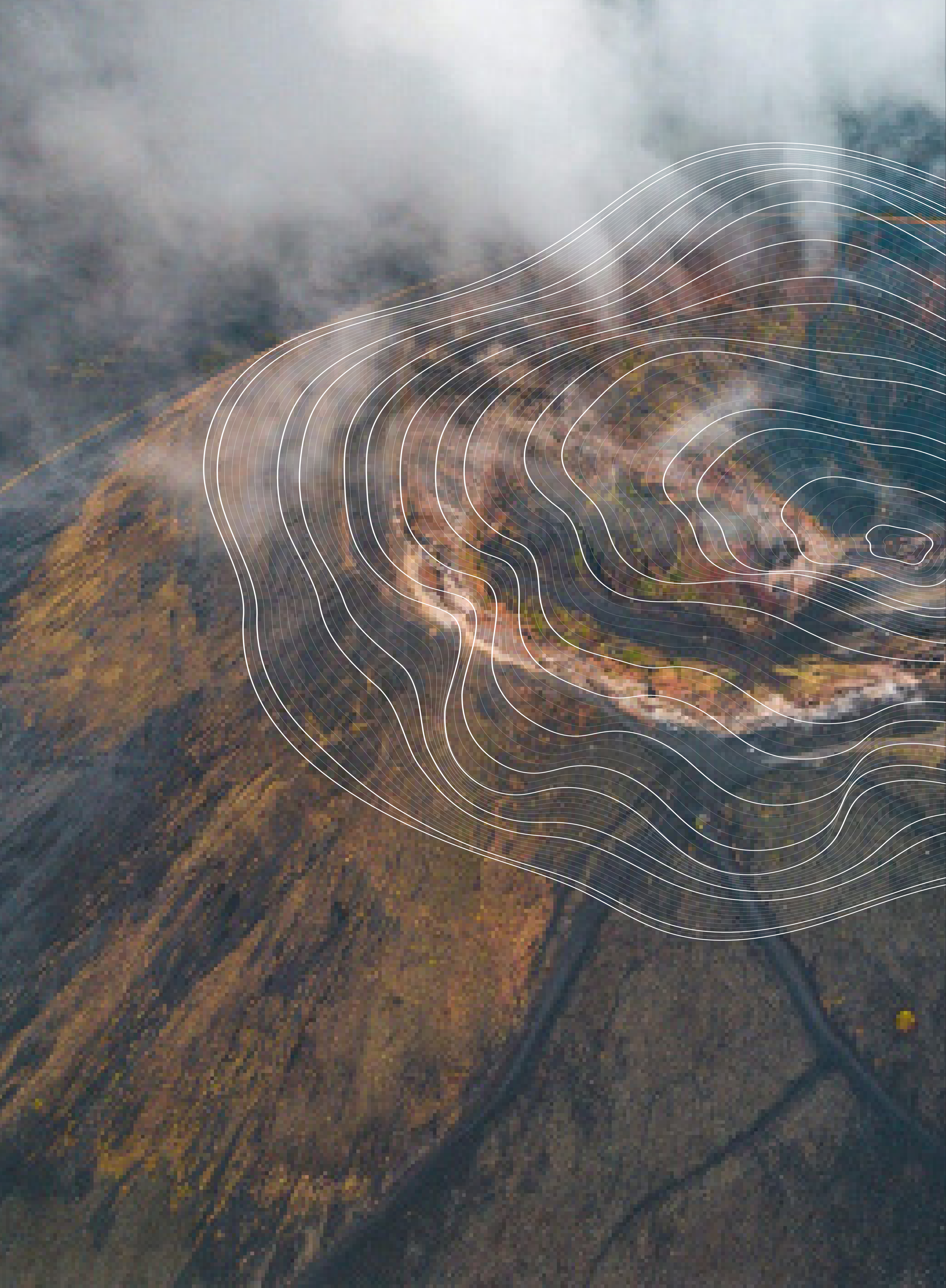
Shelter Afrique
Annual Report

2022

SHELTER AFRIQUE
Financing Affordable Housing for Africa



Shelter Afrique's Mandate

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

Vision

A decent, sustainable and affordable home for all in Africa.

Mission

To be the pre-eminent provider of financial, advisory and research solutions geared towards addressing the housing crisis in Africa by using public-private partnerships to achieve sustainable developmental impact.

ACTIIN

Values

Accountability
Customer centricity
Teamwork
Integrity
Innovation

Strategic Goals

01. Financial Sustainability
02. Enhance Shareholder Value and Development Impact
03. Organisational Sustainability

Project Preparation

Concessional Funding Window

Financial Solutions for integrated Affordable Housing

IMPLEMENTATION

Goal 01

Enhancing housing developmental impact

Goal 02

Achieving Financial Sustainability

Goal 03

Achieving Organizational Sustainability

Vision

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Contents

Letter of Transmittal

11th May 2023

The Chairperson
General Meeting of Shareholders
Shelter-Afrique

Dear Mr Chairperson,

Per Regulation 9 of the General Regulation of Shelter- Afrique, on behalf of the Board of Directors, I have the honour to submit herewith the Annual Report and Audited Financial Statements of the company for the period January 1 to December 31, 2022.

The report also reviews the company's activities and the international and African economic environments under which it operated during the period.

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

Dr Patience Chii Akporji

CHAIRPERSON OF THE BOARD
OF DIRECTORS

Board of Directors

Dr. Chii Akporji
Chairperson of the Board of Directors (Nigeria)
African Development Bank
17/09/2020 - Present

Mdm. Marie Rose Dibong
Vice-Chairperson of the Board of Directors (Cameroon) Group 5
20/07/2020 - Present

Mr. Ephraim Bichetero
Board Member (Uganda)
Reinsurance Corporation
20/06/2019 - Present

Mr Sekou Demba
Board Member (Mali)
Group 7, 20/07/2020 - Present

Mr. Nghidinua Daniel
Executive Director Ministry of Urban and Rural Development (Namibia)
Group 2, 20/07/2020 - Present

Mr. Charles Hinga Mwaura
Audit Risk and Finance Chairman and Strategy Committee Member (Kenya) Group 1
20/07/2018 - Present

Mr Babatunde Sanda
Independent Board Director (Nigeria)
24/06/2021- Present

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

Mdm. Mina Azerki
Member of the HR & Governance Committee (Morocco) Group 4
20/07/2020 - Present

Mr. Ouadja Gbati
Board Member (Togo)
Group 3
24/06/2021- Present

Message from the Chairperson of the Board

DEAR ESTEEMED SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to present to you an overview of the operational and financial performance of the Company for the financial year ended 31st December 2022. I will begin with a review of the macroeconomic environment under which your esteemed development bank operated.

01.
The Global and Regional Economic Environment

Globally, the year 2022 presented the most complex set of challenges for countries and organizations, riding on the backs of the easing post-COVID-19 pandemic effects, the onset of the Russian - Ukraine war in February 2022 with its supply chain restrictions on key commodities, rising inflation, tight monetary conditions with high-interest rates, and severe adverse climate change impacts.

Consequently, the year 2022 closed on a very subdued economic downturn characterized by stagflation, with low economic growth rates. The International Monetary Fund (IMF) and World Bank (WB) estimated a global economic growth rate of 2.7% for 2022.

For Africa, the African Development Bank's (AfDB) Africa Economic Outlook for 2022 estimated Africa's growth rate at 4.1%, representing 2.8% points decline compared to the growth rate of 6.9% recorded in 2021. The causal factors remain fundamentally the same as the global ones. Further, the region started to experience the negative consequences of high levels of debt across African countries characterized by rising borrowing costs, depreciating local currencies against the United States Dollar, and depleted public savings resulting in increased fiscal space challenges.

Slowing global demand, tighter financial conditions, and disrupted supply chains had differentiated impacts on African economies. The impacts of shocks on resource-intensive economies and major commodity exporters varied in 2022, depending on the type of exported commodities. Oil-exporting countries, which account for about 51% of the

Dr. Chii Akporji | Chairperson of the Board of Directors

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continent's GDP, are estimated to have weakened marginally, to 4.0 % growth in 2022 from 4.2 % in 2021. This was due to a sharp growth deceleration in Libya and subdued growth in Nigeria, the group's largest economy.

Tourism-dependent economies are estimated to have grown by 6.3% in 2022, up from 4.2% in 2021, buoyed by easing COVID-19 pandemic risks and by household savings accumulated during the pandemic in tourism-source countries.

Other resource-intensive economies are estimated to have declined to 2.8% growth in 2022 from 4.7% in 2021. The deceleration reflects structural weaknesses, inadequate electricity generation, subdued household consumption spending because of high inflation, and weak global demand.

For the near-term outlook, according to the World Bank, the projected global economic growth for 2023 is 1.7% and Emerging Market and Developing Economies' (EMDE) growth rate is expected to average 2.3% in 2023-24.

No rebound is projected in 2023 and the near term. This arises from high commodity prices and continuous monetary tightening, which is expected to persist. In addition, the outlook is subject to various downside risks, including intensifying geopolitical tensions, growing stagflation pressures, rising financial instability, continuing supply pressure, and worsening food insecurity. For Africa, the Sovereign debt crisis remains a threat to economic recovery despite recent debt relief initiatives.

02.
Climate Change Impact on Africa's Housing and Built Environment Industry

Climate change continues to constitute a key existential risk to the housing sector and the need to devise appropriate mitigation systems in our lending programs cannot be more urgent. In AfDB's outlook for Africa, climate change plays a significant role in the region's capacity to be resilient to social, economic, and environmental shocks. The impact on housing in terms of production, cost, and longevity is devastating, and a lot of people are being negatively impacted.

The costs of climate disasters are substantial. Tanzania, for example, is the most flood-prone country in East Africa. It is anticipated that sea level rise will cost about US$200 million per year in lost land and flood damage by 2050. In Egypt, it is estimated that up to one million housing units are at risk due to sea level rise. The annual loss in property value is expected to be between EGP 7-16 billion US$ 372.340 million – US$ 851.063 million) by 2060, excluding commercial properties.

In Côte d'Ivoire, the World Bank estimates that GDP losses associated with climate change will be between CFA429.07 billion (US$681 million) and CFA882.07 billion (US$1.4 billion) between 2022 and 2040. In Mozambique in 2019, the total cost of reconstruction following cyclones Idai and Kenneth (including for housing) is estimated at MT204.3 billion (US$3.2 billion) across seven provinces.

03.
Operational Performance

Against this background of global and regional volatility, in 2022, we began underwriting new business on the back of having fully repaid the legacy Debt Restructuring Agreement (DRA) debt stock in June 2021. A major highlight of operations was the issuing of the first tranche of the debut Naira Bond in Nigeria to the tune of Naira 46 billion Naira (US$110 million), as part of a 3-Year Medium Term Note (MTN) program of Naira 200 billion (US$500m).

Another key performance metric was the disbursement of US$80.67 million against a target of US$130 million, representing a 62% achievement. Though below target and noting the need for prudence to avoid past lending mistakes that threatened SHAF's sustainability, it was a laudable milestone considering this was the highest disbursement level since 2014, when US$104 million was disbursed.

It should be noted that in 2021 only US$26 million was disbursed, therefore the US$80.67 million disbursed in 2022 represents a 207% year-on-year increase. We cannot over emphasize the need to prudently scale up a quality loan book to restore financial sustainability and decrease the hitherto high ratio for Non-Performing Loans (NPL).

04.
Financial Performance

Despite the high disbursement of US$80.67 million, the Company recorded a net compressive loss of US$11.60 million for the year 2022. The key driver for the loss was the increase in the expected credit loss occasioned by the prudent assessment (and in compliance with IFRS 9 guidelines) to significantly increase the impairments on long outstanding NPL accounts. This was a necessary step to clean up the legacy NPL book and begin recording positive results from the loan portfolio going forward.

05.
Leadership Changes and Succession Planning

Esteemed shareholders, during the year under review, succession planning took place at both Board and Executive Management levels. At the Board level, my predecessor, Mr. Kiiza Bichetero after successfully presiding over a very challenging transition period decided to stand down, leading to my election as the Board Chair. I am privileged to have assumed the role of Chair of Shelter Afrique at this exciting time as we are repositioning your bank onto a new trajectory of growth, sustainability, profitability and impact. In line with the Board Statutes, Mr. Sékou Demba also stood down as the Vice Chair and was replaced by Mrs. Marie Rose Dibong, making Shelter Afrique the first DFI to be led by two women. On behalf of the Board, I wish to thank our two colleagues Messrs. Bichetero and Demba for the exemplary leadership provided during a very challenging transition period.

At the Executive Management level, following the replacement of the former Managing Director, Mr. Andrew Chimphondah, the Chief Finance Officer, Mr. Kingsley Muwowo was appointed as the Acting Managing Director as the Board embarked on a competitive recruitment process to fill the role, in compliance with the Company's Statutes. This culminated in the subsequent recruitment of Mr. Thierno-Habib Hann as the substantive Managing Director; he assumed office on 10th January 2023. I wish to thank both Messrs. Chimphondah and Muwowo for their services to the Company and wish them well in their future endeavors.

I take this opportunity to introduce and welcome our new Managing Director, Mr. Thierno-Habib Hann, and wish him a successful tenure under a" New Dawn" Shelter Afrique.

06.
Outlook for 2023 and the near term

The International Monetary Fund's Global Economic Outlook report projects global growth to slow down to 2.8% in 2023 and remain weak at around 5% over the next five years. [1] This essentially means there is will be no rebound projected in the short and near term, the result of persisting high inflation rates, the recent shocks in the banking systems, high commodity prices and persisting supply chain disruptions occasioned by the Russia-Ukraine war and continued monetary tightening.

For Africa, the outlook appears to be a little bit more encouraging. The African Development Bank (AfDB) Africa's Macroeconomic Performance and Outlook, 2023 projects that Africa is set to outperform the rest of the world in economic growth over the next two years, with real gross domestic product (GDP) averaging 4% in 2023 and 2024. [2] This is higher than projected global averages of 2.7% and 3.2%.

Projections are that the continent's five regions will remain resilient with a steady outlook for the medium term, despite facing significant headwinds due to global economic shocks.

01. North Africa

Growth in the region is projected to stabilize at 4.3% in 2023, supported by the expected strong recovery in Libya and Morocco, countering the projected slowdown in Algeria and Egypt.

02. Central Africa

Growth is projected to decline slightly to 4.3% in 2023 and to stabilize at 4.2% in 2024, as global demand picks up and domestic conditions strengthen to support consumer demand and investment, following risk aversion induced by the COVID-19 pandemic.

03. West Africa

Growth is projected to pick up in the medium term to 4.1% in 2023 and 4.3% in 2024.

04. Southern Africa

Growth is accordingly projected to accelerate to 5.0% in 2023 and 8.0% in 2024. In the medium term, however, persistent weakness in South Africa will continue to weigh on the region, with real output projected to decelerate to 2.3% in 2023 before rising to 2.8% in 2024, largely reflecting broad-based improvement in economic conditions, led by Mozambique, where economic growth is projected to expand by 3% points to 8%.

05. East Africa

Growth is projected to recover to the pre-pandemic average above 5.0% in 2023 and 2024. While East Africa's production structure is relatively diversified, countries in the region are largely net importers of commodities. They thus bear the brunt of high international prices in addition to recurrent climate shocks and insecurity, particularly in the Horn of Africa.

Given the context of these projections the Board, in conjunction with the AGM Bureau undertook a joint retreat in Nairobi in January 2023 to review lessons learned from past challenges, and to chart new approaches to moving Shelter Afrique onto new paths of delivering on its mandate.

With the new MD at the helm of the ship we discussed a revamped corporate strategy for 2023 to 2027, reviewed recommendations from a World Bank diagnostic study of the organization, reviewed a new organizational proposal while propagating the spirit of a "New Dawn" at Shelter Afrique, or a Shelter Afrique 3.0, positioned to deliver measurable impact in the housing ecosystem on the continent, and enhanced value for its shareholders.

The key outcome of that necessary exercise is the new 5-Year Strategic Plan for the 2023 – 2027, with three key strategic goals: -

- SG1: Enhance Housing Development Impact & Shareholder Value
- SG2: Achieve Financial Sustainability
- SG3: Improve Organizational Sustainability

Key strengths of the institution were identified as follows:

- Multilateral legal ownership and relationship with 44 African Governments
- Significant tax benefits including full exemption from any taxation in Kenya.
- Strong brand recognition in most countries with a SHAF presence

Key weaknesses:

- Single product
- High average cost of capital
- Significant outstanding capital arrears
- Unenforced Callable capital
- Instability in tenure for Managing Director position.
- Weak financial performance track record
- Non-Investment Grade Credit Rating
- Lack of necessary skill set and fit for purpose organizational structure [CA1]

SHAF's New Business Model & Value Proposition will now be centered on the following:

- Efficient onboarding of clients.
- Efficient turnaround time of credit applications.
- Competitive credit underwriting.
- Affordable housing products and services offerings.
- Raising local currency bonds.
- Digital customer engagement and credit workflow automation.

These will be underpinned by a laser like focus on

- Strong Ethics and Corporate Governance practices.
- A Business Model underpinned by four (4) business Sectors; viz: Financial Institutions Group (FIG); Project Finance Group (PFG); Public-Private-Partnerships (PPPs); and Fund Management Group (FMG).
- Instituting Environmental, Social, and Governance (ESG) standards.
- A New Organizational Structure.
- Restoring Financial Sustainability.
- Undertaking Corporate Initiatives to enhance Operational Excellence.
- The Implementation of a robust Monitoring & Evaluation (M & E) Framework.

The Board envisages Shelter Afrique becoming a world-class and premier Development Finance Institution, playing its catalytic role as Shelter Afrique Development Bank, the pan-African housing development bank.

07.
Acknowledgements

On behalf of the Board, I would like first to express my deep appreciation of the outgoing Chairman of the 41st Annual General Meeting (AGM) Bureau, Honorable Minister Daniel Garwe, Minister of National Housing and Social Amenities of the Republic of Zimbabwe, 1st Vice Chairman, Honourable Raji Babatunde Fashola, SAN, Federal Minister of Works and Housing, Federal Republic of Nigeria; and 2nd Vice Chairman, Honourable Dr. Ernest Nsabimana, Minister of Infrastructure, Republic of Rwanda.

The 41st AGM Bureau consistently provided hands-on, stellar leadership, guidance, and counsel to

Shelter-Afrique presents a Gift to the Vice President of Zimbabwe.

the Company during a very challenging period of transition in the year 2022.

This vote of thanks also goes to all our esteemed Shareholders for the continued support of Shelter Afrique's unique mandate as exemplified by the sustained payment of capital subscription obligations, notwithstanding the many challenges and fiscal constraints faced by both the Company and member countries respectively. The unity of purpose was clearly demonstrated during the 41st AGM held in Victoria Falls, Zimbabwe last year.

Let me also acknowledge my colleagues on the Board and the Committee Chairs for their dedication, guidance, collaborative collegial, and robust approach during a difficult year. Our team cohesion and skillset are unique and special, and it is why Shelter Afrique survives as an organization.

I would like to thank the management team and staff for their resilience in the last two financial years, and for their commitment and dedication to duty to continually work on turning around the Company, specifically on the resumption of the underwriting of new business and fundraising,

Last, but not least: I thank you, our valued clients, and all business partners such as the lenders.

Together, we all look forward to a new beginning and brighter future for Shelter Afrique under the New Dawn!

DR. CHII AKPORJI
Chairperson, Board Of Directors

[1] International Monetary Fund, Global Economic Outlook, 2023
[2] African Development Bank, Africa's Macroeconomic Performance and Outlook, 2023.

The Managing Director presents the New Strategy

01

Executive Committee

Executive Committee

Mrs Juliette Kavuruganda, Company Secretary (Rwanda)

Mr Charles Kazuka, Head of Human Resources and Administration (Tanzania)

Mr. Thierno-Habib Hann, Chief Executive Officer and Managing Director (Guinea)

Mrs. Beatrice Mburu, AG. Chief Finance Officer (Kenya)

Mr. Christopher Chege Head of Credit & Operations (Kenya)

Mr Edmond Adjikpe Head of Sovereign & Private-Public-Partnerships (Benin)

Mr Yankho Chitsime, Head of Project Finance Group (Malawi)

Mr Zachary Munene, Head of Financial Institutions Group (FIG), (Kenya)

Mr Benson Ngara, Ag. Head of Internal Audit (Kenya)

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

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

Ms Houda Boudlali, Head of Legal Services (Morocco)

The 40th anniversary of the Organisation, which took place in 2021, has been a guiding theme and provided the opportunity for reflection and introspection. The new strategy is a culmination of this process, and it recognises the need for a product-driven approach which also shapes the way the organisation is structured.

Executive Report

Managing Director,

The last year has been a period of renewal and strategising for the organisation - what we are referring to as a New Dawn. Given the macroeconomic and socio-political environment - the lingering effects of the Covid-19 Pandemic, and the economic ripples of the Russo-Ukraine War- the organisation has had to rethink its strategy and approach.

The 40th anniversary of the Organisation, which took place in 2021, has been a guiding theme and provided the opportunity for reflection and introspection. The new strategy is a culmination of this process, and it recognises the need for a product-driven approach which also shapes the way the organisation is structured. Beyond designing new products and organisations, we have also realised the need to revisit and review our founding mandate. Is the organisation that was founded 42 years ago still fit for purpose? Is it geared to deliver impact and shareholder value? These questions and more led to a review of our founding documents and identifying areas of improvement. An extensive review of the statutes, by-laws and Board Charter has been concluded. Recommendations and suggestions on new governing principles will be presented to the General Meeting for consideration.

Our new strategy, which is provided in more detail in the subsequent section, will focus on four business lines, namely:

- Funded and unfunded lines of credit to financial institutions to finance housing solutions,
- Project Finance for large-scale housing initiatives;
- Affordable Housing PPPs structuring and
- Thematic Housing Fund Management and Advisory Services.

The new strategic plan envisages a streamlined approach, which allows us to reach the end users by establishing new product structures such as Employer Staff Housing Funds, Green/Resilient homes, and Rent-To-Own financing.

