.

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

Management of credit risk

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

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

i) Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. Shelter Afrique measures credit risk using

Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Credit risk grading

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

Expected credit loss measurement

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

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

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

Significant increase in credit risk (SICR)

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

Shelter Afrique has considered the following in determining the staging of facilities:

• Qualitative factors - This considers the perceived risk of the customer (i.e. High, Medium or Low); and
• Quantitative factors - This considers the following:

- The facilities arrears status
- Number of restructures, if any
- Reasons for restructure

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

Definition of default and credit-impaired assets

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

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

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

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

Forward-looking information incorporated in the ECL models

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

These macroeconomic overlays and the probability of each economic scenario occurring were set using management judgement based on the assessment of Shelter Afrique's portfolio performance. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2020 and 31 December 2020, for all portfolios Shelter Afrique concluded that three scenarios appropriately captured non-linearities.

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

ii) Other financial assets

These are made up of the following:

• Cash and bank balances; and
• Short term deposits

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

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

Significant increase in credit risk (SICR)

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

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

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

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

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

Maximum exposure to credit risk — Financial instruments subject to impairment

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

Loans and advances

	Stage 1 12-month ECL US$	Stage 2 Life-time ECL US$	Stage 3 Life-time ECL US$	Total US$
31 December 2020				
Total gross carrying amount	62,600,176	13,595,034	88,168,012	164,363,222
Allowance for credit losses	(3,423,242)	(3,412,671)	(55,858,350)	(62,694,263)
Net carrying amount	59,176,934	10,182,363	32,309,662	101,668,959

(b) Credit risk (Continued)

Maximum exposure to credit risk — Financial instruments subject to impairment (continued)

Loans and advances (Continued)

	Stage 1 12-month ECL US$	Stage 2 Life-time ECL US$	Stage 3 Life-time ECL US$	Total US$
31 December 2019				
Total gross carrying amount	64,533,047	26,087,634	96,629,262	187,249,943
Allowance for credit losses	(3,497,020)	(8,614,380)	(60,503,730)	(60,503,730)
Net carrying amount	61,056,027	17,473,254	36,125,532	114,634,813

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

	Stage 1 12-month ECL US$	Stage 2 Life-time ECL US$	Stage 3 Life-time ECL US$	Total US$
31 December 2020				
Loss allowance as at 1 January 2020	**(3,497,020)**	**(8,614,380)**	**(60,503,730)**	**(72,615,130)**
Amount charged to P&L (sub-total)	73,778	3,690,263	(2,360,918)	1,255,341
Originations, purchases and interest accruals	73,778	(758,565)	(2,360,918)	(3,193,487)
Repayments & other derecognitions, excluding write-offs	-	4,448,828	-	4,448,828
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
- Changes due to modification that did not result in derecognition.	-	-	-	-
- Changes to model and risk parameters used for ECL calculations	-	-	-	-
Write-offs	-	-	**(7,006,186)**	**(7,006,186)**
Exchange difference	-	-	**(1,659,341)**	**(1,659,341)**
Loss allowance as at 31 December 2020	**(3,423,242)**	**(3,412,671)**	**(55,858,350)**	**(62,694,263)**
31 December 2019				
Loss allowance as at 1 January 2019	**(5,661,945)**	**(11,026,870)**	**(53,456,469)**	**(70,145,285)**
Amount charged to P&L (sub-total)	2,118,453	369,361	(5,118,016)	(2,355,962)
Originations, purchases and interest accruals	73,778	369,361	(5,118,016)	(4,399,090)
Repayments & other derecognitions, excluding write-offs	2,043,128	-	-	2,043,128
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
- Changes due to modification that did not result in derecognition.	-	-	-	-
- Changes to model and risk parameters used for ECL calculations	-	-	-	-
Write-offs	-	-	-	-
Différence de change	-	-	**113,883**	**113,883**
Loss allowance as at 31 December 2019	**(3,497,020)**	**(8,614,380)**	**(60,503,730)**	**(72,615,130)**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Maximum exposure to credit risk — Financial instruments subject to impairment (continued)

Other financial assets

	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount US$	Loss allowance US$	Net carrying amount US$
31 December 2020						
Bank balances	*A, BBB, B+, B-*	*Exécution*	*ECL à 12 mois*	*5,206,525*	*-*	*5,206,525*
Short term bank deposits	*A, BBB, B+, B-*	*Exécution*	*ECL à 12 mois*	*43,756,751*	*(1,556,165)*	*42,200,586*
				48,955,729	*(1,556,165)*	*47,407,111*
31 December 2019						
Bank balances	*A, BBB, B+, B-*	*Exécution*	*ECL à 12 mois*	*6,491,129*	*-*	*6,491,129*
Short term bank deposits	*A, BBB, B+, B-*	*Exécution*	*ECL à 12 mois*	*52,021,788*	*(1,539,401)*	*50,482,387*
				58,512,917	*(1,539,401)*	*56,973,516*

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

	Short term bank deposits US$	Bank balances US$n	Total US$
31 December 2020			
At 1 January 2020	(1,539,401)	-	(1,539,401)
Increase in loss allowance in the year	(16,764)	-	(16,764)
At 31 December 2020	(1,556,165)	-	(1,556,165)
31 December 2019			
At 1 January 2019	(1,288,029)	-	(1,288,029)
Increase in loss allowance in the year	(251,372)	-	(251,372)
At 31 December 2019	(1,539,401)	-	(1,539,401)

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Impact of Covid-19

Determination of whether the credit risk of financial instruments have increased significantly since initial recognition.	Although COVID-19 has had negative impact on the countries where Shelter Afrique has active loans, initially it reflected a liquidity constraint more than an inherent increase in credit risk for the entire loan portfolio held by the company. The company did not thus impose a blanket downgrade on all ECL stages. A more systematic and targeted approach to the impact of COVID-19 on the company's customers was undertaken including communicating with all the customers to advise the impact of the pandemic on their businesses and their ability to honor their loan obligations. Adhering to the company's lending policies and the existing credit underwriting framework which allowed for a well-balanced and consistent decision making that not only considered the impact of Covid-19 but also existing economic trends as well. The company did not view requests for variation of contract terms as the sole indicator that SICR had occurred for performing loans. IFRS 9 contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. This means that where payments are 30 days past due, the financial asset needs to migrate from stage 1 to stage 2. The company did not rebut this presumption and instead concluded that where the customer and the company agreed to moratorium on payment of principal and interest for a specified period, such an extension will not trigger the counting of days past due as long as the loan was not in arrears at the point of deferral of payment.
SICR assessment of COVID-19 relief exposures	In line with IFRS 9, all exposures are assessed to determine whether there has been a SICR at each monthly reporting period in which case ECL is calculated on a lifetime basis. SICR triggers are based on client behavior, client-based risk rating and other qualitative factors considered judgmental. The triggers are portfolio specific and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historical default rates within that portfolio.
Sensitivity staging	When there is a significant increase in credit risk since initial recognition, the exposure is moved from stage 1 to stage 2 and ECL is calculated based on the lifetime expected credit losses. The move from 12-month expected credit loss to lifetime expected credit loss can result in a substantial increase in ECL. The sensitivity information provided in the table below details the additional expected credit loss charge to the income statement that the company would need to recognize if 10% of the gross carrying amount of loan advances suffered a SICR and were moved from stage 1 to stage 2 as at 31 December 2020.

FORTY YEARS BUILDING AFRICA

US$ '000'	10% increase in gross carrying amount of exposure	Increase in ECL due to 10% increase in SICR
Portfolio	6,405	961
Total increase in stage 2 advances and ECL	**6,405**	**961**

As highlighted above, the company did not apply a blanket downgrade to all ECL stages to loan advances that qualified and received a relief on Covid related impact, rather the company considered individual requests from clients, the impact of Covid and the ability to honor their obligations.