New thinking and new approaches were also manifested in our approach to fundraising; one of the challenges in providing affordable housing has been the currency mismatch and Foreign Exchange risk. We have always advocated for the deepening of the Capital Markets as a possible solution, given our experience with the Kenya Capital Markets and the UEOMA in West Africa. In Nigeria, we once again put this into practice. We completed issuing a debut 46 billion Nigerian Naira (US$110 million) Series 1

Mr. Thierno-Habib Hann, Chief Executive Officer and Managing Director (Guinea)

Fixed Rate Senior Unsecured Bond in Nigeria's capital market under a 200 billion Nigerian Naira (US$500 million) programme. The Naira Bond Issuance reflects our desire to focus on tailor-made, long-term funding solutions to provide affordable and adequate housing in all our member countries. We expect to use this approach in many more of our member countries.

Other highlights for the year include our advocacy role; during the 2022 Financial Year, we emphasised the relationship between Climate Change and the Built Environment. We put this advocacy front and centre during our Annual Meetings and participation at the World Urban Forum in Katowice, Poland.

The 2022 Financial Year, despite the macroeconomic and social-political environment, has provided us with a rare opportunity to retool and re-strategise.

In this integrated report, we have presented the following key areas:-

i. Our strategy.
ii. The Centre of Excellence on impact.
iii. Board Operations and Governance.
iv. Finance and Treasury Management
v. Enterprise Risk Management.
vi. Internal Audit.
vii. Human Resources Management.

viii. Business Operations

There are also other reports detailing different aspects of the business. Naturally, these reports provide high-level information on The Company's operations.

Please find provided hereunder some notable highlights for the Financial Year 2022:

i). Recorded a comprehensive loss of US$11.6million, a 1217 per cent decrease from the Comprehensive profit of US$1.04million in 2021. The key performance indicator was the 38 percent increase in the net book from US$112.59 million in 2021 to US$155.01Million in 2022 and asset growth of 62 percent

ii). Received Capital Subscriptions of US$8.4m; The most significant contribution (85%) was from Nigeria, demonstrating their continued support for the institution. During the period under review, progress was made with onboarding new shareholders with the ratification of South Sudan as the 45th Class A Shareholder pledging to contribute an initial capital of USD 7 Million.

iii). Successful Bond issuance of Naira 46billion (US$110 million Naira Equivalent) out of the medium term programme of N200 billion (US$500M Naira equivalent). The aim of the programme is to enable the growth of the Nigerian Housing sector.

iv). Development Impact - In 2022, an estimated 1,265 Units were delivered resulting in 6,958 jobs created and 6,325 households sheltered.

Additionally, Shelter Afrique has Equity Investments in key Mortgage Refinance Companies across Africa, namely:

- Kenya Mortgage Refinancing Company (KMRC)
- Tanzania Mortgage Refinancing Company (TMRC)
- CRRH – UEMOA (for Francophone West African market)

As at December 2022, these Equity Investments have resulted in the following impact indicators:

- Estimated number of refinanced mortgages stands at 5,176
- Ability to refinance mortgages at single-digit interest rates to end users
- Effective policies have been underscored to be instrumental in the mortgage refinancing industry
- There has been a considerable uptake for mortgage refinancing by women end users
- Continuous development and capacity building programs have been key components of the operations of the Mortgage Refinancing companies
- Macroeconomic factors have been key determinants on the uptake of mortgage refinancing products

Shelter-Afrique Strategy

2023 – 2027 Corporate Strategy Framework

1 New Strategic Direction

Early during the year, the Board undertook a comprehensive review of the 2019 – 2023 Strategic Plan (SP) with, intending to realign the Company's key goals with the member countries' housing development financing needs and priorities. To this end, the Board undertook a deep-dive diagnostic review of the Company's business model, including product and service offerings to ensure efficient and effective service delivery, particularly on impact and relevance demonstration.

2 Strategic Framework

The outcome of the review exercise culminated in the revision of the existing 2019 – 2023 SP into a new 2023 – 2027 SP to be rolled out from Financial Year 2023. The key pillars of the new SP framework are outlined below:-

2.1. Overall Theme

The overarching theme for the 2023 – 2027 SP is, Stabilisation, modest growth towards sustainable, resilient and inclusive development. The theme is appropriate considering the Company's history of turbulence and instability and the need to refocus its operations to deliver on its mandate and effectively regain stakeholders' confidence.

Therefore, the 2023 – 2027 SP marks the beginning of a new era, which has been christened as the "New Dawn" or SHAF 3.0 with SHAF 1.0 and 2.0 being the periods of i) 1982 – 2008: Formation; and ii) 2009 – 2022: Stagnation periods respectively.

1 These numbers are estimated preliminary indicators based on the initial feedback received from the Counterparties. The full report is under development and will be concluded as part of a separate 2022 Impact Assessment Report

Cross-section of the room during a SHAF session at the World Urban Forum (WUF 11) in Katowice, Poland

2.2 Strategic Goals and Objectives

Illustrated below is a summary of Strategic Goals (SGs) & Objectives

SG1: Enhance Housing Development Impact & Shareholder Value	SG2: Achieve Financial Sustainability	SG3: Improve Organisational Sustainability
• Support social housing programs in client countries • Support integrated affordable housing solutions for mixed use-mixed income housing developments, rental housing developments, and construction of as many units as possible	• Mobilise equity capital • Increase equity capital base • Enhance borrowing capacity • Mobilise USD 800M Debt • Maintain indicators of financial health to acceptable standards	• Maintain and implement principles of good corporate governance • Zero tolerance on unethical and corrupt practices • Attain operational excellence by improving business processes and turnaround times for actions • Embark on, and achieve digital transformation, within the organisation. • Attract, retain and develop talent • Implement a proactive communication and crisis management strategy • Successfully conduct rebranding of the organisation

The Board in a Strategy Session

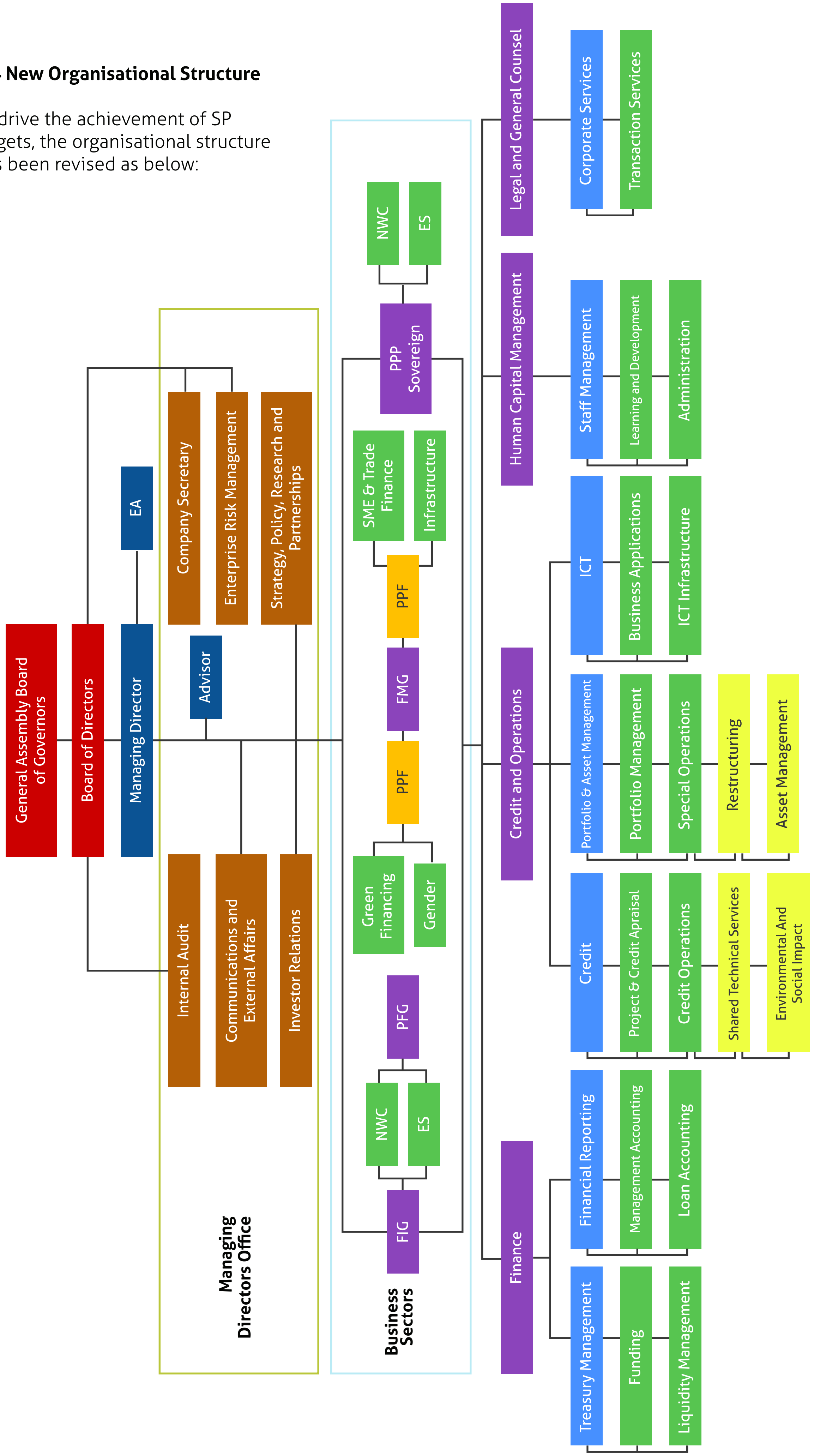
2.3 Revised Business Sectors

To enhance the focus of business development efforts and instil operational excellent and expeditious turnround of transactions, the new SP has scoped the product lines as below: -

FINANCIAL INSTITUTIONS GROUP (FIG) – Houses Products Addressing Demand of Affordable Housing	PROJECT FINANCE GROUP (PFG) – Houses Products Addressing Supply of Affordable Housing	FUND MANAGEMENT GROUP (FMG) – Raises Concessional Funds Addressing Both Demand & Supply of Affordable Housing	PUBLIC- PRIVATE PARTNERSHIPS (PPP) – Houses Products Addressing Member Country Needs for Both Demand and Supply of Social & Affordable Housing
Investments in Mortgage Refinance Companies	Urban Regeneration and Alternative Building Technology		
Rental and Rent-to-own financing			
Equity Investments and Joint Ventures	Equity Investments and Joint Ventures	Equity Investments and Joint Ventures Funds	Equity Investments and Joint Ventures
Social Housing Programs	Social Housing Programs	Social Housing Grants / Funds	Social Housing Programs
Advisory Services	Advisory Services	Advisory Services	Advisory Services

2.4 New Organisational Structure

To drive the achievement of SP targets, the organisational structure has been revised as below:



ES. East and Southern
NWC. North West and Central
PPF. Project Preparation Fund

A. Corporate Functions

- Internal Audit
- Company Secretary
- Enterprise Risk
- Management

B. Office of the MD

- Executive assistant
- Communications and External Affairs
- Investor Relations, Strategy, Policy, Research and Partnerships
- Advisor

C. Business Sector / Industries

- FIG: Financial Institutions Group
- PFG: Project Finance Group
- PMG: Fund Management Group
- PPP and Sovereign

D. Finance

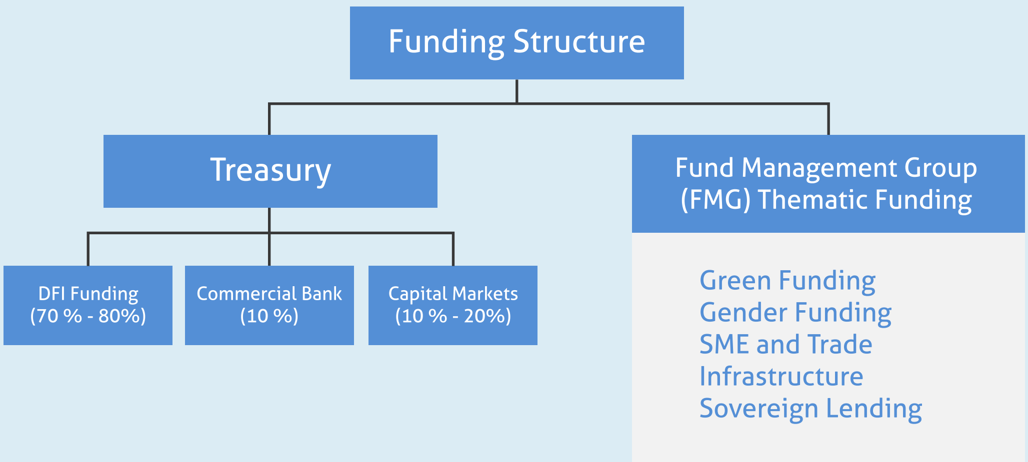
E. Credit and Operations

F. Human Capital Management

G. Legal and General Counsel

2.2 Strategic Goals and Objectives

Illustrated below is a summary of Strategic Goals (SGs) &. Objectives



3. Monitoring and Evaluation Framework

To ensure systematic implementation of the SP, a robust monitoring and evaluation (M&E) framework has been established based on close tracking of strategic goals, objectives, and all ancillary activities with a clear implementation matrix. The M&E tool will be used to measure accomplishments and detect any deviation, and where there is a need for improvement or adjustment, appropriate and timely action will be taken. Monitoring implementation of the corporate strategic plan shall be based on the annual work plans where each activity shall be measured against specific set targets.

The Strategy, Policy, Research, and Partnerships Unit (SPRP) will provide leadership in ensuring effective monitoring and evaluation of the plan. The SPRP will provide continuous coordination to implement the plan efficiently and effectively. Implementation and tracking of the corporate strategic plan will be cascaded from the corporate, departmental, and individual staff levels through smart Performance Scorecards to be evaluated monthly.

COE Activities

Objective Name	Activities
Capacity Development / Advocacy	**01.** Organising panel session at the 2022 Program for Infrastructure Development in Africa (PIDA) week in collaboration Partnerships with the New Partnerships for Africa Development (NEPAD) Theme: **Integrating Housing Delivery within the Context of the PIDA Framework (March 2022)** **02.** Organising the 2022 AGM Symposium, themed: **Climate Change and the Built Environment (July 2022)** **03.** CGTN Interview on Climate Change (https://www.youtube.com/watch?v=Q4LXDZgKH24) (August 2022) **04.** Participation in the Way Forward Coalition Conference, Maryland, USA. Theme: How to build a fair and efficient housing market (https://www.youtube.com/watch?v=4bIetffUCqY) **05.** 2022 World Habitat Day Celebration (Urban Economy Finance Conference), October 2022 **06.** Organising panel session at the COP 27 at Sharm El Sheikh, Egypt. **Theme: Climate Action and Sustainability in the Affordable Housing & Built Environment Industry in Africa: The Case Study of Shelter Afrique (November 2022)** **07.** Participation in the Africa Infrastructure Futures Conference. Cape Town, South Africa. **Themed: Implementing Sustainable Transitions in the Affordable Housing & Built Environment Industry in Africa: The Case of Shelter Afrique (November 2022)**
Research, Development & Publications	**01.** OP - ED in the Guardian Newspaper Nigeria. **Themed: The Russia – Ukraine Conflict and its Impact on the Infrastructure and Built Environment Industry in Africa** (https://guardian.ng/ama-press-releases/the-russia-ukraine-conflict-and-its-impact-on-the-infrastructure-and-built-environment-industry-in-africa/?utm_source=headtopics&utm_medium=news&utm_campaign=2022-05-17) (May 2022) **02.** Local Pathways Fellowship of the SDSN-Youth Publication titled: Providing Shelter; a squiz beyond the gap (https://housingfinanceafrica.org/app/uploads/2022/07/Providing-Shelter-Moses_Patience.pdf) (July 2022)
Development Impact	**01.** 2021 Impact Report Publication (July 2022) **02.** Q1/Q2/Q3/Q4 2022 Impact Tracking Exercise **03.** Reviewing the Impact Report Policy Document (October 2022)
Fund Raising/TA Resources	**01.** Technical Assistance from the Islamic Development Bank to deliver In House Capacity building on Islamic Finance (May 2022) **02.** Technical Assistance from the African Development Bank to deliver In House Capacity building on Sovereign Lending (October 2022)
Partnerships	**01.** Partnerships with the New Partnerships for Africa Development (NEPAD) on incorporating the built environment in the Program for Infrastructure Development in Africa (PIDA) initiative (August 2022) **02.** World Bank Engagement to undertake a diagnostic review of the SHAF with the aim of assisting SHAF raise funds in local capital markets and enhance Corporate Governance practices (October 2022)

Shelter Afrique at World Urban Forum 2022, (Katowice, Poland).

Report On Investor Relations And Shareholding

During the year, a total of USD 8.4M was injected as equity into the company from existing shareholders against an annual target of USD 20M. An additional amount of USD 2 M was to be collected from new Shareholders (Fonds de Solidarite Africain and South Sudan); however, no collections were made due to external factors beyond the company's control.

A breakdown of the funds mobilised is shown below:

Member Country	Total USD in Millions
01. Swaziland	0.319
02. Burkina Faso	0.545
03. Nigeria	7.151
04. Ivory Coast	0.400
Total	8.415

The largest contribution (85%) was from Nigeria demonstrating their continued support for the institution. During the period under review, progress was made with onboarding of new shareholders with ratification of South Sudan as the 45th Class A Shareholder pledging to contribute an initial capital of USD 7 Million.

Additionally, The Republic of South Africa sent a Letter of Intent to become shareholders in Shelter Afrique. The membership proposal has been prepared for discussion by the Ministerial Committee and we are hopeful that the outcome will be positive.

02

Corporate Governance And Shareholder Relations

Corporate Governance And Shareholder Relations

Our corporate governance statement.

Corporate Governance is the primary responsibility of the Board of Directors, which should ensure that the organisation has a robust governance strategy in place that promotes a highly transparent governance culture, as well as creates long-term value for stakeholders.

Overview

The Board has adopted the King IV Code of Governance, South Africa, as the benchmark for the implementation of good governance practices in the organisation among other best practices.

Shareholders participate in Local culture during the 41st AGM

Board Meetings and Retreats

Board of Directors

The Company is governed by a Board of Directors, each appointed by the shareholders of the Company for a term of three (3) years renewable once. The Board is responsible for providing the Company's strategic direction in line with the mandate given by the Shareholders. It also formulates Company policies, sets the risk appetite, and ensures that the 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.

During the reporting period, the Board made critical resolutions aimed at improving the governance of the Company and its performance. Notable resolutions included:

- Exiting the former Managing Director, Mr. Andrew Chimphondah, and then embarking on a process to search and recruit a fit and proper candidate with the requisite impeccable experience, track record, and integrity to lead the Company to the expected level.
- Following a competitive process that commenced in February 2022, Mr. Thierno-Habib Hann was appointed the Managing Director in September of the same year and who would assume office in January 2023.
- On 4th February 2022, the Board of directors passed a resolution approving lines of Credit to Sovereign Governments who consist of Shelter Afrique member states.
- In May 2022 the Board approved the restructure of Remote Estates Limited.
- On 6 December 2022, the Board of Directors elected Dr Patience Chika Akporji as Board Chair and Ms Marie-Rose Dibong as Vice-chair of the Board of Directors for a period of 1 year renewable.

Board Charter

The Board Charter sets out the Board's functions and powers and is complementary to the provisions governing the Board of Directors as set out in the Statutes and the General By-Laws of Shelter Afrique as well as the resolutions of the General Meeting.

The Charter regulates the Board and Committee composition, provides for positions such as the Chairperson, the Vice-Chairperson, and the Company Secretary makes provision for the duties and responsibilities of the Board of Directors, and stipulates the methodology and terms for performance evaluation for the Board.

The Charter also guides 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 approved the Board Charter and changes to it at a General Meeting. In 2022, there were no proposed changes to the Board Charter that were 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 2022 are set out below.

Name	Nationality	Date of Appointment
Kiiza Bichetero	Ugandan	28/07/2023(2nd term) Class B
Dr. Chika P. Akporji	Nigerian/ American	17/09/2020 (Class B)
Charles Hinga	Kenyan	24/06/2021(2nd term)
Sékou Demba	Malian	20/07/2020
Olatian Komolafe	Nigerian	20/07/2020
Marie-Rose Dibong	Cameroonian	20/07/2020
Mr. Babatunde Sanda	Nigerian	24/06/2021 - Independent
Nghidinua Daniel	Namibian	20/07/2020 (2nd term)
Mina Azerki	Moroccan	20/07/2020
Alain Kossi G. Ouadja	Togolese	24/06/2021
Dr. Stephen Mainda (EBS)	Kenyan (until 28/07/2022)	24/06/2021 - Independent

Table 1: Board Representatives and date of Appointment

Key
Independent Director
Representing Class B

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, and evaluating the performance of Senior Management, including compensation and succession planning.

Board in Training Session, Naivasha, 2023

Board Committees

The Board had 4 (four) substantive committees, namely the Audit and Risk Committee (formerly the Audit Risk and Finance committee), the Finance, Credit and Investment Committee (Formerly the Credit & Investment Committee), the Human Resources, Governance & Nominations Committee (Formerly the Human Resources and Governance committee and the Strategy, Business Conduct and Ethics Committee (formerly the Strategy Committee).

The Board also established ad hoc committees such as the Ad hoc Recruitment Committee, Ad hoc Committee on Rugarama, Strategy and Ethics Committee. The Board committees were established to enable the Board to 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.

Name / Committee	Kiiza Bichetero	Dr. Chii Akporji	Nghidinua Daniel	Charles Hinga	Marie - Rose Dibong	Olaitan Komolafe	Babaunde Sanda	Alain Ouadja	Mina Azerki	Sekou Demba	Dr. Steve Mainda
STRATEGY, & ETHICS	√	√			√				√	√	
ARF			√		√		√			√	
HRG				√		√		√	√		√
CIC		√		√			√	√			

Table 3: Committee Membership in 2022

Key
√ Confirms Attendance

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.

On 6th December 2022, there was a change in the Board Chairmanship and Dr. Patience Chika Akporji was elected to become the new Board Chair, and Ms. Marie Rose Dibong Biyong was elected to serve as Vice-Chair both for one (1) year renewable based on performance.

Managing Director

The Managing Director is the legal representative of the Company and is also the Chief Executive, who is required to conduct, under the general directives of the Board, the current business of the Company.

The Managing Director is also responsible for the organisation, appointment, and dismissal of other officers of the Company and in accordance with the regulations adopted by the Board.

The Managing Director reports to the Board on the appointment and dismissal of officers. The exercise of recruitment should give paramount importance to securing the highest standards of efficiency and technical competence, and integrity among nationals of Member countries, ensuring as wide a geographical basis as possible.

Company Secretary

The Company Secretary serves as Secretary to the Board and the General Meeting.