Treatment of loan restructures offered in response to the impacts of COVID-19.

The company considered and granted loan restructures from clients through various mechanisms in response to COVID-19. The mechanisms included:

- Restructure of existing loan exposures with no change in the present value of the estimated future cashflows i.e. for facilities restructured but no extension of loan tenor.
- Restructure of existing loan exposures with a change in the present value of the estimated future cashflows i.e. for facilities restructured with extension of loan tenor.

Prior to loans being restructured due to COVID-19, the customer was assessed against eligibility criteria. The customers had been requested to communicate to the company on the impact of COVID-19 on their businesses/cashflows, their business continuity plans and their ability to continue servicing their obligations.

Customers who were facing cashflow constraints formally requested for temporary reprieves in form of moratorium on interests and principal amounts. The reliefs provided to the customers were deemed to be temporary in nature. All the restructured loans did not have arrears as at 31st March 2020 thus were performing portfolio.

Where the relief/restructure is expected to be temporary in nature and as such qualifies for a non-distressed restructure, the staging of the loans as at 31st March 2020 was maintained and adjustments have been made on coverage to allow for incremental credit risk.

There were no new facilities advanced to customers as emergency/ relief loans due to COVID-19 or as non-distressed restructure

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(b) Credit risk (Continued)

Loss allowance

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

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

Write-off policy

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

Modification of financial assets

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

Modification of financial assets

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

Concentration by Sector

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

	2020 US$	%	2019 US$	%
Principal loans to customers				
Real estate	*96,487,105a*	*65%*	*103,309,795*	*60%*
Financial institutions	*52,292,495*	*35%*	*68,107,138*	*40%*
	148,779,600	*100%*	*171,416,933*	*100%*

(c) Market risk

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(c) Market risk (Continued

	US$	Eur	CFA
Assets			
Bank and cash balances	3,048,292	446,333	299,425
Short term deposits	38,279,924	430,392	2,260,502
Derivative financial assets	173,361	-	-
Loans and advances to customers	78,242,743	3,104,622	7,308,660
Other receivables	6,573,107	-	-
Total financial assets	126,317,427	3,981,347	9,868,587
Liabilities			
Medium term notes	-	-	1,579,852
Lines of credit	1,427,501	-	1,804,405
Autres dettes	1,427,501	-	-
Other payables	**28,656,510**	-	**3,384,257**
Total financial liabilities	**97,660,913**	**3,981,347**	**6,484,330**
Net asset position			
31 December 2019	139,203,469	1,252,136	7,118,905
Total financial assets	56,814,590	11,170	7,890,304
Total financial liabilities	**82,388,879**	**1,240,966**	**(771,399)**

	KShs	ZAR	Naira	Total
Assets				
Bank and cash balances	*248,590*	*1,161,463*	*2,422*	*5,206,525*
Short term deposits	*1,229,768*	-	-	*42,200,586*
Derivative financial assets	-	-	-	*173,361*
Loans and advances to customers	*13,012,934*	-	-	*101,668,959*
Other receivables	-	-	-	*6,573,107*
Total financial assets	*14,491,292*	*1,161,463*	-	*155,822,538*
Liabilities				
Medium term notes	-	-	-	*1,579,852*
Lines of credit	*4,100,405*	-	-	*33,133,819*
Autres dettes	-	-	-	*1,427,501*
Other payables	***4,100,405***	-	**-**	***36,141,172***
Total financial liabilities	***10,390,887***	***1,161,463***	***2,422***	***119,681,366***
Net asset position				
31 December 2019	*26,253,670*	*1,959,284*	*4,046*	*175,791,511*
Total financial assets	*8,687,617*	-	-	*73,403,680*
Total financial liabilities	***17,566,053***	***1,959,284***	***4,046***	***102,387,831***

(c) Market risk (Continued)

Currency risk (Continued)

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

	2020 US$	2019 US$
Euro (5%)	*199,067*	*62,048*
CFA (4%)	*259,373*	*(30,856)*
KShs (4%)	*415,635*	*702,642*
ZAR (1%)	*415,635*	*19,593*
Naira (1%)	***24***	***40***

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The equity price risk exposure arises from equity investments at fair value through other comprehensive income. A 10 per cent increase/decrease in the value of the Company's equity instruments as at 31 December 2020 would have increased/decreased equity by US$ 584,000 (2019: US$ 396,000).