The Company Secretary also is required by statute to keep the summary records of the proceedings of the Board and the General Meeting and full records of their decisions and recommendations.

The Company Secretary has charge of the corporate books and records of the Company and in general, performs all duties incidental to his/her office and is responsible to the Managing Director.

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 2022, the Board held its meetings as follows:

No.	Meeting	No. of Meetings	Scope Of Business Conducted
01	Full Board	10	Strategy, Policies, Finance, Investor Relations, Risk Appetite, Audit & Control Environment, corporate governance, People and Culture
02	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.
03	Human Resources and Governance Committee	7	People & Culture, procurements, administration, nominations, remuneration, compensation of both the Board and Staff, ICT Governance, Succession Planning, and related Policy reviews.
04	Credit & Investment Committee	6	Credit policy & strategy recommendations, new credit approvals, restructuring, and loan workout strategies as proposed by Management.
05	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's turnaround.

Table 4: Number of Board Meetings Conducted in 2022

Name / Meeting Date	Kiiza Bichetero	Dr. Chii Akporji	Nghidinua Daniel	Charles Hinga	Marie - Rose Dibong	Olaitan Komolafe	Babaunde Sanda	Alain Ouadja	Mina Azerki	Sekou Demba	Dr. Steve Mainda
4th February 2022	√	√	√	√	√	√	√	√	√	√	√
6th February 2022	√	√	√	√	√	√	√	√	√	√	√
17th February	√	√	√	√	√	√	√	√	√	√	√
7th April 2022	√	√	√	√	√	√	√	√	√	√	√
31st May 2022	√	√	√	√	√	√	√	√	√	√	√
23rd June 2022	√	√	√	√	√	√	√	√	√	√	√
7th July 2022	√	√	√	√	√	√	√	√	√	√	√
20th July 2022	√	√	√	√	√	√	√	√	√	√	√
25th July 2022	√	√	√	√	√	√	√	√	√	√	√
41st AGM 28th July	√	√	√	√	√	√	√	√	√	√	√
6th December 2022	√	√	√	√	√	√	√	√	√	√	√

Table 5: Board meeting and AGM attendance in 2022

The Board of Directors, ARF and HRG, and CIC committees held several special meetings to discuss the recruitment of the new Managing Director and three (3) other senior roles including those of the Chief Finance Officer (CFO), Head of Credit, and Head of Internal Audit, adoption of the Budget, recruitment of the Independent Director (INED) as well as projects for disbursement.

Director Independence

The Board continuously ensures that every director can act independently. On an annual basis, Directors are assessed against set guidelines to ensure that they always remain independent. The Board Charter requires that an annual assessment of the directors' independence be conducted and this was done by all directors who filled in and signed the Annual Independence Assurance.

Conflicts of Interest and Related matters

Board members and Management are prohibited from entering into 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 and the Board Charter sets out clear guidelines for dealing with this 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.

Directors' Remuneration

The aggregate emoluments paid to Directors for services rendered during the financial year are disclosed in the financial statements for the year ended 31 December 2022.

The Directors' Remuneration was reduced as per the resolution of the 37th AGM held on 20th July 2018 as further endorsed by the resolution of the 41st AGM held on 28th July 2022, and this was implemented.

There was a considerable increase in the number of meetings that were held in 2022 as compared to what was projected in the Board Work Plan 2022. This was occasioned by the special business that was transacted as highlighted above (Board Operations) therefore leading to an increase in directors' emoluments.

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.

The Board of Directors also annually reviews and identifies areas where Board Members require further training or continuous education. The Board approved the Director Development Plan for 2022, and the same was implemented albeit partially due to the company's cost rationalisation policy deemed necessary considering the Covid-19 pandemic. Directors also attended a Board Retreat and team building program, a training on Public-Private Partnerships, and training on Mastering Board Leadership.

Performance Evaluation for the Board

On an annual basis, the Board carries out a performance evaluation to assess its performance against set targets. It 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. The Board Evaluation for 2022 was carried out by the Institute of Directors Kenya during Q2 2022. The recommendations from the exercise are under implementation.

Corporate Social Responsibility Activities

Shelter Afrique, in a bid to be a responsible corporate citizen and per the King IV Code of Corporate

Tree Planting Activity in the Upperhill District, Nairobi, **Kenya**

Tree planting falls under one of the thematic areas of Shelter Afrique's CSR framework which is environmental conservation. Furthermore, the goal of this event is to have all members of the Upper Hill community take part in beautifying Upper Hill and also to increase cohesion between members.

Governance and the CSR Policy adopted the Corporate Social Responsibility framework that will guide the company going forward on CSR activities and programs. Additionally, the company conducted charitable activities in Kenya and Zimbabwe. The proposal to carry out CSR activities is in line with Objective 2 and Objective 3 of the company's Strategic Plan (2019-2023).

01. Kenya
Tree Planting activity

Strategic Corporate Social Responsibility (SCSR) involves the incorporation of sustainable development into a company's business model and has a positive impact on social, economic, and environmental factors. Giving back to society acts as a boomerang for the company as it attracts not just brand loyalty and recognition but builds goodwill for the company amongst its stakeholders. SCSR is one of the critical building blocks for Organisational sustainability.

Shelter Afrique carried out a CSR activity coined Tree planting and Clean Up Sponsorship- Upperhill on 29th April 2022.

Tree planting falls under one of the thematic areas of Shelter Afrique's CSR framework which is environmental conservation. Furthermore, the goal of this event is to have all members of the Upper Hill community take part in beautifying Upper Hill and also to increase cohesion between members.

Charity activity

The Esperance Foundation is a foundation and non-profit organisation registered as a company limited by guarantee whose aim is to improve the life and well-being of women in conflict with the law together with their children as well as those who have been released from prison.

Corporate Social Responsibility activity, Esperance Foundation

CSR Activity during the 41st AGM, donating Raincoats as local tourist-related businesses

The Foundation supports women and children in prison and ignites their hope by providing psychological support, legal assistance as well as capacity building after they are released from prison.

SHAF Foundation organised a Corporate Social Responsibility activity on December 2nd, 2022. The activity consisted of equipping daycare centres with books and training wardens and mothers on child wellbeing. This activity is in line with Shelter Afrique's CSR values and its thematic areas.

02. Zimbabwe Donation

To enhance Shelter-Afrique's visibility in corporate social responsibility to its member countries, the SHAF Foundation organised a Corporate Social Responsibility activity on July 29, 2022. The activity consisted in donating 100 raincoats to vendors in Victoria Falls. This activity is in line with Shelter Afrique's CSR values and its thematic areas.

41st Annual General Meeting

The 41st Annual General meeting of Shelter Afrique and attendant events were held in a hybrid format, both virtual and physical. This meeting was hosted by the Republic of Zimbabwe, from 25th to 29th July 2022 in Victoria Falls, Zimbabwe.

The 41st Annual General Meeting was officiated by H.E Célestine Ketcha Courtès, Minister for Housing and Urban Development, Republic of Cameroon – outgoing Chairperson of the 40th AGM Bureau. Subsequently, there was a change of guard in the AGM Bureau following the election of H.E. Daniel Garwe, Minister of National Housing and Social Amenities, Republic of Zimbabwe, as the Chairman of the 41st AGM Bureau. Other elected members were the 1st Vice president of the Bureau, Honourable Babatunde Fashola, SAN, Federal Minister for Works and Housing of Nigeria, and the 2nd Vice President of the Bureau, Honourable Dr. Nsabimana Ernest, Minister of Infrastructure of Rwanda.

The general nature of the business transacted included:

- Election of the Chairman and two Vice-Chairmen of the 41st Annual General Meeting.
- Presentation by the Board Chairman.
- Presentation and adoption of the Annual Report, Audited Accounts for the year 2021.
- Presentation of the Directors' Annual Remuneration.
- Report and approval of the Remuneration Policy for 2021/2022.
- Presentation of Special Business relating to:
    - Admission of the Republic of South Sudan as a new Member of Shelter Afrique
    - PKF Audit Report on Shelter Afrique - Follow-up - Implementation and corrective measures from the Board
    - Review of SHAF Statutes

The meeting was quorate with 27 members attending, namely the African Development Bank (AfDB), African Reinsurance Corporation (Africa-Re), Algeria, Burkina Faso, Cameroon, Chad, Central African Republic (CAR), Côte d'Ivoire, Democratic Republic of Congo (DRC), Equatorial Guinea, Gabon, Ghana, Kenya, Lesotho, Mali, Mauritania, Malawi, Morocco, Namibia, Niger, Nigeria, Rwanda, Senegal, Tanzania, Togo, Uganda, Zimbabwe, and passed the following resolutions:

No.	Agenda Item	Proposed Resolution	* C/L
01	Agenda	**Ordinary Resolution:** To consider and approve the Agenda for the 41st Annual General Meeting.	
02	Election of the 41st AGM Bureau	**Ordinary Resolution** To appoint the Chairman and two (2) Vice Chairmen of the 41st Annual General Meeting.	
03	Minutes of the 40th AGM held in Yaoundé, Cameroon, 24th June 2021	**Ordinary Resolution** To review and adopt the Minutes of the 40th AGM held in Yaoundé, Cameroon on 24th June 2021.	
04	Annual Report and Accounts for the period ending 31st December 2021.	**Ordinary Resolution** To consider and adopt the Annual Report and Accounts for the period ending 31st December 2021.	
05	Appointment/Re-appointment of Director representing, African Reinsurance Corporation (AFRICA RE)	**Ordinary Resolution** To consider and approve the appointment/reappointment of the Director and Alternate Director to represent African Reinsurance Corporation (AFRICA RE).	
06	Appointment of the Alternate Director representing Group 3 on the Board of Directors	**Ordinary Resolution** To consider and approve the appointment of the Alternate Director to represent Group 3 on the Board of Directors.	
07	Appointment and remuneration of External Auditors.	**Ordinary Resolution** To consider and approve: i). The re-appointment of PricewaterhouseCoopers as external auditors for the Company for 2022. II). The remuneration of the External Auditors for 2022.	
08	Admission of the Republic of South Sudan as a new Member of Shelter Afrique	**Special Resolution** To consider and: i). Approve the admission of the Republic of South Sudan as a Class "A" shareholder by subscribing to Class "A" shares in Shelter Afrique and as the 48th member. ii). Note that the Republic of South Sudan has committed itself to pay USD 7 Million in installments of USD 1 Million.	
09	Review of SHAF Statutes	**Special Resolution** To consider and approve the proposed amendments to the Statutes of Shelter Afrique.	
10	Date and Venue for the 42nd Annual General Meeting.	**Ordinary Resolution** i). To receive confirmation from the Republic of Nigeria that it will host the 42nd Annual General Meeting (AGM) and mandate the Board of Directors to set the date for the 42nd AGM. ii). To evaluate available proposals and confirm the venue for the 43rd AGM.	

Key legend *C/L- Carried/Lost

The Chairperson of the AGM Bureau, Hon. Daniel Garwe of Zimbabwe gives his opening remarks

The Chairpersonship of the AGM Bureau is handed from Cameroon to Zimbabwe during the 41st AGM.

Hon. Gen (Rtd) Dr Constantino Chiwenga, the Vice President of Zimbabwe, officiated the ground-breaking ceremony for the Victoria Falls Walk-Up Flats during Shelter Afrique's 41st AGM & Symposium.

The 41st AGM of Shelter-Afrique Begins

Shareholders make their way through the Vitoria Falls during the 41st AGM

04

Corporate and Financial Management

Corporate And Financial Management

During the Financial year 2022, the Company issued its debut Series 1 Naira bond of 46 billion (US$ equivalent 110 million) out of the US$ equivalent 500 million of the Medium Term Naira Note Programme. The capital raising contributed to the significant increase in disbursement of US$ 80.67M (2021; US$ 26.24M). Year on year growth of 207% and loan book growth of 38%.

Despite the sizable increase in loan book growth, the Company recorded an operating loss of US$11.77Million, a 750 percent decrease from the operating profit of US$ 1.81million in 2021. The comprehensive loss was US$ 11.60 Million, a 1217 percent decrease from the previous year's profit of US$ 1.04 Million.

The loss was mainly attributed to

(i) Loan impairment charges of US$ 11.02 Million, a 322 per cent increase from the US$ 2.61 Million in the year 2021 and;

(ii) Impairment Charge on Joint ventures of US$1.07 Million, a 100 per cent increase from a Nil figure in the year 2021.

There was also a fair value gain of US$ 0.17 Million from the equity fair valuation and post-employment benefit obligation actuarial gain contributing to the other comprehensive income for the period.

Interest income increased by 43 per cent to US$ 18.43 Million from US$ 12.87 Million, this was mainly driven by increase in disbursements $ 80.67Million against US$ 26.24Million in 2021. The Company also recorded a significant increase in interest expense by 394 per cent from US$ 2.02 Million in 2021 to US$ 10.00 Million in 2022, attributed to the interest expense from the Naira Bond Series one (1) of US$ 110 Million

The impairment recoveries in 2022 was US$ 2.82M (2021; US$ 2.53M), representing a 12 percent increase. The Company continued with its stringent cost control measures. Despite the efforts, the Company's operating expenses had a 18 per cent increase from US$ 8.04 Million in 2021 to US$ 9.53 Million in 2022, mainly attributed to: (i) one-off reporting adjustments under other Comprehensive income for actuarial valuation loss of post employment benefit obligation in the comparative cost figure of 2021, (ii) additional depreciation and licences from Re-implementation ERP Oracle Software and (iii) Consultancy costs.

The key performance indicator was the 38 per cent increase in the net loan book from US$ 112.59 Million in 2021 to US$ 155.01 Million in 2022 and asset growth of 62 per cent.

Financial Position

Total assets increased by 62 percent from US$ 167.32 Million in 2021 to US$ 270.42 Million in 2022, attributed to the Naira bond proceeds of US$ 110M equivalent.

Liquidity increased by 175 percent from US$ 31.59 Million to US$ 86.75 Million in 2022, attributed to Naira bond proceeds (US$ 110M) and capital receipts of (US$ 8.41M), Disbursement outflows of US$ 80.67M, project loan receipts (US$ 34.65M) during the period. The liquidity ratio closed at 32 percent, which is 17 percent points above the minimum threshold of 15 per cent.

Shareholder Funds decreased by 2 per cent from US$ 161.60 Million in 2021 to US$ 158.40 Million in 2022 due to the new capital subscriptions receipt of US$8.41Million and loss of US$ 11.60Million for the year. The shareholders' payments of US$8.41Million brings the total paid-up capital from 182.14 million in 2021 to US$ 190.54 Million in 2022 an increase by 5 percent.

Debt increased by 100 per cent from US$ 0 Million in 2021 to US$ 105.19 Million in 2022 following receipt of the Naira bond proceeds of US$ 110 Million in April 2022. Debt to Equity ratio closed at 66% from 0% at FY '21-year end. Debt Movements also include the interest accrued. The first Interest payment on the Naira bond of US$ 6.94M was paid in October 2022.

Changes in Equity

Total equity decreased by 2 per cent from US$ 161.60 Million in 2021 to US$ 158.40Million in 2022. This decrease is attributed to capital subscription receipts of US$ 8.41 Million (2021: US$ 24.85 Million) and the loss of US$ 11.60 Million for the reporting period.

Cash Flows

Cash and cash equivalents increased by 175 percent from US$ 31.59 Million in 2021 to US$ 86.75 Million in 2022. The Company's cash position reflected the impact of Naira bond proceeds (US$ 110 Million) capital receipts (US$ 8.41Million), Disbursement outflows of (US$ 80.67Million), project loan receipts (US$ 34.65Million) during the period, The Company paid US$ 6.94 Million to service Naira bond interest debt obligations, compared to the previous year's payment of principal & interest debt obligations US$ 34.37 Million and US$ 1.47 Million respectively.

Selected Financial Performance Indicators

Figure 13: Shareholders Funds

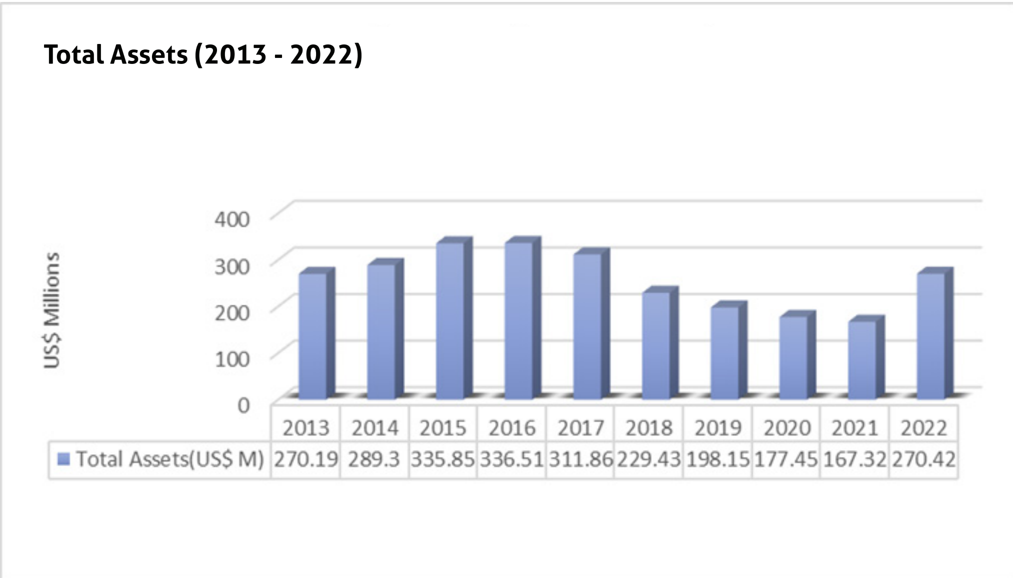


Figure 14: Cross-section of Total Assets in a Ten-year period

TABLE 1: KEY OPERATIONAL AND FINANCIAL DATA - 2013 - 2022 (US$ MILLION)

Operating Results	2013	2014	2015	2016	2017	2018	2019	2020*	2021	2022
Gross Income	13.17	14.15	15.12	16.68	14.13	9.49	10.2	14.71	12.87	18.43
Operating Expenses	6.83	8.24	10.09	9.72	8.85	9.06	8.44	8.69	8.04	9.53
Operating Profit before provisions	6.65	5.59	5.2	6.52	4.84	0.69	3.13	4.00	2.12	2.25
Profit (Loss) for the year	4.75	0.76	-4.94	-12.68	-7.79	-9.25	-1.26	-0.58	1.04	-11.60
Administrative Expenses (a)	6.51	7.87	9.63	9.2	8.42	8.68	8.05	8.69	8.04	9.03
Financial Position	2013	2014	2015	2016	2017	2018	2019	2020*	2021	2022
Net Loans and Advances	195.41	216.85	274.28	283.11	247.4	165.19	122.09	108.13	112.59	155.01
Financial Investments	59.67	51.87	30.47	7.71	21.98	30.78	50.48	42.20	25.68	83.35
Total Assets	270.19	289.3	335.85	336.51	311.86	229.43	198.15	177.45	167.31	270.42
Total Equity	106.09	105.9	105.86	93.36	131.7	106.79	115.42	136.25	161.61	158.40
Total Debt	160.62	177.79	224.57	236.16	173.65	116.78	71.66	34.71	0	105.20

(a) Administrative expenses are operating expenses less depreciation and amortisation.

Table 2: SELECTED FINANCIAL INDICATORS AND RATIO 2013 -2022.)

Financial Ratios	2013	2014	2015*	2016	2017	2018	2019	2020*	2021	2022
Total Debt to Total Assets (%)	59.45	61.46	66.87	70.18	55.68	50.9	36.16	19.56	0.00	39
Debt/Equity ratio (%)	151.4	167.88	212.14	252.96	131.85	109.35	59.49	25.48	0.00	66
Earnings (Loss) per share (US$)	81.86	12.62	-80.36	-203.17	-103.04	-102.56	-13.31	-5.66	9.13	-94.22
Dividend per share (US$)	15.86	-	6.82	-	-	-	-	-		

*Certain amounts here do not correspond to the 2015 & 2020 financial statements and reflect adjustments made in the 2016 and 2020 financial statements.

Treasury & Fundraising

The phenomenal progress made in fundraising over the last 12 months brings great optimism on the growth of Shelter Afrique in 2022 and well into the future.

The company successfully completed issuing its debut 46 billion Nigerian Naira (US$110 million) Series 1 Fixed Rate Senior Unsecured Bond Issuance in Nigeria's capital market under its 200 billion Nigerian Naira (US$500 million) bond issuance programme.

The bond issuance was 60.7% oversubscribed with the order book peaking at 64.3 billion Nigerian Naira (US$154.6 million), enabling Shelter Afrique to exercise the 'green shoe' option and raise an additional 6 billion Nigerian Naira (US$14.4 million) more than the original 40 billion Nigerian Naira plan (US$96.3 million).

The bond was issued in two tranches that is; the 5-year Tranche A bonds priced at 13.00% and the 7-year Tranche B bonds priced at 13.25%. The bond proceeds will be used to fund mass housing development by tier 1 real estate developers, and to provide lines of credit in Nigeria.

TABLE 3: LIQUIDITY TRENDS OVERVIEW 2022

	2018	2019	2020	2021	2022
Liquidity (USD Million)	44.5	56.9	47.4	31.6	86.8
Liquidity Ratio	19%	44%	27%	19%	32%
Total Debt (USD Million)	116.78	71.66	34.71	0	105.2
D/E Ratio (%)	109.35	59.49	25.97	0	66.41

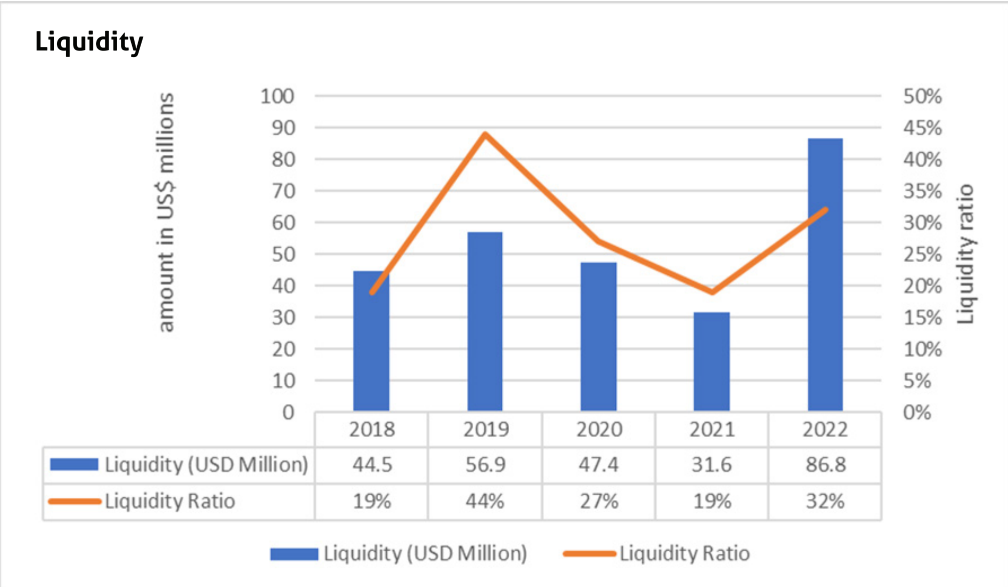


Figure 15: Liquidity Ratio Trend

Future Outlook: Debt Capital

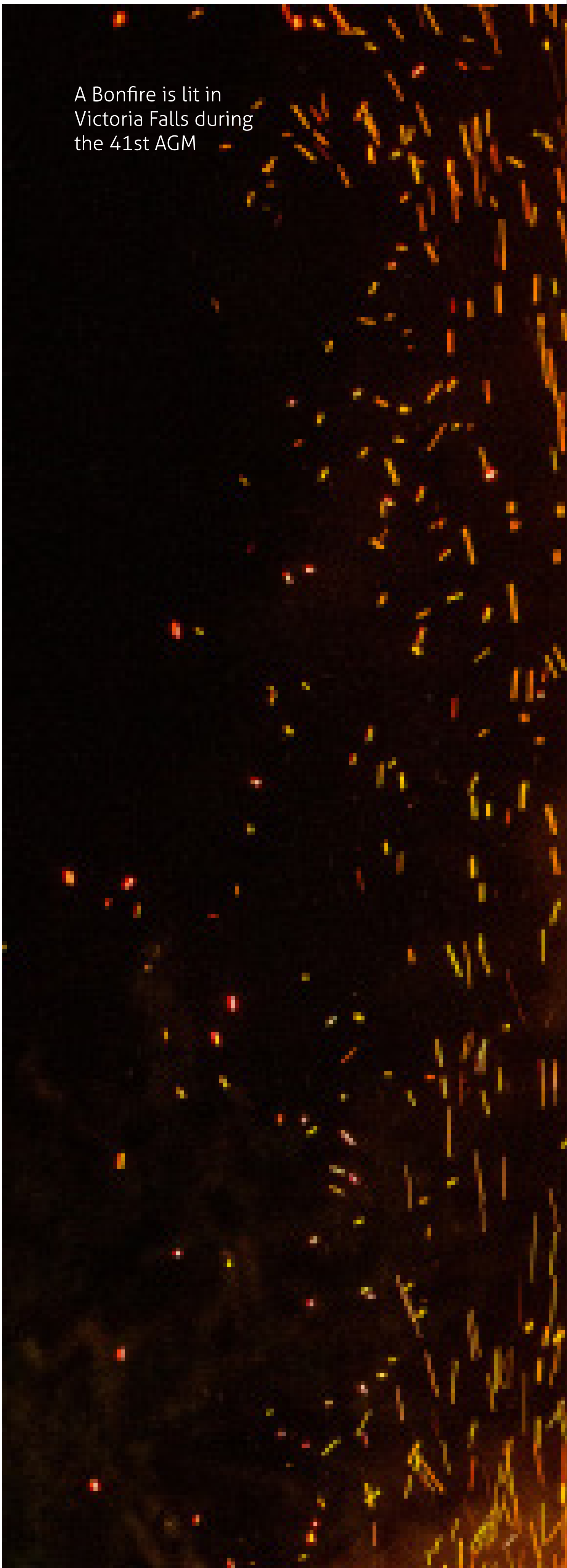
Similar to other Developmental Financial Institutions (DFI's), Shelter Afrique relies mainly on Debt Capital (Debt) as the primary source of funds for on-lending programs. FY2022 debt to equity ratio closed at 66 per cent following successful issuance of the Naira Bond in April 2022. Post the Naira Bond issuance, the Company still has adequate additional leverage head room of 233 per cent to support additional debt capital.

As part of the Strategic Plan 2023-2027, the Company plans to embark on Thematic fund raising in addition to the traditional fundraising through debt capital market and bilateral debt from Commercial Banks and Developmental Financial Institutions. The Thematic fund raising will cover the following themes:- Green, Gender, SME & Trade, Infrastructure and Sovereign Lending.

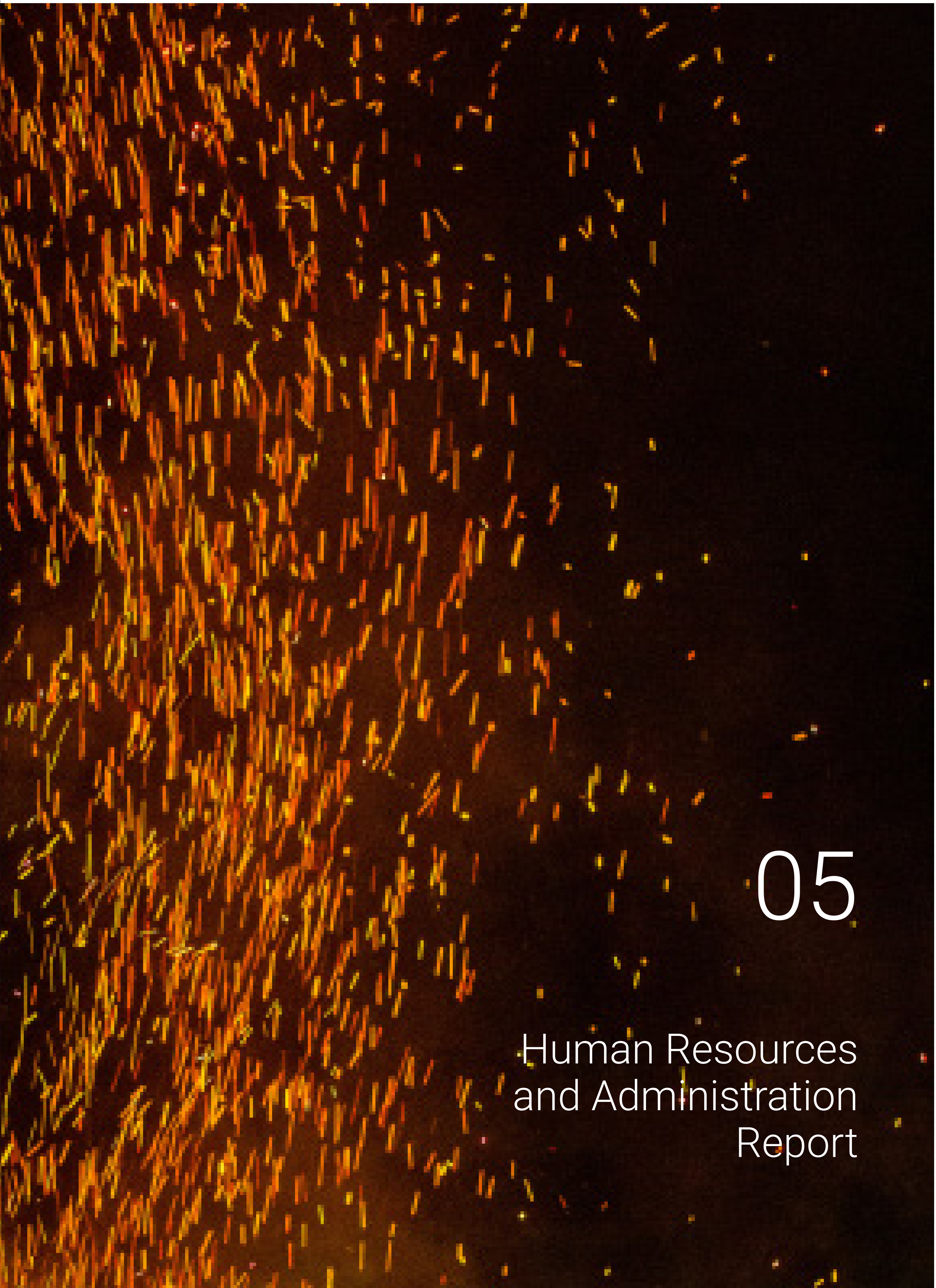
Capital Markets

As part of the Strategic Plan, the Company will continue to focus on raising local currency debt from the African Debt Capital Markets. This is expected to contribute to about 30-45 percent of our total debt . Local currency debt will support local lending in our Key markets, as it is crucial in mitigation of FOREX Risks to our borrowers.

As of 31 December 2022, the total number of staff was Forty-Eight (48). Of that number, 90% are employed at the headquarters in Nairobi Kenya and 10 % are in the regional offices (Abidjan – Côte d'Ivoire & Abuja – Nigeria).



A Bonfire is lit in Victoria Falls during the 41st AGM


05
Human Resources and Administration Report

Human Capital Report

The Human Capital Department (HC) functional areas are Recruitment, Performance Management, Compensation and Benefit Administration, Staff Engagement, HR Policy interpretation, Staff Training and Development.

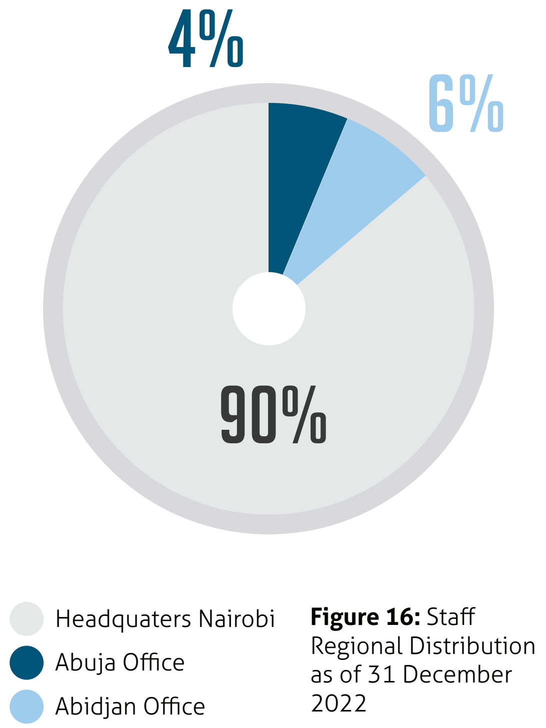
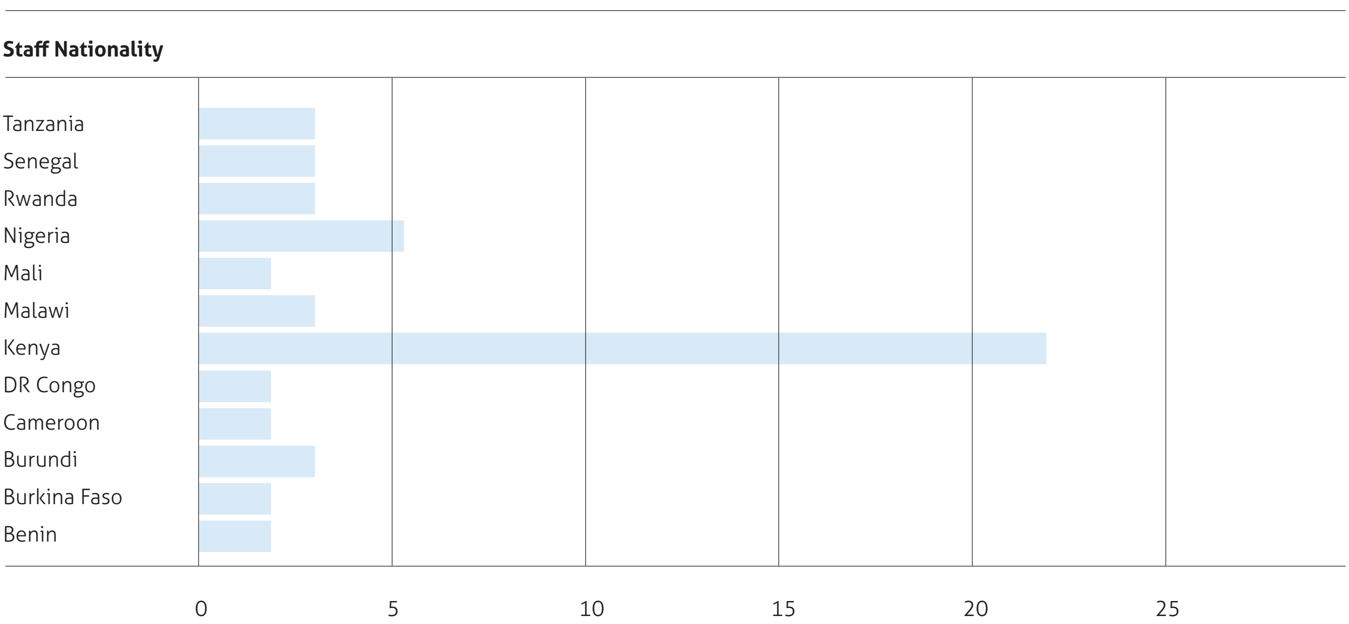


Figure 16: Staff Regional Distribution as of 31 December 2022

Employee Demographics

As of 31 December 2022, the total number of staff was Forty-Eight (48). Of that number, 90% are employed at the headquarters in Nairobi Kenya and 10 % are in the regional offices (Abidjan – Côte d'Ivoire & Abuja – Nigeria).

Figure 18: Staff nationality distribution is as below:



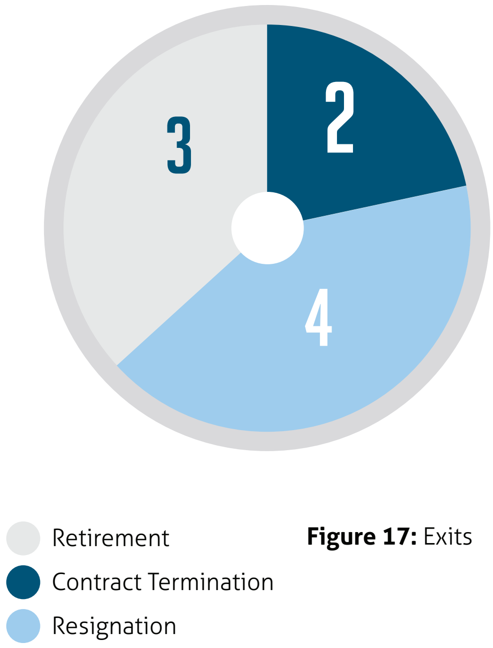


Figure 17: Exits

Exits and New Joiners

Exiting staff – As of December 31st, 2022, nine (9) staff exited the company due to various reasons as highlighted on the pie chart above.

New Joiners

As of 31st December, four (4) new employees joined the organization. These are.

- Head, Human Capital,
- Credit Risk Officer (West Africa)
- Assistant Accountant
- Administrative Assistant – Protocol.

Employee Gender Distribution

The company remains an equal opportunity employer and ensures that its diversity and inclusion guidelines are adhered to. This facilitates the attraction and retention of a diverse workforce and creates a conducive work environment.

Gender	Number
01. Female	16
02. Male	32

Performance Management and Career Development

During the reporting period, performance reviews were conducted and completed as per the existing HR Policies and procedures.

As part of career development, three (3) employees were redeployed to other departments through an integrative process in which the individuals had set career goals and created their own personal action plans.

The Performance Management process is now automated and this has enabled both line managers and employees to have an interactive engagement with deliverables being regularly tracked for Management information.

Employee Engagement Survey

During the period of reporting, an employee engagement survey was conducted by a third party with the aim of seeking the opinions of employees and provide them with an opportunity to confidently express how the organizational culture can be improved over the medium and long term.

The employee satisfaction score was at 70 per cent and reflected a higher-than-average engagement score for whose benchmark is 65 per cent.

Action plans have now been created towards building an organizational culture that reflects the institution's shared values and common goals.

Training and Development

As of 31st December 2022, a cross section of employees attended various training programmes aimed at enhancing their skills and capabilities as highlighted below:

Medical Benefits Administration

As part of employee wellness, employees continue to be covered under the Bupa International Medical Scheme. The scheme also offers employee assistance programs that provide confidential assessments, short-term counseling, referrals, and follow-up services for employees. Specialist counselors also worked in a consultative role with Human Resources to address employee challenges and needs.

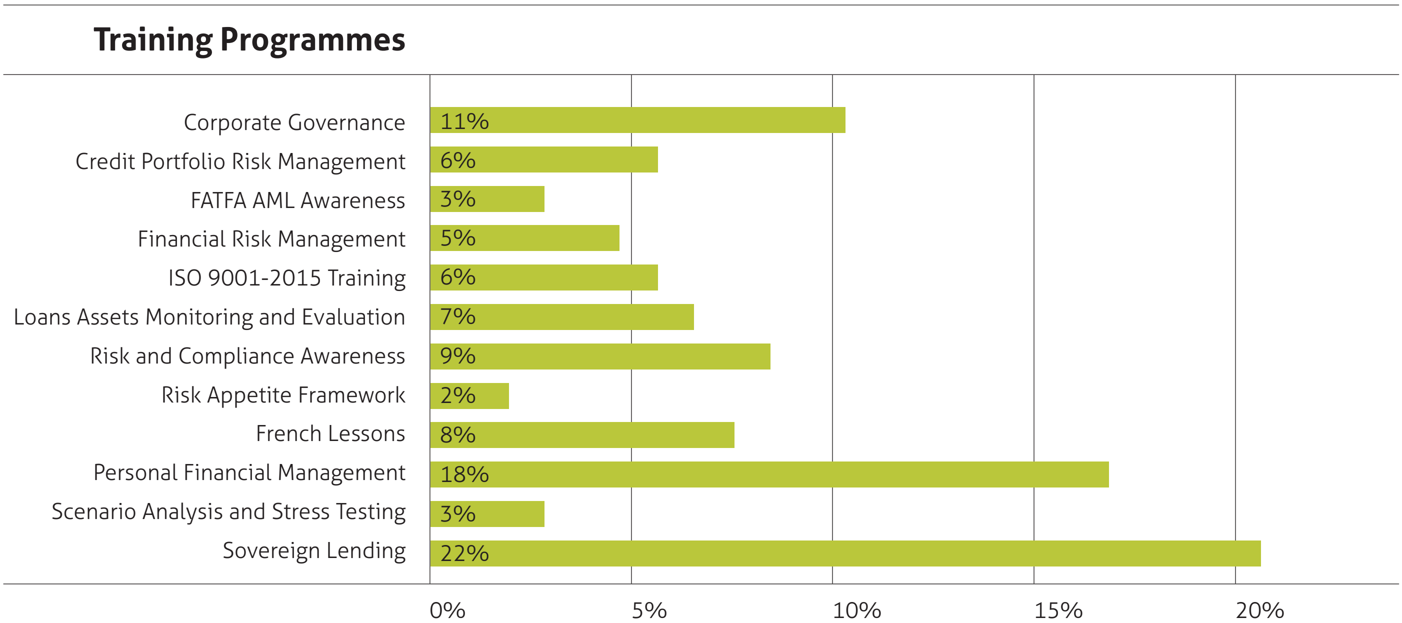


Figure 19: Staff Training Programs

06

Information Technology

Information Technology

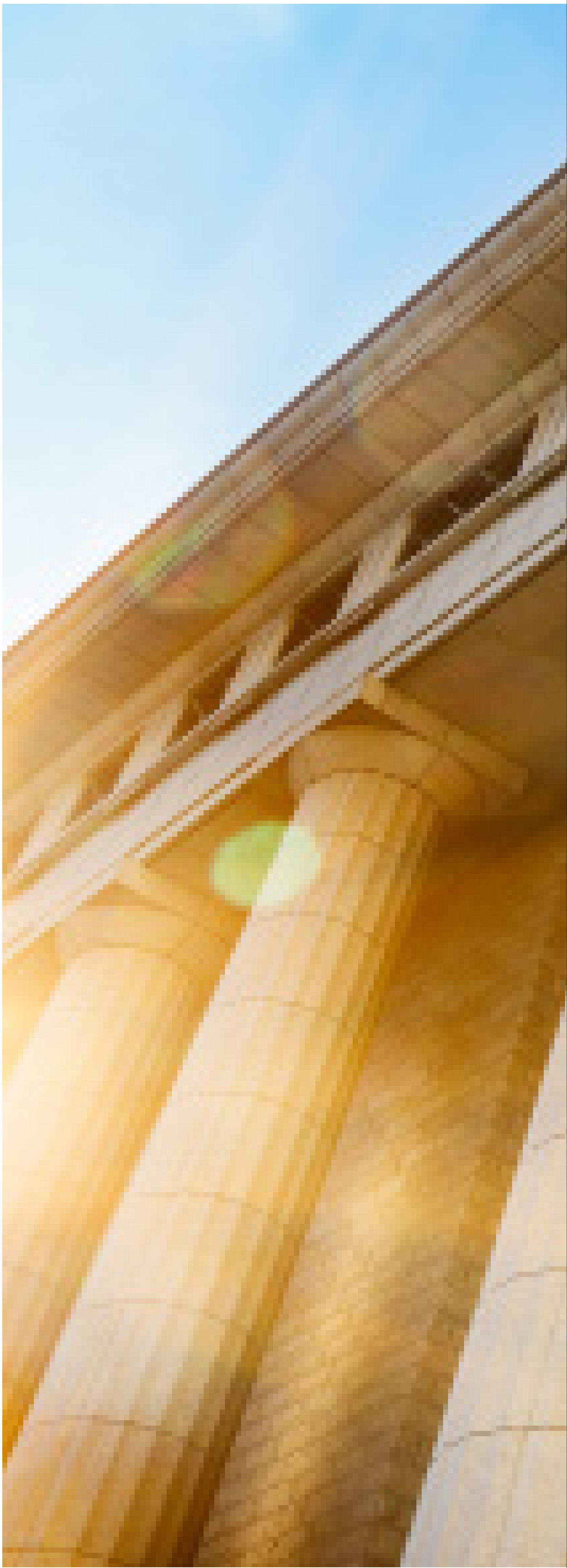
Having embarked on a digital transformation in 2021, the company continued with delivery of the digital strategies in support of operational excellence. The newly reimplemented enterprise resources planning system has been instrumental in driving efficiencies within the Company.