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.

31 December 2020

	Up to 12 months US$	1-5 years US$	over 5 years US$	Total sensi-tive balance US$
Assets				
Bank and cash balances	-	-	-	-
Short term deposits	-	-	-	-
Loans and advances to customers	93,686,135	49,606,868	5,486,597	148,779,600
Total financial assets	**93,686,135**	**49,606,868**	**5,486,597**	**148,779,600**
Liabilities				
Lines of credit	5,096,088	28,037,731	-	33,133,819
Medium term notes	-	-	-	-
Total financial liabilities	**5,096,088**	**28,037,731**	-	**33,133,819**
Net interest rate sensitivity gap	**88,590,047**	**21,569,137**	**5,486,597**	**115,645,781**

31 December 2020

	Non-interest bearing US$	Fixed Interest rate US$	Total US$
Assets			
Bank and cash balances	5,206,525	-	5,206,525
Short term deposits	-	42,200,586	42,200,586
Loans and advances to customers	-	-	148,779,600
Total financial assets	**5,206,525**	**42,200,586**	**196,186,711**
Liabilities			
Lines of credit	-	-	33,133,819
Medium term notes	-	1,579,852	1,579,852
Total financial liabilities	**-**	1,579,852	**34,713,671**
Net interest rate sensitivity gap	**5,206,525**	**1,579,852**	**161,473,040**

31 December 2019

	Up to 12 months US$	1-5 years US$	over 5 years US$	Total sensitive balance US$
Assets				
Bank and cash balances	-	-	-	-
Short term deposits	-	-	-	-
Loans and advances to customers	107,082,115	59,471,512	4,863,306	171,416,933
Total financial assets	**107,082,115**	**59,471,512**	**4,863,306**	**171,416,933**
Liabilities				
Lines of credit	26,351,488	40,072,306	469,827	66,893,621
Medium term notes	-	-	-	-
Total financial liabilities	**26,351,488**	**40,072,306**	469,827	**66,893,621**
Net interest rate sensitivity gap	**80,730,627**	**19,399,206**	**4,393,479**	**104,523,312**

31 December 2019

	Non-interest bearing US$	Fixed Interest rate US$	Total US$
Assets			
Bank and cash balances	6,491,129	-	6,491,129
Short term deposits	-	50,482,386	50,482,386
Loans and advances to customers	-	-	171,416,933
Total financial assets	**6,491,129**	**50,482,386**	**228,390,448**
Liabilities			
Lines of credit	-	-	66,893,621
Medium term notes	-	4,763,406	4,763,406
Total financial liabilities	**-**	4,763,406	**71,657,027**
Net interest rate sensitivity gap	**6,491,129**	**45,718,980**	**156,733,421**

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$ 578,228 (2019 US$ 522,617). A 50-basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

(d) Liquidity risk

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

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

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

• Investments in property and equipment that are properly budgeted for and performed when the Company has sufficient cash flows.

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

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

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

31 December 2020	Up to 1 month US$	2-6 months US$	6-12 months US$	1-5 years US$	over 5 years US$	Total US$
Financial assets						
Bank and cash balances	5,206,525	-	-	-	-	5,206,525
Short term deposits	-	42,200,586	-	-	-	42,200,586
Loans and advances to customers	30,295,089	7,264,933	9,015,472	49,606,868	5,486,597	101,668,959
Total financial assets	35,501,614	49,465,519	9,015,472	49,606,868	5,486,597	149,076,070
Financial liabilities						
Lines of credit	-	-	10,512,558	22,621,261	-	33,133,819
Medium term notes	-	1,579,852	-	-	-	1,579,852
Total financial liabilities	-	1,579,852	10,512,558	22,621,261	-	34,713,671
Net liquidity gap	35,501,614	47,885,667	(1,497,085)	26,985,606	5,486,597	114,362,399