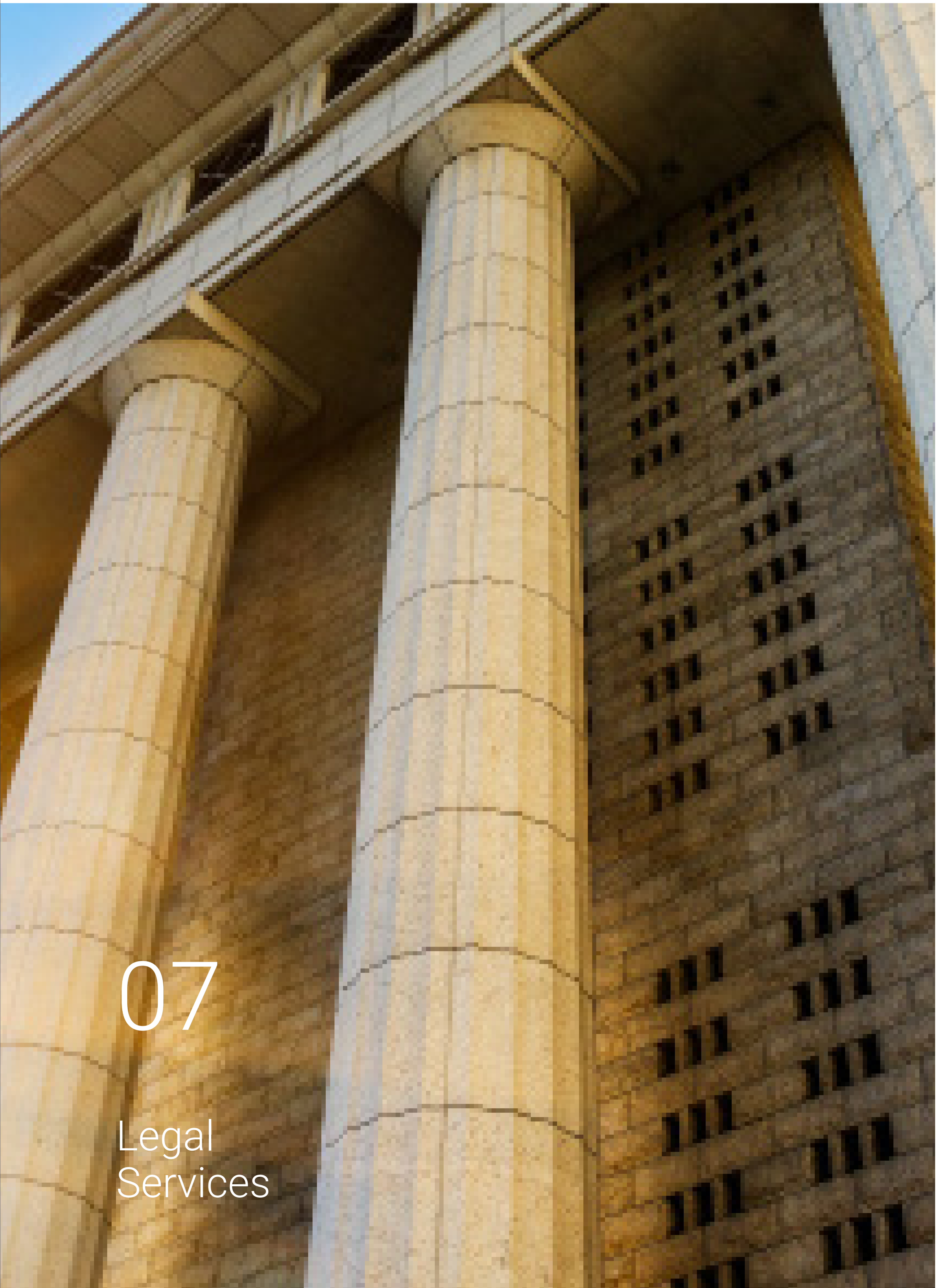
In the current dynamic market, organisations must embrace continuous process improvements to align them with the changing customers' needs and operating environments.

During this period, several ICT initiatives were initiated. The key highlights were the launch of a records and information management project dubbed "Project eRIM". The project aim is to ensure security, reliability, and authenticity of records and information for long-term organisational sustainability. PROJECT eRIM stands for "efficient Records and Information Management" Project. The company also commenced the implementation of governance, risk and compliance solutions to strengthen its enterprise risk management by automating reporting and monitoring risks centrally.

As has become the tradition, technology played a critical role in the delivery of a successful hybrid annual general meeting held in Victoria Falls, Zimbabwe. The company shall continue to embrace innovative technologies and processes in its operations.

Looking forward to 2023, the Company will continue with the implementation of digital transformation initiatives with a main focus on the business process reengineering geared towards operational excellence. Technology will remain an enabler of the business in achieving business objectives envisaged in the new strategic plan 2023-2027.





07

Legal Services

Legal Services

01. Legal Services Department

The Legal Services Department (LSD) functional areas are Legal Advisory, Ligation management, Collateral management, Legal due diligence, Legal support to institutional matters, Loan Documentation and security perfection, and Contract management.

02. Key Support Areas 2022

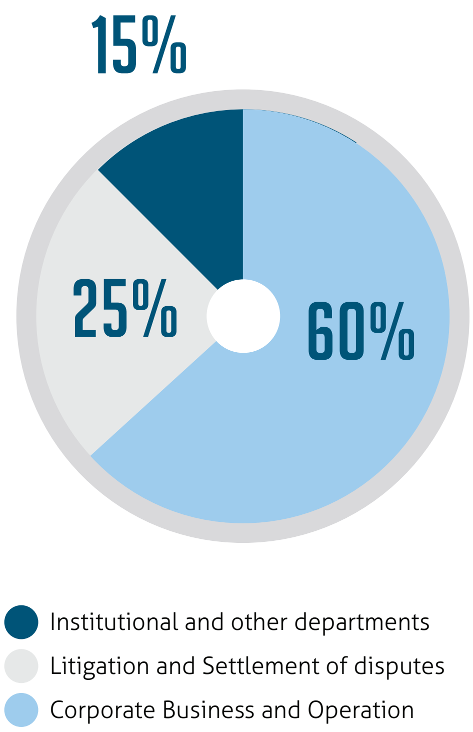


Figure 20: Key Support Areas in 2022

3. Legal Achievements

In 2022 among many achievements, some accomplishments are highlighted below:

Effective management of litigation & use of Alternative dispute resolution: The Legal Department continues to improvise and improve the management of legal cases by and against the company. The 2022 FY was particularly successful on account of the following:

Adopting and implementing the full adoption of Alternative Dispute Resolution/ out of court settlement which helped sign us 3 very vital out of court settlements with borrowers. These include the settlements with Translakes in Kisumu, KMA Housing Co-operative and Africa Hospitality Group Ltd. This approach has had a positive effect on the Non-Performing Loans ratio.

Effective management of legal fees: A key strategy adopted to reduce upfront payment of legal fees is the success based remuneration where advocates are only paid in full upon the successful completion of the assignment.

Support to Business development: The year 2022 was critical for the company since it is the year that lending resumed. It was critical to ensure that the disbursement of USD 80M was completed by year end. This was done by very proactive and aggressive conclusion of legal documentation, keen follow-up on the Conditions Precedent to disbursement and timely issuance of legal clearances.

> **The Legal Services Department functional areas are Legal Advisory, Ligation management, Collateral management, Legal due diligence, Legal support to institutional matters, Loan Documentation and security perfection, and Contract management.**

Shareholders visit the Victoria Falls

08

Enterprise Risk Management

Enterprise Risk Management

Overview of Enterprise Risk Management Framework

Risk management protects against erosion of value. Effective enterprise risk management is fundamental to achieving our institutional mandate. Our risk management programme is structured to achieve an appropriate balance between risk and return and developmental impact while continuing to build and enhance risk management capabilities that assist in delivering our growth plans in a controlled environment.

Risk management is at the heart of our business model. We seek to limit adverse variations in earnings and capital by managing risk exposures within an agreed risk appetite. The approach includes minimising undue concentrations of exposure, limiting potential losses from risk events, and ensuring the continued adequacy of our financial resources coupled with organisational resilience.

Our risk management processes proved effective in FY2022, despite a challenging economic environment brought about by the continued effects of the COVID19 pandemic as well as the conflict between Russia and Ukraine and reduced global economic growth.

Risk Governance

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

ERM Governance Structure

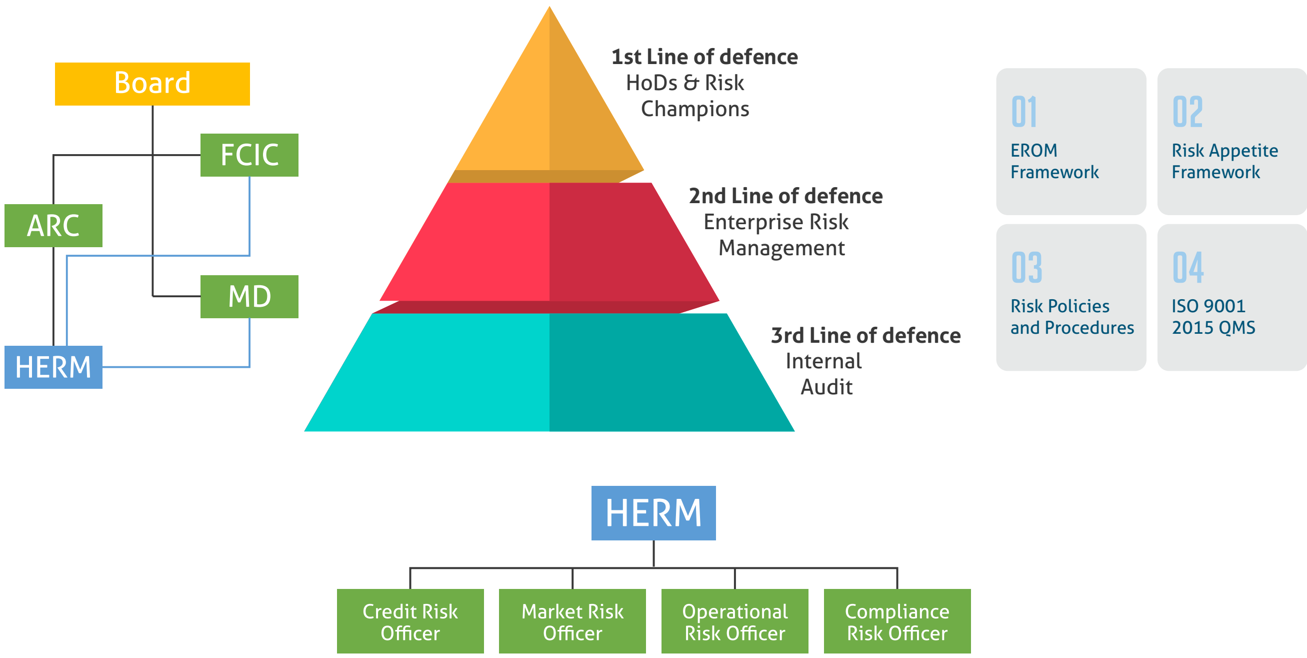


Figure 21: ERM Governance Structure

The Board provides oversight ensuring that our business practices and conduct is within the defined parameters and focused on sustainable value creation. The board supervises and authorises the establishment of an enterprise risk management framework, relevant risk policies and procedures, risk appetite and models. The Board has delegated this critical function to the Audit & Risk Committee (ARC).

The Managing Director together with the Executive Committee (EXCO) retain overall responsibility for the daily management of risks within the company and is assisted by the Head of Enterprise Risk Management Department in discharging this role.

Risk Management Process

The Company ERM programme (depicted in the figure below) follows a systematic process benchmarked to the provisions of the ISO 31000: Risk Management Standard & Guidelines and BCBS Standards on Pillar 1 type risks (Credit, Market and Operational Risks). The process entails developing a risk universe, identifying, analysing, evaluating, managing, monitoring, and communicating risks in a way that allows for decision-making and timely response to risks and opportunities.

Risk Tolerance

The Board of Directors is responsible for setting the maximum acceptable levels of risks to be taken by the company. This has been formulated through a risk appetite policy statement, which is reviewed in connection with the annual approval of the company's business plan and strategies.

The risk tolerance statements represent a long-term view of the boundaries within which the Board expects the management to operate and covers both financial and non-financial risks. The company's risk profile in relation to the risk tolerance is monitored and followed up regularly by the ERM function and is presented to the ARC through the ERM quarterly report. During FY 2022, the company operated within the Board approved risk appetite policy statement.

Types Of Risks

The Company ERM programme covers a wide range of risk classes and types, both financial and non-financial. The figure below provides a spectrum of the different clusters of risks being identified and managed within the Company.

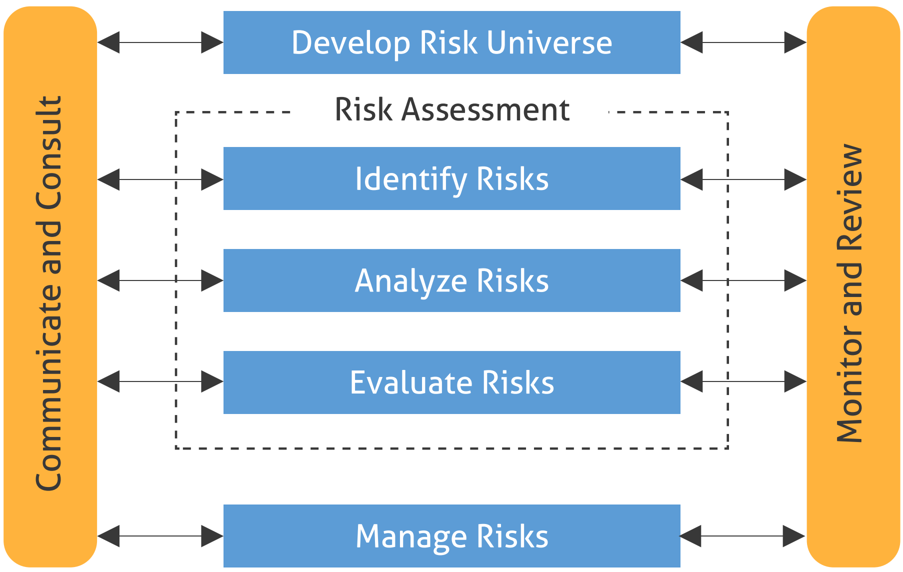


Figure 22: :Risk Management Process

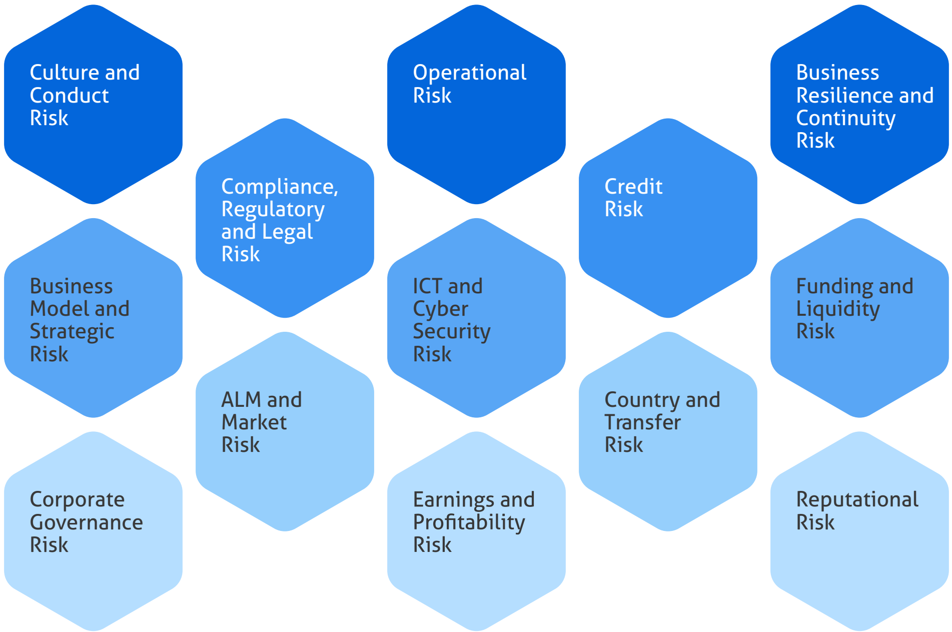


Figure 23: Shelter Afrique Risk Universe

Pillar 1 Risks

Credit Risk Management

The predominant risk in SHAF is credit risk, which arises from lending activities. The overriding principle of SHAF's general credit granting is that all lending is based on credit analysis and is proportional to the customer's cash flow and ability to repay. It is required that a customer is known to the company and the purpose of the loan is fully understood in order that the customer's character and repayment capacity can be evaluated.

To manage the credit risk for each individual customer or customer group, limits are established, reflecting the maximum exposure that the company is willing to accept on the customer.

Credit exposure limits are established for total exposure in countries and certain customer segments. The risk management function regularly reviews and assesses the aggregate credit portfolio and its asset quality based on geography, risk class, product type, size, and other parameters. Depending on the creditworthiness of the customer, as well as the nature and complexity of the transaction, collateral and netting agreements are used to mitigate the credit risk. In the selection of a particular credit risk mitigation technique, consideration is given to its suitability for the product and customer in question, its legal enforceability, and on the experience and capacity to manage and control the technique.

Market Risk Management

Market risk is the risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices. Market risk can arise from changes in interest rates, foreign exchange rates, credit spreads, commodity and equity prices, implied volatilities, inflation and market liquidity. The following are the market risk types applicable to SHAF business:

Interest rate risk
Interest rate risk is the risk of loss or reduction of future net income following changes in interest rates, including price risk in connection with the sale of assets or closing of positions.

Net interest income (NII) risk
The NII risk depends on the overall business profile, particularly mismatches between interest-bearing assets and liabilities in terms of volumes and repricing periods.

Credit spread risk
Credit spread risk is the risk of loss or reduction of future net income following changes in credit spreads, including price risk in connection with the sale of assets or closing of positions. As opposed to credit risk, which applies to all credit exposures, only assets that are marked to market are exposed to credit spread risk.

Foreign exchange or currency risk
Foreign exchange risk arises both through SHAF's foreign exchange trading and through its operations in various currencies. Foreign exchange trading positions are measured and managed within the overall open gap positions.

Inflation risk
Inflation risk is the risk of losses in inflation-linked products due to changes in inflation.

Market liquidity risk
Market liquidity risk is the risk of loss in connection with the sale of assets or closing of positions due to bid-ask spread widening.

Market risk limits and control - A market risk framework embedded within our treasury policy, does provide for proper oversight of all types of market risks, including the market risk in the banking book and the market risk related to fair value adjustments. The Board of Directors defines how much market risk is acceptable by setting the overall market risk limits and general instructions

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition includes compliance, legal and financial reporting, IT and information security, cyber security, physical security and venture execution risk. The following tools and processes are used throughout the company to continuously identify and manage operational risk:

New Product Approval Process
All new or changed products, processes and/or systems as well as reorganisations are evaluated through a systematic and accountable process for product introduction and risk management.

Risk and Control Self-Assessments (RCSA)
All business units with significant risk embedded in their operations do regularly complete Risk and Control Self-Assessments (RCSA) according to the company's operational risk management framework. The assessments are based on their consolidated operations, which are designed to identify and mitigate operational risks embedded in the process end-to-end.

Business continuity management
Business continuity management (BCM) is the process of ensuring that the organisation is prepared to respond to and operate through a period of major disruption. The company's BCM framework provides methods and processes to ensure readiness to recover, resume and maintain business critical functions and processes. There are strategies and plans in place to enable recovery and continuity of critical functions and processes in case of major disruptions.

Incident management
All departments are required to escalate and register risk-related events so that risks can be properly identified, assessed, monitored, mitigated, and reported. The events are captured and reported monthly. The incidents, which are risk-events and other operational risk data and key metrics, is analysed by the risk management team to evaluate operational risk exposures and identify businesses, processes, activities, services or products with an increased level of operational risk.

Conduct, training, and whistle-blower procedure
SHAF conducts regular training and education in key areas, including information security, fraud prevention, anti-money laundering, know your-customer procedures and the Company's Code of Business Conduct. SHAF also has a formal whistle-blower policy and procedure that encourages employees to report improprieties and unethical or illegal conduct.

Pillar 2 Risks

Liquidity Risk Management

The aim of liquidity management is to ensure that the company has a controlled liquidity situation, with adequate volumes of liquid assets in all relevant currencies to meet its liquidity requirements in all foreseeable circumstances, without incurring substantial cost. The treasury function has the overall responsibility for liquidity management and funding strategy.

Liquidity reserve - To mitigate liquidity risk and ensure that the company can meet its payment obligations, SHAF holds a liquidity reserve (minimum

15%) which is managed by the treasury function. To quantify and manage short- and long-term liquidity risk, a range of customised methods and metrics are used to assess the structure of the balance sheet and cash flows under both normal and stressed market conditions. Liquidity gaps are identified through measurement of cumulative net cash flows arising from the assets, liabilities, and off-balance sheet positions in various time buckets.

The company's liquidity position was managed adequately within the reporting period with liquidity ratio averaging over 30 per cent through-out the year.

1.1 Capital Risk Management

The company's capital risk management framework defines how the company's capital management should support its business goals, and credit rating targets.

The CFO is responsible for the process to assess capital requirements in relation to the company's risk profile and for proposing a strategy for maintaining the capital levels. In the capital plan, the company considers internal views on material risks and their development as well as risk measurement models, risk governance and risk mitigants. It is linked to overall business planning and establishes a strategy for maintaining appropriate capital levels. Together with continuous monitoring and reporting of the capital adequacy, this ensures that the relationship between shareholders' equity and economic capital requirements are managed so that the solvency of the company is not jeopardised.

Capitalisation Target:- The Board of Directors sets the company's capitalisation target to ensure that the company's capital is sufficient both to support its business strategy and risk tolerance. Currently, the Board's capital target is to maintain a CAR of 25 per cent and above. During this period of review the company's CAR averaged 27 per cent and above throughout the year.

1.2. Risk Reporting

Risks are reported and discussed in the risk governance structures and executive management committees. Risk reports are prepared for the board committees, the regulator (specific to NGN Bond programme) and other stakeholders on a regular basis.