	Up to 1 month US$	2-6 months US$	6-12 months US$	1-5 years US$	over 5 years US$	Total US$
31 December 2019 **Financial assets**						
Bank and cash balances	6,491,129	-	-	-	-	6,491,129
Short term deposits	-	50,482,386	-	-	-	50,482,386
Loans and advances to customers	29,832,745	8,491,951	11,975,297	59,471,512	4,863,308	114,634,813
Total financial assets	36,323,874	58,974,337	11,975,297	59,471,512	4,863,308	171,608,328
Financial liabilities						
Lines of credit	12,810,943	19,670,270	6,645,072	27,297,509	469,827	66,893,621
Medium term notes	-	1,587,802	1,587,802	1,587,802	-	4,763,406
Total financial liabilities	12,810,943	21,258,072	8,232,874	28,885,311	469,827	71,657,027
Net liquidity gap	23,512,931	37,716,265	3,742,423	30,586,201	4,393,481	99,951,301

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

Appendix 1 - Shareholding information schedule

INDEPENDENT DIRECTORS: Dr. Stephen Mainda
Dr. Omodele R. N. Jone

Class "A" Shareholders (Countries)			
Directors	**Alternate Directors**	**Countries /Institutions represented**	**% shareholding**
Mr. Nghidinua Mathews Daniel (Namibia)	Mme Dorcas W. Okalany (Ouganda)	Botswana, Lesotho, Malawi, Namibia, Rwanda, Tanzania, Uganda, Zambia	12.22%
Ms. Melei Yed Anikpo Up to 19th June 2019 Sékou DEMBA (Mali) From 20th July 2020	Mr. Brama Diarra (Mali) up to 16th July 2020 Ousmane Wade (Senegal) from 20th July 2020	Burkina Faso, Burundi, Central African Republic, Chad, Djibouti, Equatorial Guinea, Guinea Bissau, Ivory Coast, Mali, Senegal	13.86%
Dr. Theresa Tufour (Ghana)	Mr. Ouadja Kossi Gbati (Togo)	Ghana, Guinée, Cap-Vert, Togo	7.45%
Mr. A. Boulares (Algeria) up to 16th July 2020 Mina Azerki (Morocco) from: 20th July 2020	Mr. El Alj Toufik (Morocco) up to 16th July 2020 Mr. Nejib Snoussi (Tunisia) From: 20th July 2020	Burkina Faso, Burundi, Central African Republic, Chad, Djibouti, Equatorial Guinea, Guinea Bissau, Ivory Coast, Mali, Senegal Ghana, Guinea, Cape Verde, Togo	8.33%
Mr. Jean-Paul Missi (Cameroon) up to 16th July 2020 DIBONG née Biyong Marie-Rose (Cameroon) from 20th July 2020	Mrs. Moussavou Ida Rachel (Gabon) up to 16th July 2020 Ahamadou Sardaouna (Cameroon) from 20th July 2020	Benin, Congo, Democratic Republic of Congo, Cameroon, Gabon, Madagascar, Mauritius, Niger, Seychelles, Sao Tome & Principe	7.42%

Class "A" Shareholders (Countries)			
Directors	**Alternate Directors**	**Countries /Institutions represented**	**% shareholding**
Dr. P.M. Tunde Reis (Nigeria) Member up to16th July 2020 Olaitan Olugbenga Komolafe (Nigeria) - Member (new) from: 20th July 2020	Mr. Muhamed Manjang (Gambia) Member up to16th July 2020 George Bombo Bright (Liberia) from: 20th July 2020	Gambia, Liberia, Nigeria, Sierra Leone	15.65%
Mr. Charles Hinga Mwaura (Kenya)	Eng. G.S. Mlilo (Zimbabwe)	Kenya, Somalie, Swaziland, Zimbabwe	16.61%
Class "B" Shareholders (Institutions)			
Mr. Ephraim Kiiza from 20th June 2019 Mr. Corneille Karekezi Up to 19th June 2019	Mr. Seydou Kone	African Reinsurance Corporation	4.23%
Ms. Soula A.I. Proxenos up to 16th September 2020 Dr. Patience Chika Akporji from 17th September	Mr. Etienne Nkoa up to September 2020 Yomi Ayodabo From 17th September 2020	African Development Bank (AfDB)	14.23%
Total			**100.00%**