1.3. Risk Culture

Our risk culture reflects our vision, mission, and ethics. The board and executive team have set a tone of doing the right business, the right way, and ensuring we earn the trust of customers and key stakeholders with every decision we make. Where non-adherence is observed, these situations are dealt with in a decisive manner in restoring the company's zero tolerance on ethics, integrity and poor business conduct.

1.4. Internal Control Environment

The company's internal control programme is underpinned within the tenets of COSO Integrated Internal Controls Framework. The programme is further strengthened by the adoption of ISO 9001:2015 Quality Management System (QMS). The programme provides for the following key components of guaranteeing a sound system of internal control environment:

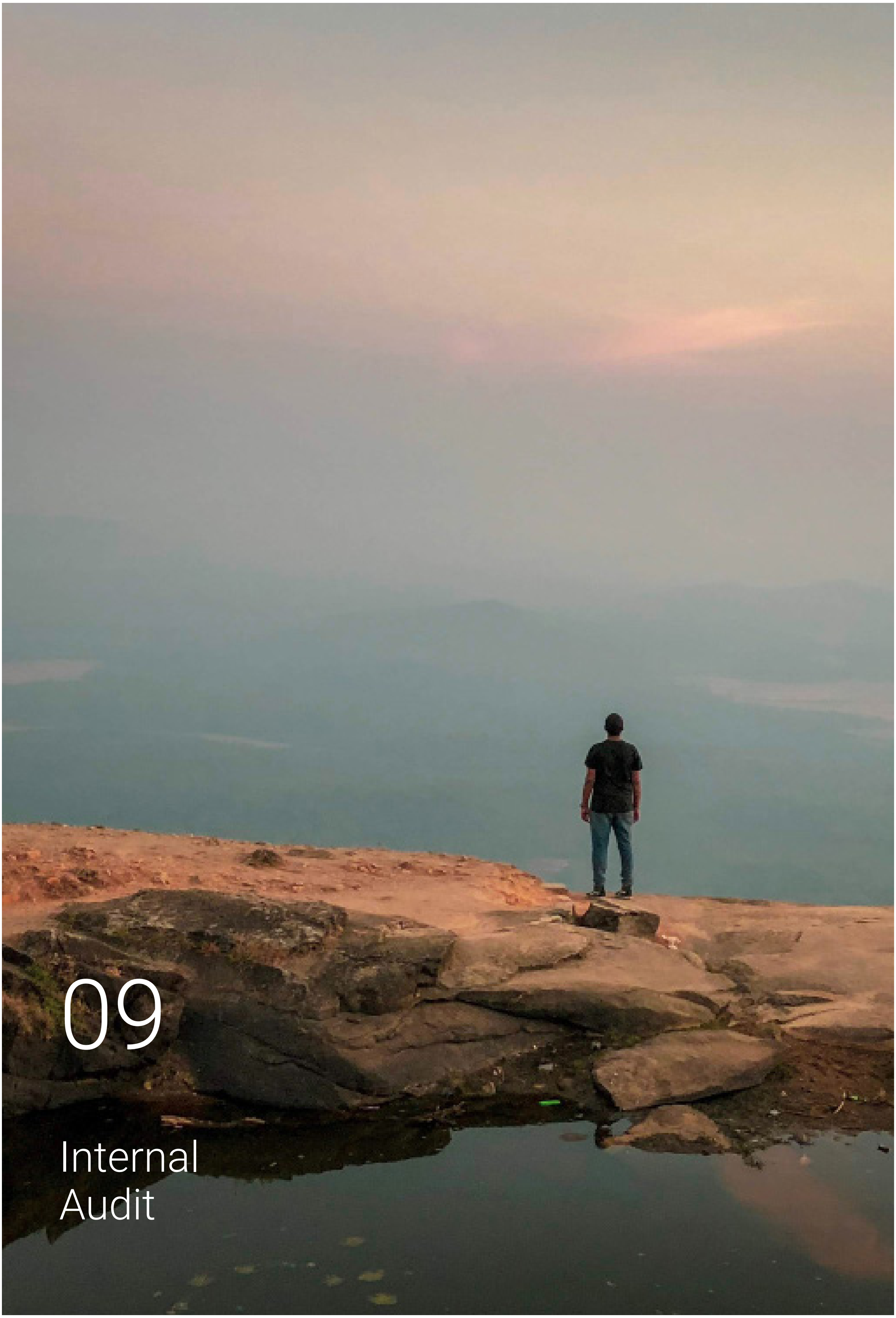
- **Management Oversight and the Control Culture:-** The Board of Directors demonstrates independence from management and exercises oversight of the development and performance of internal control. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in pursuit of the company's objectives. The company holds individuals accountable for their individual responsibilities, and good practices are enforced such as integrity, ethical values, and competence, philosophy and operating styles of senior leaders.

- **Risk Recognition and Assessment:-** The company specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to its strategic objectives. Risks are identified affecting the achievement of the objectives across the entire company. The company considers potential for fraud in assessing risks affecting the achievement of its objectives and assesses changes that could significantly impact the system of internal control.

- **Control Activities and Segregation of Duties: -** The company selects and develops control activities that mitigate risks affecting the achievement of its strategic objectives to acceptable levels. The controls are enshrined within specific documented policies that establish what is expected and procedures that put policies into action. The controls include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties.

- **Information and Communication:-** The Company continues to enhance and advocate for comprehensive internal financial, operational, and compliance data as well as external market information about events and conditions relevant to decision-making. Information is adequately managed to be reliable, timely, accessible, and provided in a consistent format. The systems are structured to be secure, monitored, and supported by adequate contingency arrangements.

- **Monitoring Activities and Correcting Deficiencies:-** The overall effectiveness of the company's internal controls is monitored on an ongoing basis. The monitoring of key risks is part of the company's daily activities coupled with periodic evaluations by the business lines and internal audit. All internal control deficiencies, whether identified by business line, internal audit, or other control personnel, are reported in a timely manner to the appropriate management level and addressed promptly. The Company commits to continually enhance its business operational risks and capabilities. This is to be sustained into FY 2023 with advanced programmes around full integration and automation of the key business processes of the company.



09

Internal Audit

Internal Audit

The Internal Audit unit was mainly focused on conventional audit, using the compliance audit approach. In 2014, the unit moved 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 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 compliance.

Year 2022 Activities

The primary function of the Internal Audit is to provide 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 Committee. It evaluates the effectiveness of the organisation's risk management, internal controls, and governance processes. The unit is guided by the International Professional Practices Framework (IPPF) and under an internal audit charter approved by the Board (June 2020). The charter defines the roles, objectives, authority and responsibilities of the audit function. The Internal Audit Unit's capacity is enhanced by a co-sourced team of external consultants which continues to support the function.

Collaboration across the "three lines of defence" was enhanced and vital to organisation success in managing the key risk areas that included business continuity, crisis response and regulatory compliance. The Internal audit and risk functions worked together and leveraged their different perspectives to address critical risks.

The primary function of the Internal Audit is to provide 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.

Key Transformation Of The Audit Unit For The Past 10 Years:

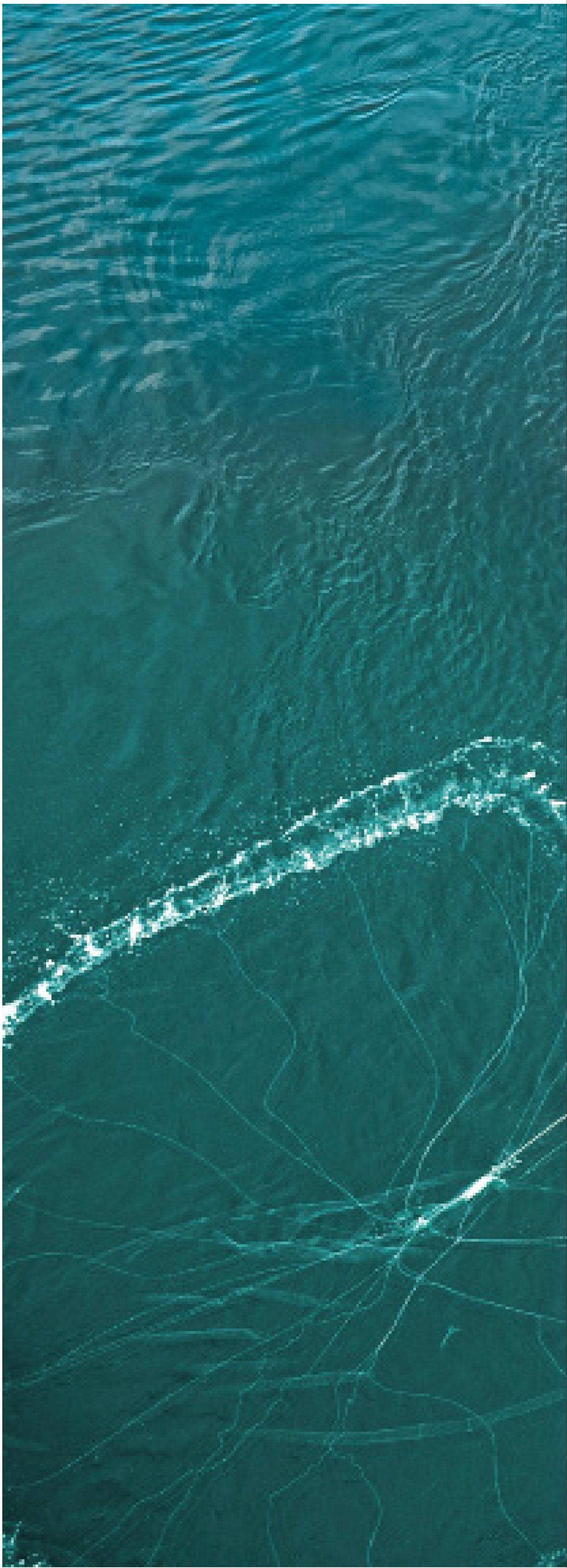
At the end of the year under review, the unit has continued to embed agile auditing within its audit process to enhance efficiency and effectiveness of the organisation risk management process and provide value added internal audit services.

In the year under review, the unit continues to champion the integration of combined assurance within the risk management process.

Transformation from compliance audit and embedding risk-based audit approach.

Upgrade from manual to semi - automated audit process.

In 2022, the management sustained the recovery efforts that are anchored in the Board-approved Non-Performing Loans (NPLs) Management Strategy 2020-2023. The strategy presents an endgame to the existing NPL portfolio, which is largely part of the old, legacy portfolio.



10

Recoveries Of Non-Performing Loans

Recoveries Of Non-Performing Loans

In 2022, the management sustained the recovery efforts that are anchored in the Board-approved Non-Performing Loans (NPLs) Management Strategy 2020-2023.

The strategy presents an endgame to the existing NPL portfolio, which is largely part of the old, legacy portfolio. The management has also prepared and presented to the Board of Directors an NPLs Management Strategy that articulates the key strategies, activities, and the end game that the management intends to adopt to substantially reduce the NPL portfolio within a reasonable time frame.

The key part of the NPLs management strategy is to ensure that few or no file is downgraded to the NPL list while at the same time aggressively pushing for all the measures that will help to substantially reduce the legacy portfolio. The management is also very keen in improving and setting a more robust Early Warnings system that will supplement the monitoring work under the oversight role of the Loans Monitoring Committee.

The current asset quality position is still below the anticipated results despite huge efforts to reduce the portfolio. There are several key reasons behind the high level of the NPLs and the NPLs to Gross loans ratio. First, although great strides have been made in booking new disbursements, the rate of closing new transactions is still slow compared to the repayments of the performing book.

Second, the NPL ratio was exceptionally increased after the change of accounting policy advised by the external auditors, PWC. All interests and fees that had been suspended were recorded back to the book in line with provisions of IFRS 9.

Despite those challenges, the current NPL ratio decreased to 54 per cent as at December 2022 from a high of 72.4 per cent as at June 2022 and this improvement is largely attributable to two key aspects, a substantial reduction in NPLs buoyed by the debt for asset takeover of the Translakes project in Kenya (USD 9.5 million) and KMA Sacco (USD 6.5m). The company also recorded an increase in new loan disbursements in Q3 &4.

Going forward, management has set up an aggressive platform to continue reducing the NPL portfolio and equally offloading and selling any recovered assets in line with the provisions of IFRS 5. The management will also explore a possibility of establishing a good and bad book to ensure the legacy portfolio is ring fenced and given special care and attention. Strategically, the Board approved a strategy to reduce the NPL stock that is hedged on cash collections/ recoveries, asset take-over through debt for asset swaps/ADR processes and write off of the accounts where recovery is deemed very difficult or impossible.

It should be noted that the remaining legacy NPL is now constituted of primarily hard core accounts of incomplete/stalled projects with multi-layered issues including weak legal and regulatory regime impeding court driven redress, fraud, and diversion of funds.

The NPL reductions by the end of the current fiscal year (Dec. 2022) are as follows:

Item	December 2022
Cash Collections	USD 8.25 million
ADRs/ Assets Takeover	USD 16.0 million
Write-offs	USD 6.9 million
Total	USD 31.25 million

As articulated in the NPLs Management strategy, the Special Operations Unit (SOU) continues to operate as a strategic business unit which is not only a cost centre but also a profit centre. The SOU works closely with the other functional units especially the Loans Management Unit, the legal Unit and ERM by sharing the lessons learned from the files to ensure strict underwriting and reduce files downgrade from the performing book to the NPL list.

11 New Business

Figure 14: Counterparties during the Signing Ceremony for the Naira Bond

Business Development

Overview

2022 marked a monumental event in the form of the raising of a local currency Naira bond in April 2022 of approximately US$100m in Nigeria. This was a culmination in efforts to counter the risks of the depreciation of local currencies in most member countries which have affected the ability of most customers to take foreign exchange risk. Such efforts are expected to be extended to other member countries where the Capital Markets have the capacity and depth for such programmes.

The raising of the Naira together with lending to other member countries resulted in the joint-second highest disbursements achieved in SHAF over the last 20 years.

Loan Approvals

Approvals during 2022 amounted to equivalent USD 96.8m, an increase from 2021 equivalent to 212.3 percent.

Loan Commitments

Commitments during 2022 amounted to equivalent USD 77.3m, equivalent to 79.8 per cent of the investments approved during the year.

"The raising of the Naira together with lending to other member countries resulted in the joint-second highest disbursements achieved in SHAF over the last 20 years.

Loan Disbursements

Disbursements during the year amounted to USD 80.7m. The amounts were largely attributable to disbursements to ongoing projects carried forward from previous years' approvals (7 percent); disbursements to complete transactions under work out (8.7 percent) and disbursements under newly approved transactions (84.3 percent).

The table and chart below summarises the disbursements between 2002 and 2022

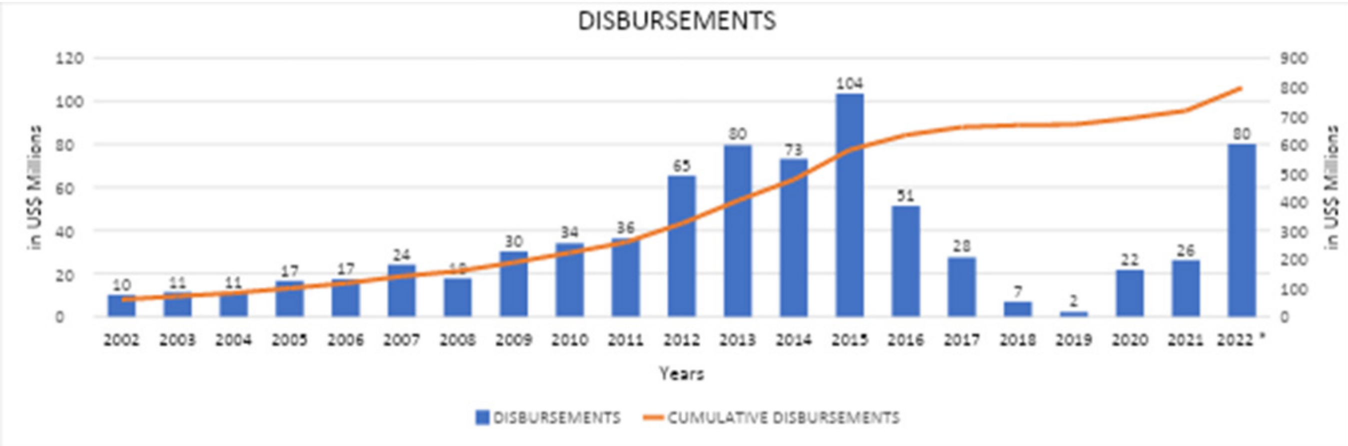


Figure 24: Loan disbursements between 2002 and 2022

Business Development Going Forward

From the beginning of 2023, Business Development has been segmented into 4 clusters; namely: Financial Institutions Group (FIG); Project Finance Group (PFG); PPP/Sovereign Lending (PPP); and Fund Management Group (FMG). The clusters will focus on housing financing delivery on both the demand and supply sides across the member countries.

The Business development Team continues to develop a pipeline that is reflective of the aspirations of SHELTER-AFRIQUE's shareholders and that is responsive to the affordable housing crisis evident in its Member Countries.

Notwithstanding the focus to conclude the disbursement of the funds raised from the Naira Bond, the pipeline in other member countries is also critical to ensure diversity of the new loan book. Loan pipeline will drive fundraising efforts from Multilateral Development Banks (MDBs); Impact Funds; and Local Capital Markets to deliver Social Housing; Affordable Housing; & Urban Regeneration

Business Development is now well positioned to deliver on the commitments made to shareholders under the 2023-2027 Strategic Plan.

Figure 15: Work begins on a construction site at the Victoria Falls, Zimbabwe

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Financial Statements

From Year ended 31st December 2022

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Corporate Information

FOR THE YEAR ENDED 31 DECEMBER 2022

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

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

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

NCBA Bank Kenya Limited
P O Box 30437- 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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Certified Public Accountants (Kenya)
PwC Tower, Waiyaki Way/Chiromo Road,
P.O. Box 43963 - 00100,
Nairobi, Kenya

Corporate Information For The Year Ended 31 December 2022 (Continued)

Directors	Alternate Directors	Countries / Institutions represented	% Shareholding
Mr. Nghidinua Mathews Daniel (Namibia) – Serving a second term from 20th July 2020	**Mrs. Dorcas W. Okalany** (Uganda) - From 20th July 2020	Botswana, Lesotho, Malawi, Namibia, Rwanda, Tanzania, Uganda, and Zambia	**12.32%**
Sékou DEMBA (Mali) From 20th 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	**13.39%**
Dr. Theresa Tuffour (Ghana) until 24th June 2021 **Mr. Ouadja Kossi Gbati** (Togo) - from 24th June 2021	**Mr. Ouadja Kossi Gbati** (Togo) 24th June 2021 **Dr. Theresa Tuffour** from 28 July 2022	Ghana, Guinea, Cape Verde, Togo	**6.60%**
Mina Azerki (Morocco) from 20th July 2020	**Mr. Nejib Snoussi** (Tunisia) from 20th July 2020	Algeria, Mauritania, Morocco, Tunisia	**7.08%**
DIBONG née Biyong Marie-Rose (Cameroon) from 20th July 2020	**Ahamadou Sardaouna** (Cameroon) from 20th July 2020	Benin, Congo, Democratic Republic of Congo, Cameroon, Gabon, Madagascar, Mauritius, Niger, Seychelles, Sao Tome & Principe	**9.78%**
Olaitan Olugbenga Komolafe (Nigeria) - Member (new) from: 20th July 2020	**George Bombo Bright** (Liberia) from: 20th July 2020	Gambia, Liberia, Nigeria, and Sierra Leone	**16.53%**
Mr. Charles Hinga Mwaura (Kenya) - Serving a second term from 24th June 2021	**Mr. Patrick Bucha** (Kenya) - from 24th June 2021	Kenya, Somalia, Swaziland, Zimbabwe	**18.59%**
Class "B" Shareholders (Institutions)			
Mr. Ephraim Kiiza Serving second term from 28 July 2022	**Mr. Phocas Nyandwi** From 28 July 2022	African Reinsurance Corporation	**3.60%**
Dr. Patience Chika Akporji from 17th September 2020	**Yomi Ayodabo** From 17th September 2020	African Development Bank (AfDB)	**12.11%**
Total			**100.00%**

INDEPENDENT DIRECTORS: Dr. Stephen Mainda – Served second term up to 28th July 2022. **Mr. Babatunde Adebisi Sanda** from 24 June 2021.

Corporate Information For The Year Ended 31 December 2022 (Continued)

Senior Management

Mr. Andrew Chimphondah
Managing Director
(Resigned on 17 February 2022)

Thierno Habib Hann
Managing Director
(Joined on 10 January 2023)

Mr. Kingsley Muwowo
Chief Finance Officer
(Acting Managing Director from 17 February 2022 up to 9 January 2023)

Mrs. Beatrice Mburu
Acting Chief Finance Officer
(from 17 February 2022)

Mrs. Juliette Kavaruganda
Company Secretary

Mr. Alfred Nicayenzi
Chief Operations Officer

Mr. Bernard Oketch
Head of Enterprise Risk Management

Mr. Yankho Chitsime
Head of New Business

Mr. Charles Kazuka
Head of Human Resources and Administration

Ms. Houda Boudlali
Head of Legal Services

Dr. Muhammad Gambo
Manager: Policy, Research and Partnerships

Internal Auditor

Mr. Benson Ngare
Internal Auditor (Acting, From 1 October 2021)

Report Of The Directors

For The Year Ended 31 December 2022

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 2022, 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 (AfDB), and the African Reinsurance Corporation (Africa-Re) 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 81 of the financial statements. The total comprehensive loss for the year amounts to US$ 11,604,154 (2021: Comprehensive income of US$ 1,038,795).

Dividends

The Directors, however, do not recommend the payment of a dividend for the current financial year (2021: US$ Nil).

Shelter Afrique Foundation

The Directors do not recommend the appropriation of any funds to Shelter Afrique Foundation. (2021: US$ nil).

Reserves

The reserves of the Company are set out on page 83 of the financial statements.

Directors

The Directors who served during the year and to the date of this report are as listed on page 70. 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.

Statement As To Disclosure To The Company's Auditor

With respect to each director at the time this report was approved:

(a). there is, as far as each director is aware, no relevant audit information of which the Company's auditor is unaware; and

(b). each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

PricewaterhouseCoopers LLP were appointed as the auditors for the year ended 31 December 2022 and have expressed their willingness to continue in office.

By Order Of The Board

Company Secretary
Nairobi

Date: 30th March 2023

Statement On Corporate Governance

For The Year Ended 31 December 2022

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 70.

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 four times annually. During the year, the Board convened and held four ordinary meetings to implement its corporate 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 35 to the financial statements.

Related Party Transactions

There have been no significant related party transactions or relationships between the Company and its Directors or management except for those disclosed in note 35 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. 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 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 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 strategy, the Board has taken steps to significantly enhance the operating independence and effectiveness of the internal audit unit. Enhancement of the enterprise risk management system is a continuous process in order 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.

The Board has continued to adopt improved policies and procedures including, but not limited to, the adoption of a 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 continued to implement 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.

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. The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Director Director

Statement Of Directors' Responsibilities

For The Year Ended 31 December 2022

The Company's Statutes (Article 30) 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: (a) show and explain the transactions of the Company;(b) disclose with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Company's Statutes.

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:
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; selecting suitable accounting policies and applying them consistently; and 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.

Approved by the directors on 30th March 2023 and signed on its behalf by:

Director

Director

Certification Of Financial Statements For The Year Ended 31 December 2022 By The Chief Finance Officer And The Managing Director

We, Thierno-Habib Hann, and Beatrice Mburu 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 2022.

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.

Beatrice Mburu
Ag. Chief Finance Officer

Thierno-Habib Hann
Managing Director

pwc

Independent Auditor's Report

To The Shareholders Of The Company For Habitat And Housing In Africa

Report on the financial statements

Opinion

We have audited the accompanying financial statements of The Company for Habitat and Housing in Africa (the "Company") set out on pages 81 to 149 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of The Company for Habitat and Housing in Africa at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

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

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu Brian Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

Independent Auditor's Report To The Shareholders Of The Company For Habitat And Housing In Africa (Continued)

(Key Audit Matters Continued)

Key Audit Matter	How our audit addressed the key audit matter
Estimation Of Expected Credit Losses On Loans And Advances At Amortised Cost. Loans and advances to customers comprise a significant portion of the Company's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgement in the assumptions that are applied in the models used to calculate ECL. The policies for estimating ECL are explained in notes 36 (b) and 2 (p) of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments; • the judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used. Specific assumptions have been applied by management in determining the staging, PD and LGD for certain segments of the loan book; and • the relevance of forward-looking information used in the models; Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included: • We reviewed the Company's methodology for determining ECL, including enhancements in the year, and evaluated this against the requirements of IFRS 9; • We tested how the Company extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model • We validated controls implemented by the Company over the staging of loans and advances between default (Stage 3), significant increase in credit risk (Stage 2) and others (Stage 1) and tested, on a sample basis, the staging of loans and advances; • We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and re-calculated the same on a sample basis; • For LGD, we tested the assumptions on the timing of the recovery cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; • We tested, on a sample basis, the reasonableness of EAD based on historical experience of the Company; • For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information; and assessed the reasonableness of the weightings applied to different scenarios. • We reviewed and assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.

Independent Auditor's Report To The Shareholders Of The Company For Habitat And Housing In Africa (Continued)

Other Information

The other information comprises the Company's information, Statement on corporate governance, Report of the directors, Statement of Directors' Responsibilities and Certification of financial statements by the Chief Finance Officer and the Managing Director which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which is expected to be made available to us after that date but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will 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 identified above 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 we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Bernice Kimacia

CPA Bernice Kimacia,
Practicing certificate No. 1457
Signing partner responsible for the independent audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

27th April 2023

Financial Statements
For The Year Ended 31 December 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 US$	2021 US$
INTEREST INCOME	4	18,433,116	12,874,668
INTEREST EXPENSE AND SIMILAR CHARGES	5	(10,001,243)	(2,022,873)
NET INTEREST INCOME		8,431,873	10,851,795
OTHER INCOME	7	242,712	591,129
GRANT INCOME	29	3,879	3,879
OPERATING INCOME		8,678,464	11,446,803
PROVISION FOR EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES	16	(8,203,110)	(88,216)
IMPAIRMENT CHARGE – JOINT VENTURES	18	(1,071,065)	-
IMPAIRMENT ON OTHER FINANCIAL ASSETS	13 & 17	(202,058)	(217,254)
		(797,769)	11,141,333
OPERATING EXPENSES	8	(9,533,975)	(8,043,963)
NET FOREIGN EXCHANGE LOSSES	10	(1,400,679)	(1,236,042)
SHARE OF LOSS IN JOINT VENTURES	18	(42,209)	(50,423)
(LOSS)/PROFIT FOR THE YEAR		(11,774,632)	1,810,905
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR			
Items that will not be reclassified subsequently to profit or loss			
UNREALISED GAIN /(LOSS) ON EQUITY INVESTMENTS	19	150,310	(382,000)
POST EMPLOYMENT BENEFIT OBLIGATION ACTUARIAL GAIN/(LOSS)	27	20,168	(390,110)
OTHER COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR		170,478	(772,110)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		(11,604,154)	1,038,795
EARNINGS PER SHARE			
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE	11	(94.22)	9.13

Financial Statements
For The Year Ended 31 December 2022

STATEMENT OF FINANCIAL POSITION

	Notes	2022 US$	2021 US$
Assets			
Bank and cash balances	12	3,400,643	5,912,851
Short term bank deposits	13	72,961,707	25,677,981
Investment in bonds	13(b)	10,392,317	-
Equity investments	19	5,445,000	5,458,000
Derivative financial assets	14 (a)	153,274	294,495
Other receivables and prepayments	17	2,812,515	1,486,726
Loans and advances to customers	16	155,011,972	112,591,672
Repossessed Collateral	15	10,360,080	4,485,919
Investments in joint ventures	18	2,823,239	4,086,707
Property and equipment	20	901,048	1,115,618
Intangible assets	21	375,600	418,949
Government grant	22	93,108	96,987
Investment properties	23	5,691,947	5,691,947
TOTAL ASSETS		270,422,450	167,317,852
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	125,536,000	120,795,000
Share premium	24	65,008,596	61,343,803
Revaluation reserve	24	438,204	469,889
Accumulated deficit		(32,566,008)	(20,843,230)
Credit loss reserve	24	1,000,000	1,000,000
Fair value reserve	24	(1,804,438)	(1,954,748)
Special reserve – Shelter Afrique Foundation	25	786,876	793,053
Total equity		158,399,230	161,603,767
LIABILITIES			
Other payables	26	2,320,863	1,551,846
Post-employment benefits obligations	27	2,075,572	2,285,530
Dividends payable	28	1,369,118	1,369,118
Derivative financial liabilities	14(b)	-	12,586
Deferred income	29	1,061,711	495,005
Medium term notes	30	105,195,956	-
Total liabilities		112,023,220	5,714,085
TOTAL EQUITY AND LIABILITIES		270,422,450	167,317,852

The financial statements on pages 81 -149 were approved and authorised for issue by the Board of Directors on 30 March 2023 and signed on its behalf by::

Director Director

Financial Statements
For The Year Ended 31 December 2022

STATEMENT OF CHANGES IN EQUITY

	Share capital US$	Share Premium US$	Revaluation Reserve US$	Accumulated Deficit US$	Credit Loss Reserve US$	Fair Value Reserve US$	Special Reserve SHAF Foundation US$	Total Equity US$
At 1 January 2021	106,781,000	50,510,981	501,574	(22,295,710)	1,000,000	(1,572,748)	1,320,044	136,245,141
Profit for the year	-	-	-	1,810,905	-	-	-	1,810,905
- Other comprehensive income	-	-	-	(390,110)	-	(382,000)	-	(772,110)
- Payments on behalf of Shelter Afrique Foundation	-	-	-	-	-	-	(526,991)	(526,991)
Transfer of excess depreciation	-	-	(31,685)	31,685	-	-	-	-
Transactions with owners:								
Issue of share capital	14,014,000	10,832,822	-	-	-	-	-	24,846,822
	________	________	________	________	________	________	________	________
-								
At 31 December 2021	120,795,000	61,343,803	469,889	(20,843,230)	1,000,000	(1,954,748)	793,053	161,603,767
	=========	========	========	========	========	=========	=========	=========
At 1 January 2022	120,795,000	61,343,803	469,889	(20,843,230)	1,000,000	(1,954,748)	793,053	161,603,768
Loss for the year				(11,774,632)				(11,774,632)
Other comprehensive income				20,168		150,310		170,478
Payments on behalf of Shelter Afrique Foundation							(6,177)	(6,177)
Transfer of excess depreciation			(31,685)	31,685				-
Transactions with owners:								
Issue of share capital	4,741,000	3,664,793						8,405,793
	________	________	________	________	________	________	________	________
At 31 December 2022	125,536,000	65,008,596	438,204	(32,566,009)	1,000,000	(1,804,438)	786,876	158,399,230
	=========	========	========	========	========	=========	=========	=========

Financial Statements
For The Year Ended 31 December 2022

STATEMENT OF CASH FLOWS

	Note	2022 US$	2021 US$
Cash Flows used in Operating Activities			
Net cash used in operations	33(a)	(73,808, 385)	(6,873,116)
Interest paid on medium term notes	30	(6,939,136)	(329,492)
Interest paid on lines of credit	31	-	(1,145,495)
Other finance charges paid		-	(547,886)
Interest received		12,571,454	6,082,045
Payments on behalf of Shelter Afrique Foundation	25	(6,177)	(526,991)
Proceeds from repossessed collateral	15	157,234	86,476
Post-employment Benefits paid	27	(534,994)	(84,029)
Net cashflows used in operating activities		(68,560,004)	(3,338,488)
CASH FLOWS FROM INVESTING ACTIVITIES			
Returns received from equity investments	19	163,310	
Purchase of property and equipment	20	(37,010)	(191,414)
Purchase of intangible assets	21	(202,230)	(408,879)
Investment in Properties	23	-	(1,636,000)
Investment in Joint Venture	18	-	(507,328)
Net cash used in investing activities		(75,930)	(2,743,621)
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid up capital during the year	24	8,405,793	24,846,822
Proceeds from Medium term notes	30	110,598,192	-
Repayment of medium-term notes	30	-	(1,557,457)
Repayment of lines of credit	31	-	(32,810,734)
Net cash generated from/(used in) financing activities		119,003,985	(9,521,369)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		50,368,052	(15,603,478)
AT START OF YEAR		31,590,832	47,407,111
EFFECT OF EXCHANGE RATE CHANGES		(5,596,534)	(212,801)
AT END OF YEAR	33(b)	76,362,350	31,590,832
		=========	=========

Notes on Financial Statements

1. General Information

The Company for Habitat and Housing in Africa (Shelter - Afrique) 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 a 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 exempt from all forms of taxation as provided for in the Shelter – Afrique Act, 1985.

The address of its registered office is:

Shelter Afrique Center
Longonot Road
P O Box 41479 - 00100
Nairobi, Kenya

2. Summary Of Significant Accounting Policies

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

(a). Basis Of Preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

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

Basis Of Measurement

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.
For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would ordinarily take into account in an arms-length transaction.

Fair values are categorized into three levels of fair value hierarchy based on the degree to which the inputs to the measurements are observable and the significance of the inputs to the fair value measurement in its entirety as detailed in Note 32.

Going Concern Consideration

The Company reported a total comprehensive loss of US$ 11,604,154 during the year ended 31 December 2022 (2021: total comprehensive profit of US $ 1,038,795) and had an accumulated deficit of US $ 32,566,009 as of that date (2021: US $ 20,843,230). The Company was in a net asset position of US $ 158,399,230 (2021: US $ 161,603,767). The Company's legacy loan and advances portfolio has been the main contributor to the poor asset quality with non-performing loans ratio at 52% (2021: 67%) however, the increased rigor in recovery and disbursement continues to improve the quality of the loan book and is expected to significantly contribute to the increase the Company's profitability in the future.

Continued existence of the Company as a going concern is dependent upon its future profitability and/or injection of additional funds into the business by the shareholders. In the year, Company registered a debt security in Nigeria of Naira equivalent of US $ 500,000,000 and subsequently listed on FMDQ Exchange. At the 31 December, the Company had received from the first tranche as detailed in note 30. These funds are intended to support business growth strategy. Additionally, the shareholders also remain committed to support the business though annual injection of capital, the budget capital to be mobilized from shareholders in financial year ended 31 December 2023 amounts to US $ 26 million.

There being no material uncertainty on the ability of the Company to continue as a going concern, the directors have prepared the financial statements on a going concern assumption.

(b). Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement are disclosed in Note 3.

(c). Changes in accounting policy and disclosure

(i) New and amended standards adopted by the Company. The following standards, amendments and interpretations are effective for the first time for annual reporting periods ending on 31 December 2022 and have been applied by the Company:

Title	Key Requirements	Effective Date
Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.	Annual periods beginning on or after 1 January 2022
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.	Annual periods beginning on or after 1 January 2022
Amendment to IFRS 3, 'Business combinations' **Asset or liability in a business combination clarity**	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognize contingent assets, as defined in IAS 37, at the acquisition date.	Annual periods beginning on or after 1 January 2022
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID -19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.	Annual periods beginning on or after 1 April 2021

Title	Key Requirements	Effective Date
Annual improvements cycle 2018 - 2020	**These amendments include minor changes to:** IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from his calculation. IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.	Annual periods beginning on or after 1 January 2022

None of of these amendments have had a significant impact on the Company's financial statements.

(ii) New and amended standards not yet adopted by the Company. The following standards and interpretations have been published but are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the company.

Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.	Annual periods beginning on or after 1 January 2023
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023. Earlier application is permitted.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.	Annual periods beginning on or after 1 January 2023. Earlier application is permitted.
IFRS 17, Insurance contracts Amendments	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.	Annual periods beginning on or after 1 January 2023

The Directors do not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application of the above, they don't expect a significant impact on the Company's financial statements. There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions. The principal accounting policies adopted in the preparation of these financial statements are set out below.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

2. Summary Of Significant Accounting Policies (Continued)

(d). Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing instruments measured at amortized cost using the effective interest method.

Effective interest rate

Income from Government securities at amortized cost, deposits and balances due from other banking institutions and loans and advances to customers is recognized in profit or loss using the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL). For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount.

The 'amortized cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

For financial assets that were credit-impaired on initial recognition, purchased originated credit impaired (POCI) assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(e). Fees 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.

Any 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.

(f). Interest expenses

Interest expenses 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.

(g). 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 each venturer's interest in the joint venture.

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. Where indicators of impairment are noted, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount and recognises the impairment charge in the statement of profit or loss.

(h). 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).

(i). 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.

(j). Leasehold Lands

This relates to grant from Government of Kenya in form of leasehold land. The asset is depreciated over the lease term of 99 years. The company hold only one capital grant from the government of Kenya

(k). Property and equipment

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.

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

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	**2.56%**
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.

(l). 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.

(m). 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. The Company also operates a closed gratuity scheme for its employees.

A defined benefit plan is a post-employment benefit plan other than defined contribution plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

(n). 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.

(o). 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 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:

1). 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

2). 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.

(p). 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:

01). 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 interest income using the effective interest rate method.

02). 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.

03). 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 are included in the interest income.

Business model assessment

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.

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:

01). An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

02). The time value of money; and

03). 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.

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).

Financial liabilities

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

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.

(q). 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.

(r). Investment Properties

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment property comprises land and buildings held to earn rentals and/or for capital appreciation. It is carried at fair value, representing market value determined by external independent valuers. Valuation is performed after every two years yearly to ensure an asset's fair value does not differ materially from its carrying amount.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(s). 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.

(t). 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.

(u). 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.

(v). Deferred Income

Lumpsum fees received upfront in relation to loans and advances disbursed to customers from which the Company expects derive benefits over a period beyond the year in which the fees are received, are recognised as liability and recognised in profit or loss over the life of the facility. Other deferred income relates to government grants, based on land donated by the Kenya government for the Headquarters building. The grant is recognised in profit or loss over the useful life of the building disclosed in note 2(k).

(w). 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.

(x). Repossessed Collaterals

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.

(y). 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.

(z). Cash And Bank Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(aa). 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.

(bb). Taxation

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

(cc). Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(dd). Derivative Financial Assets And Liabilities

The Company enters into derivatives (currency forwards and swaps) for trading purposes. At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. The Company may take positions with the expectation of profiting from favourable movement in prices, rates or indices.

The Company's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

The company uses the following derivative instruments:

Currency Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as a foreign currency rate. In a currency swap, the Company pays a specified amount in one currency and receives a specified amount in another currency.

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.

Note 36 (b) provides the detailed analysis of the assumptions applied in the Company's expected credit losses model.

(b). Investment Properties And Buildings

Investment properties are measured at fair value. 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.

(c). Unquoted Equity Investments

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). Property And Equipment

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

Critical Judgements In Applying The Company's Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Measurement Of Expected Credit Losses

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

Significant judgements are also required in applying the accounting requirement for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing the 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;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities.

Interest Income

4	2022 US$	2021 US$
INTEREST INCOME		
Project finance loans	6,444,797	6,882,610
Lines of credit advances	5,829,373	3,981,961
Fees on loans and advances (Note 6)	1,039,801	782,314
Staff Loans	111,863	131,773
	13,425,834	11,778,658
Placements with financial institutions	5,007,282	1,096,010
	18,433,116	12,874,668
Geographical concentration analysis:		
Eastern Africa	3,743,958	5,504,999
Southern Africa	2,216,338	2,308,186
Francophone West/Central Africa	3,180,401	2,709,578
Anglophone West Africa	4,285,137	1,255,903
	13,425,834	11,778,658

The interest income accrued on impaired financial assets is US$ 4,421,433(2021: 5,216,897)

The main types of loan products to customers are:

01. 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.

02. 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).

Interest Expense and Similar Charges

5	2022 US$	2021 US$
INTEREST EXPENSE AND SIMILAR CHARGES		
Interest Expense		
Medium term notes (note 30)	9,823,367	329,492
Lines of credit (note 31)	-	1,145,495
	_________	_________
	9,823,367	1,474,987
Other similar charges		
Other financial charges*	177,876	547,886
	________	________
Placements with financial institutions	10,001,243	2,022,873
	========	========

* These are additional finance costs related to early repayment of the facilities restructured through the debt arrangement (DRA) with lenders of the lines of credit in 2021.

Fees Income

6	2022 US$	2021 US$
FEES INCOME		
Commitment fees		
project finance	14,341	24,063
lines of credit	7,899	13,599
Appraisal fees		
project finance	65,005	57,489
lines of credit	374,013	183,750
Front end fees		
project finance	32,550	52,082
lines of credit	157,819	80,880
Penalty fees		
project finance	79,369	185,722
lines of credit	112,973	-
Management fees		
project finance	65,466	99,067
lines of credit	120,366	40,742
Other fees		
lines of credit	10,000	31,577
project finance	-	13,343
	1,039,801	782,314
	========	========

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% 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.

Other Income

7	2022 US$	2021 US$
OTHER INCOME		
Rental income (Note 23)	215,671	558,055
Gain on sale of recovered properties	2,406	1,544
Dividend income from equity investments	24,635	31,530
	_______	_______
	242,712	591,129
	======	======

Operating Expenses

8	2022 US$	2021 US$
Staff costs (note 9)	4,635,973	4,908,596
Consultancy fees and legal fees	826,044	588,914
Depreciation on property and equipment (Note 20)	251,580	171,074
Amortisation of intangible assets (Note 21)	245,579	158,595
Depreciation of leasehold land (Note 22)	3,879	3,879
Auditor's remuneration	50,000	50,000
Directors' fees (Note 35)	444,890	389,850
Other Directors' costs	-	94,655
Official missions	562,188	552,653
Business promotion	218,907	215,424
Other administration costs	2,294,935	910,323
	9,533,975	8,043,963
	========	========

The Company did not have any regulatory fines or penalties during the year (2021: Nil).

Staff Costs

9	2022 US$	2021 US$
Salaries and wages	3,993,165	3,955,490
Retirement benefits cost:		
Defined contribution Scheme	456,382	485,836
Current service cost net of employees' contributions (Note 27)	261,888	299,018
Interest cost (Note 27)	42,980	25,427
Leave accrual (Note 26 (ii))	(118,442)	138,871
Other costs	-	3,954
	4,635,973	4,908,596
	========	========

	2022 Numbers	2021 Numbers
Employees	48	46
	========	========

Net Foreign Exchange Losses

10	2022 US$	2021 US$
Net losses on foreign currency transactions	(1,400,679)	(1,236,042)
	========	========

The Company operates internationally and is exposed to foreign exchange risk, Note 36 (c) details the primary foreign currencies the Company is exposed to.

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 on 31 December 2022 and 31 December 2021.

Earnings Per Share

11	**2022** **US$**	**2021** **US$**
(Loss)/profit attributable to shareholders	(11,604,154)	1,038,795
	=======	=======
Weighted average number of ordinary shares	123,166	113,788
	=======	=======
Basic and diluted (loss)/ earnings per share	(94.22)	9.13
	=======	=======

Cash and Bank Balances

12	**2022** **US$**	**2021** **US$**
Cash and bank balances	3,400,643	5,912,851
	========	========
Cash and bank balances analysis based on denominated currencies:		
United States Dollars (US$)	2,311,960	4,759,552
Kenya Shillings	447,825	443,465
FCFA	46,603	308,099
Euro	465,739	381,333
South African Rand	18,029	19,465
Naira	110,487	937
	3,400,643	5,912,851
	========	========

Short Term Bank Deposits

13	2022 US$	2021 US$
a) Bank Deposits		
Call and term deposits with banks	74,647,312	27,260,211
Less: Expected credit losses	(1,685,605)	(1,582,230)
	________	________
	72,961,707	25,677,981
	========	========
Amounts per currency		
United States Dollars (US$)	13,020,508	23,097,099
Kenya Shillings	5,929,671	1,833,156
Rand	323,835	340,986
Euro	282,988	406,740
CFA	114,605	-
Naira	53,290,100	-
	________	________
	72,961,707	25,677,981
	========	========
a) Federal Government of Nigeria Bonds		
At 1 January	-	-
Bonds Purchased During the year	10,392,317	-
	________	________
At 31 December	10,392,317	-
	========	========

All the bank deposits mature within three months from the dates of placement. The bonds maturity tenor is one year. The movement in provision for short term bank deposits is as follows:

	2022 US$	2021 US$
At 1 January	1,582,230	1,556,165
Increase in provision during the year	103,375	26,065
	________	________
At 31 December		
	1,685,605	1,582,230
	========	========

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:

Short Term Bank Deposits (Continued)

13

	2022	2021
United States Dollars (US$)	3.61%	3.06%
Kenya Shillings	9.71%	7.18%
Rand	6.00%	6.00%
Euro	2.00%	2.00%
FCFA	2.50%	-
Naira	9.5%	-
	======	======

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 where 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.