Appendix 1 - Shareholding information schedule (Continued)

Class A:	Countries	No of shares 31 December 2019	No of shares 31 December 2020	% of shareholding
1	Algeria	4,220	4,220	3.95%
2	Benin	306	306	0.29%
3	Botswana	839	839	0.79%
4	Burkina Faso	951	951	0.89%
5	Burundi	300	300	0.28%
6	Cameroon	4,135	4,135	3.87%
7	Cape Verd	16	16	0.01%
8	Central Afr. Rep	271	271	0.25%
9	Chad	1,090	1090	1.02%
10	Congo	516	516	0.48%
11	Democratic Republic of Congo	600	600	0.56%
12	Djibouti	300	300	0.28%
13	Gabon	1,283	1,283	1.20%
14	Gambia	321	321	0.30%
15	Ghana	6,315	6,315	5.91%
16	Guinea	419	419	0.39%
17	Guinea Bissau	25	25	0.02%
18	Guinea Equatorial	301	301	0.28%
19	Ivory Coast	4,696	4,696	4.40%
20	Kenya	15,829	15,829	14.82%
21	Lesotho	1,789	2,142	2.01%
22	Liberia	591	591	0.55%
23	Madagascar	327	327	0.31%
24	Malawi	522	522	0.49%
25	Mali	4,754	5,460	5.11%
26	Mauritania	639	639	0.60%
27	Mauritius	115	115	0.11%
28	Morocco	2,966	3,734	3.50%
29	Namibia	1,843	2,074	1.94%
30	Niger	318	318	0.30%
31	Nigeria	10,430	15,722	14.72%
32	Rwanda	1,986	2,668	2.50%
33	Sao Tome & Principe	16	16	0.01%
34	SSenegal	1,407	1,407	1.32%
35	Seychelles	300	300	0.28%
36	Sierra Leone	74	74	0.07%
37	Somalia	10	10	0.01%
38	Swaziland	228	243	0.23%
39	Tanzania	325	325	0.30%

Class A:	Countries	No of shares 31 December 2019	No of shares 31 December 2020	% of shareholding
40	Togo	162	1,206	1.13%
41	Tunisia	300	300	0.28%
42	Uganda	1,777	1,877	1.76%
43	Zambia	2,599	2,599	2.43%
44	Zimbabwe	1,457	1,659	1.55%
		77,668	***87,061***	***81.53%***
Class B: Institutions				
1	African Development Bank	15,200	15,200	14.23%
2	African Reinsurance Corporation	4,520	4,520	4.23%
	TOTAL	***97,388***	***106,781***	***100.00%***

Table of abbreviations

1. African Development Bank- **Afdb**
2. Banque de l'Habitat du Burkina Faso **- BHBF**
3. Caisse Régionale de Refinancement Hypothécaire - **CRRH**
4. European Investment Bank - **EIB**
5. Expected Credit Loss - **ECL**
6. Exposure at Default - **EAD**
7. Kenya Mortgage Refinance Company Limited - **KMRC**
8. Loss Given Default - **LGD**
9. Non-Performing Loans – **NPL**
10. Pan African Housing Fund LLC - **PAHF**
11. Probability of Default - **PD**
12. Significant increase in credit risk - **SICR**
13. Tanzania Mortgage Refinance Company Limited - **TMRC**
14. West African Economic and Monetary Unit - **WAEMU**

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