Derivative Financial Instruments (Continued)

14	2022 US$	2021 US$
(a) Derivative financial asset		
African Development Bank	-	294,495
NCBA Bank Kenya Limited	2,513,690	2,957,376
Total Derivative financial assets	2,513,690	3,251,871
	=======	=======
Current Portion Financial asset;		
African Development Bank	-	294,495
NCBA Bank Kenya Limited	887,374	443,687
Non-Current Portion Financial asset;		
African Development Bank	-	-
NCBA Bank Kenya Limited	1,626,316	2,513,689
(b) Derivative financial liability		
NCBA Bank Kenya Limited	(2,360,416)	(2,969,961)
Total Derivative financial liability	(2,360,416)	(2,969,961)
Net Derivative financial asset	153,274	281,910
	=======	=======
Current Portion Financial Liability;		
NCBA Bank Kenya Limited	(858,333)	(456,917)
	=======	=======
Non-Current Portion Financial Liability;		
NCBA Bank Kenya Limited	(1,502,083)	(2,513,044)

Repossessed Collateral

15	2022 US$	2021 USD
Land	1,498,003	1,221,239
Buildings	8,862,077	3,264,680
	________	________
	10,360,080	4,485,919
	=======	=======

	2022 US$	2021 USD
The movement in buildings in the year is as follows:		
At 1 January	3,264,679	3,349,611
Additions	5,754,632	-
Disposals	(157,234)	(84,932)
	________	________
At 31 December	8,862,077	3,264,679
	=======	=======

The Company's repossessed collaterals comprise 11 apartments (2021: 11) in Eden Beach Resort & Spa in Mombasa, Kenya, and 15 houses (2021: 16) and vacant land in Athi River, 30 houses (2021: Nil) in Kenya Medical Association, in Mombasa, 75 houses (2021: Nil) in Translakes in Kisumu, Kenya.

Loans And Advances To Customers

16	2022 US$	2021 US$
Principal loans and advances to customers	186,466,507	146,989,651
Staff loans and advances	4,285,726	4,753,293
Interest and fees receivable	78,788,944	92,503,809
	269,541,177	244,246,753
Provision for expected credit losses	(114,529,205)	(131,655,081)
Net loans and advances	155,011,972	112,591,672
Profile of the loans and advances		
Current portion	43,368,461	58,992,233
Non-current portion	111,643,511	53,599,439
	155,011,972	112,591,672
Product analysis		
Project finance	35,641,801	53,777,728
Lines of credit	115,281,197	54,191,548
Staff Loans	4,088,974	4,622,396
	155,011,972	112,591,672

The average effective interest rate on loans and advances to customers at 31 December 2022 12.14 % (2021 10.70%). For project finance portfolio 12.29% (2021: 12.33.%) and lines of credits at 12.04% (2021: 7.92%.) per annum.

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% (2021: 4%) per annum.

The staff car loans and staff mortgage loans at the year-end are secured, and settlement occurs in cash. Other staff advances are secured by terminal dues, and settlement occurs in cash. Expected credit losses on staff loans at 31 December 2022 was US$ 196,751 (2021;130,897).

Loans And Advances To Customers (Continued)

16	2022 US$	2021 US$
The movement in the principal loans and advances is as follows:		
At 1 January	151,742,944	152,658,684
Disbursements during the year	81,227,440	33,846,260
Repayment during the year	(28,915,244)	(33,086,273)
Amounts written off during the year	(6,734,618)	-
Capitalised interest and fees	(2,463,177)	374,260
Exchange difference	(4,105,112)	(2,049,987)
	---------------	---------------
At 31 December	190,752,233	151,742,944
	=========	=========

The movement in the gross loans and advances has been presented in Note 36 (b)
The movement in the impairment of loans and advances is as follows:

	2022 US$	2021 US$
1 January	131,655,081	132,748,749
Charge for the year – loans to customers	11,021,883	2,613,614
Recoveries on impaired loans and advances	(2,818,773)	(2,525,399)
Write off during the year	(20,541,339)	-
Exchange difference	(4,787,647)	(1,181,883)
	---------------	---------------
At 31 December	114,529,205	131,655,081
	=========	=========
Maturity analysis of gross loans		
Within one year	157,700,915	186,506,000
One year to five years	90,295,038	54,621,564
Over five years	21,545,224	3,119,189
	----------------	----------------
	269,541,177	244,246,753
	==========	==========

The expected credit losses charge to the statement of profit or loss is as follows:

Loans And Advances To Customers (Continued)

16	2022 US$	2021 US$
Expected credit losses	(11,021,883)	(2,613,615)
Recoveries	2,818,773	2,525,399
	------------	------------
	(8,203,110)	(88,216)
	=========	=========

Other Receivables And Prepayments

17	2022 US$	2021 US$
Other debtors	3,482,371	2,146,621
Prepayments	540,613	488,235
Less: expected credit losses	(1,210,469)	(1,148,130)
	________	________
	2,812,515	1,486,726
	========	========
Current portion	617,170	1,248,065
Non-current portion	2,195,345	238,661
	________	________
	2,812,515	1,486,726
	========	========

The movement on the expected credit losses for other receivables is as follows:

	2022 US$	2021 US$
As at 1 January	1,148,130	977,405
Additions	98,683	193,113
Exchange difference	(36,344)	(22,388)
	______	______
At 31 December	1,210,469	1,148,130
	======	======

18. Investments In Joint Ventures

Set out below are the joint ventures of the company as at 31 December 2022 which in the opinion of the directors are material to the company. The entries of ordinary shares which are directly held by the company. The proportion of ownership interest is the same as the proportion of the voting rights held.

Investments In Joint Ventures (Continued)

18

	2022 US$	2021 US$
Everest Park Project	1,009,184	1,074,170
Rugarama Park Estates Project	2,219,888	2,283,045
Impairment - Rugarama Park Estates Project	(944,683)	-
Kew Gardens Project	666,980	729,492
Impairment - Kew Gardens Project	(128,130)	-
Glenwood Gardens Project*	647,249	884,173
Impairment - Glenwood Gardens Project	(647,249)	(884,173)
	2,823,239	4,086,707
Movement in the joint ventures is as follows:		
At 1 January	4,086,707	3,687,279
Addition	-	507,328
Share of loss	(42,209)	(50,423)
Impairment	(1,071,065)	-
Exchange difference	(150,194)	(57,477)
	2,823,239	4,086,707

The tables below provide summarised financial information for the joint ventures that are material to the company. The information disclosed reflects the amount presented in the financial statements and not Shelter Afrique's share of those amounts.

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

At 31 December 2022, the carrying value of the investment in joint ventures was written down to its recoverable amount of USD 2,823,239 which was determined by reference to the joint ventures net assets values.

The impairment loss is included in the statement of profit or loss.

(a). Everest Park Project

Everest Park Project Joint Venture is a joint venture arrangement between Shelter Afrique and Everest Limited with effect from 1 February 2011. The objective of the joint venture is to own, develop and sell the subject property and improvements to generate investment 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 31 October 2023. As of 31 December 2022, the directors have assessed the investment to be recoverable despite the impact of various challenges on the real-estate market.

Everest Park Project (Continued)

18	2022 US$	2021 US$
Draft statement of financial position:		
Property held for sale	2,826,824	3,413,428
Trade and other receivables	43,507	47,459
Cash and cash equivalents	14287	54,938
Total current assets	2,884,618	3,515,825
Borrowings and other payables	686,624	1,155,090
Total current liabilities	686,624	1,155,090
Equity	2,197,994	2,360,735
Total equity and liabilities	2,884,618	3,515,825
Draft statement of profit & loss and other comprehensive income:		
Revenue	410,806	818,652
Other income	72,845	120,108
Less: Direct Costs	(427,245)	(960,989)
Gross profit/(loss)	56,406	(22,229)
Administration expenses	(7,482)	(9,965)
Profit/(Loss) before tax	48,924	(32,194)
Income tax expense	-	-
Profit/(Loss) for the year	48,924	(32,194)
Share of joint venture's profit/(loss) (50%)	24,462	(16,097)
Reconciliation of investment in joint venture		
1 January	1,074,170	1,128.977
Share of Profit/(Loss)	24,462	(16,097)
Exchange difference	(89,448)	(38,710)
At 31 December	1,009,184	1,074,170

(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 because the project stalled and the subsequent annual losses arising from the joint venture were recognised in the statement of profit or loss.

Glenwood Gardens Project

18

	2022 US$	2021 US$
Draft statement of financial position:		
Inventory	9,270,086	9,098,952
Cash and bank balances	3,028	3,341
Trade and other receivables	812,530	886,336
Total assets	10,085,644	9,988,629
Borrowings and other payables	8,280,347	8,015,533
Total liabilities	8,280,347	8,015,533
Equity	1,805,297	1,973,096
Total equity and liabilities	10,085,644	9,988,629
Shelter Afrique's share of net assets	902,649	986,548

	2022 US$	2021 US$
Draft statement of profit & loss and other comprehensive income:		
Administration expenses	(3,496)	(3,848)
Loss before tax	(3,496)	(3,848)
Income tax expense	-	-
Loss for the year	(3,496)	(3,848)
Share of joint venture's loss (50%)	(1,748)	(1924)
Reconciliation of investment in joint venture		
1 January	(1,748)	(1,924)
Share of loss	1,748	1,924
Impairment loss		
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%.

While the Company holds less than 50% interest in the venture, the directors have considered the terms of the project's operation and concluded there is joint control with the Itoga Investments Holdings Limited. The term of the joint venture was up to 31 December 2021, but stalled, and is under a loan workout arrangement by the Special operations unit. As of 31 December 2022, the directors have assessed the investment to be recoverable despite the impact of Covid-19 on the real-estate market. The directors continue to assess the evolving challenges in the macro-economic environment on the industry

Kew Gardens Project

18	2022 US$	2021 US$
Draft statement of financial position:		
Inventory	25,646,162	17,570,772
Land	-	-
Cash and bank balances	3,944	4,429
Trade and other receivables	152,662	166,529
	________	________
Total assets	25,802,768	17,741,730
	========	========
Borrowings and other payables	23,081,303	14,763,332
	________	________
Equity	2,721,465	2,978,398
	________	________
Total equity and liabilities	25,802,768	17,741,730
	========	========
Shelter Afrique's share of net assets	538,849	589,723
	========	========

	2022 US$	2021 US$
Draft statement of profit & loss and other comprehensive income:		
Administration expenses	(8,917)	(9,727)
	________	________
Loss before tax	(8,917)	(9,727)
Income tax expense	-	-
	________	________
Loss for the year	(8,917)	(9,727)
	========	========
Share of joint venture's loss (19.8%)	(1,766)	(1926)
	========	========
Reconciliation of investment in joint venture		
1 January	729,491	244,782
Additions	-	507,328
Share of loss	(1,766)	(1,926)
Exchange difference	(60,746)	(20,692)
Impairment	(128,130)	-
	________	________
At 31 December	538,849	729,492
	========	========

(d). Rugarama Park Estates Limited

Rugarama Park Estates Limited is a joint venture between Shelter Afrique and Banque Rwandaise de Development (BRD) to undertake the 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.

As of 31 December 2022, the directors have assessed the investment to be recoverable despite the impact of Covid-19 on the real-estate market. The directors continue to assess the evolving impact of Covid-19 pandemic on the industry.

Rugarama Park Estates Limited (Continued)

18	2022	2021
	US$	US$
Statement of financial position:		
Cash and bank balances	78,456	130,170
Work in progress	3,673,388	5,513,420
Property and equipment	-	25,000
Trade and other receivables	724,191	206,230
	________	________
Total assets	4,476,035	5,874,820
	________	________
Other payables	1,925,624	2,222,380
	________	________
Total liabilities	1,925,624	2,222,380
	________	________
Equity	2,550,411	3,652,440
	________	________
Total equity and liabilities	4,476,035	5,874,820
	========	========
Shelter Afrique's share of net assets	1,275,206	1,826,220
	========	========
Statement of profit & loss and other comprehensive income:		
Other Operating Income	1,113	-
Administration expenses	(127,426)	(60,950)
	________	________
Loss before tax	(126,313)	(60,950)
Income tax expense	-	-
	________	________
Loss for the year	(126,313)	(60,950)
	========	========
Share of joint venture's loss (50%)	(63,157)	(30,475)
	========	========
Reconciliation of investment in joint venture		
1 January	2,283,045	2,313,520
Share of loss	(63,157)	(30,475)
Impairment	(944,683)	-
At 31 December	1,275,205	2,283,045
	========	========

Equity Investments

19	Currency	At 1st January US$	Additions at Cost US$	Capital Refund US$	Changes in Fair Value US$	Exchange Difference US$	AT 31 December US$
Statement of financial position:							
At fair value through other comprehensive income							
Pan African Housing Fund LLC (Mauritius)	USD	728,000	-	(163,310)	(170,690)	-	394,000
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo	FCFA	1,330,907	-	-	40,955	(80,862)	1,291,000
Tanzania Mortgage Refinance Company Limited	USD	1,166,000	-	-	279,000	-	1,445,000
Kenya Mortgage Refinance Company Limited	KES	2,233,093	-	-	267,860	(185,953)	2,315,000
		5,458,000	-	(163,310)	417,125	(266,815)	5,445,000
		=======	========	========	========	========	========
31 December 2021							
At fair value through other comprehensive income							
Pan African Housing Fund LLC (Mauritius)	USD	1,060,000	-	-	(332,000)	-	728,000
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo	FCFA	1,250,000	-	-	163,779	(82,872)	1,330,907
Tanzania Mortgage Refinance Company Limited	USD	1,060,000	-	-	106,000	-	1,166,000
Kenya Mortgage Refinance Company Limited	KES	2,470,000	-	-	(151,119)	(85,788)	2,233,093
		5,840,000	-	-	(213,340)	(168,660)	5,458,000
		=======	========	========	========	========	========

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 recognizing 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 realizing their performance potential in the long run. The fair value of these financial instruments that are not traded in an active market is determined using fair value techniques.

The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details on key assumptions used and the impact of changes to these assumptions refer to Note 32. Changes in fair value and exchange differences are recognised in the statement of comprehensive income.

Equity Investments (Continued)

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.

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.

During the year, PAHF sold one of its portfolio assets called 72 Magadi Road. The capital refund of US$ 163,310 relates to Shelter-Afrique's share of the distribution from the divestment to all the fund investors.

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 (International Finance Corporation (IFC) and Shelter Afrique).

Property And Equipment

20	Buildings US$	Office equipment, furniture, and fitting US$	Computers US$	Motor Vehicles US$	Residential Equipment Furniture & Fittings US$	Total US$
At 1 January 2021	872,867	730,555	422,309	196,293	201,781	2,423,805
Additions	-	19,972	71,502	99,997	(44)	191,427
At 31 December 2021	872,867	750,527	493,811	296,290	201,737	2,615,232
At 1 January 2022	872,867	750,527	493,811	296,290	201,737	2,615,232
Additions	-	2,201	34,809	-	-	37,010
At 31 December 2022	872,867	752,728	528,620	296,290	201,737	2,652,242
Depreciation						
At 1 January 2021 as	-	559,499	341,729	194,917	139,849	1,235,994
Charge for the year	118,662	58,396	47,723	11,792	27,047	263,620
At 31 December 2021	118,662	617,895	389,452	206,709	166,896	1,499,614
At 1 January 2022	118,662	617,895	389,452	206,709	166,896	1,499,614
Charge for the year	109,534	44,920	48,539	24,999	23,588	251,580
At 31 December 2022	228,196	662,815	437,991	231,708	190,484	1,751,194
Net book value						
At 31 December 2022	644,671	89,913	90,629	64,582	11,253	901,048
At 31 December 2021	754,205	132,632	104,359	89,581	34,841	1,115,618

Property And Equipment (Continued)

Included in property and equipment are assets with a cost of US$ 1,060,981 (2021: US$ 269,703) which have been fully depreciated. The normal annual depreciation charge on these assets would have been US$ 204,310 (2021: US$ 173,037). No property or equipment was pledged as security by the Company as of 31 December 2022.

Fair value measurement of the buildings

Buildings are recognised at fair value based on periodic revaluations every five years as per Company policy.

The building was 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 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.

Details of the fair value hierarchy for the Company's property carried at fair value as at 31 December 2022 and 31 December 2021 as presented in note 32.

If Buildings were stated on historical cost basis, the amounts would be as follows:

	2022 US$	2021 US$
Cost	487,458	974,916
Accumulated depreciation	(487,458)	(487,458)
	========	========
Net book amount	-	487,458
	========	========

Intangible Assets

21	2022 US$	2021 US$
Costs		
At start of year	1,747,073	1,338,194
Additions	202,230	408,879
	________	________
At end of year	1,949,303	1,747,073
	________	________
Amortization		
At start of year	1,328,124	1,198,976
Charge for the year	245,579	129,148
	________	________
At end of year	1,573,703	1,328,124
	________	________
Net carrying amount	375,600	418,949
	========	========

The Company's intangible assets relate to the computer software Oracle ERP.

Included in intangible assets are assets with a cost of US$ 1,194,351 (2021: US$ 22,343) which have been fully amortised.

The normal annual amortisation charge on these assets would have been US$ 254,431 (2021: US$ 5,586).

Leasehold Land

22	2022 US$	2021 US$
At 1 January	96,987	100,866
Released to profit or loss	(3,879)	(3,879)
	_______	_______
At 31 December	93,108	96,987
	=======	=======
Current	3,879	3,879
Non-current	89,229	93,108
	_______	_______
	93,108	96,987
	=======	=======
Amounts released to date:	106,892	103,013
	=======	=======

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 initial fair value capitalised on acquisition. This is recognised in profit and loss over the duration of the remaining lease period. The related deferred income has been set out in note 29 to these financial statements.

There are no unfulfilled conditions or contingencies attaching to this grant.

Investment Properties

23	2022 US$	2021 US$
Shelter Afrique Centre	984,298	984,298
Othaya Road work in	2,436,000	2,436,000
progress	2,271,649	2,271,649
Othaya Road land	========	========
	5,691,947	5,691,947
	========	========

Investment properties comprise of the following:

(i). 53% (2021: 53%) portion of Shelter Afrique Center office building that is held for long term rental yield and are not occupied by the Company.

(ii). Othaya road land and work in progress capitalized expenditure relating to a residential rental development project approved by the directors in December 2020.

Leasing arrangements

The investment properties (Shelter Afrique centre) are leased to tenants under leases of a minimum of two years with rentals payable quarterly. Minimum lease payments receivable on leases of investment properties are disclosed in Note 34 (c).

The movement of investment in properties in the year is as follows:

	Shelter Afrique Center US$	Othaya Road Project US$	Total US$
1 January 2021	1,250,327	-	-
Additions	-	2,861,973	2,861,973
Revaluation (losses)			
/ gain on Shelter			
Afrique centre	(266,029)	209,676	(56,353)
	========	=======	=======
At 31 December			
2021	984,298	4,707,649	5,691,947
	========	=======	=======
1 January 2022	984,298	4,707,649	5,691,947
	=======	=======	=======
At 31 December			
2022	984,298	4,707,649	5,691,947
	=======	=======	=======

Amount recognised in profit or loss for investment properties are as follows:

	2022 US$	2021 US$
Rental income	215,671	558,055
Direct operating expenses from		
property that generated rental.		
income	(77,847)	(39,964)

24. Share Capital, Share Premium And Other Reserves

(a) Revaluation Reserve

This represents solely the revaluation of buildings and is non-distributable.

(b) Fair Value Reserve

The fair value reserve comprises of the cumulative net change in the fair value of FVOCI financial assets until the investment is derecognised or impaired. The reserve is non-distributable.

(c) Credit Loss Reserve

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

Share Capital And Share Premium

24	2022 US$	2021 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 (2021: 288,246) ordinary shares of US$ 1,000 each	288,246,000	288,246,000
	==========	==========
Issued and fully paid:		
Class A: Issued and fully paid:		
105,816 (2021: 101,075) ordinary shares of US$ 1,000 each	105,816,000	101,075,000
Class B: Issued and fully paid:		
19,720 (2021: 19,720) ordinary shares of US$ 1,000 each	19,720,000	19,720,000
	_________	_________
	125,536,000	120,795,000
	=========	=========
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:

24	Number of Shares	Ordinary Shares US$	Share Premiums US$	Total US$
At 1 January 2021	106,781	106,781,000	50,510,981	157,291,981
Paid up during the year	14,014	14,014,000	10,832,822	24,846,822
	_______	_______	_______	_________
At 31 December 2021	120,795	120,795,000	61,343,803	182,138,803
	=======	========	=========	=========
At 1 January 2022	120,795	120,795,000	61,343,803	182,138,803
Paid up during the year	4,741	4,741,000	3,664,794	8,405,794
	_______	_______	_______	_________
At 31 December 2022	125,536	125,536,000	65,008,597	190,544,597
	=======	========	=========	=========

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 (2021: US$ 1,773) for current shareholders and US$ 2,334 (2021: US$ 2,334) for new shareholders.

Special Reserve – Shelter Afrique Foundation

25

	2022 US$	2021 US$
At 1 January	793,053	1,320,044
Payments on behalf of Shelter Afrique Foundation	(6,177)	(526,991)
	_______	_______
At 31 December	786,876	793,053
	=======	=======

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 have assessed the operations and financial performance of the Shelter Afrique foundation for the year ended 31 December 2022 not have a material impact to the Company and therefore have not consolidated.

The Directors do not recommend any appropriation to the Foundation (2021: Nil).

Other Payables

26

	2022 US$	2021 US$
Accrued expenses	1,972,900	923,217
Accrued leave (Note 26(ii))	255,697	542,902
Rent deposits	56,481	50,702
Share capital subscriptions (fractional shares)	35,785	35,025
	_______	_______
	2,320,863	1,551,846
	=======	=======

(i) The movement in the share capital subscriptions (fractional shares) is as follows:		
At 1 January	34,929	28,750
Increase in capital subscriptions during the year	4,402	20,289
Transfer to share capital (Note 24)	(3,546)	(14,014)
	_______	_______
At 31 December	35,785	35,025
	=======	======

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.

(ii) The movement in the leave accrual is as follows:

Other Payables (Continued)

26

	2022 US$	2021 US$
At 1 January	542,902	457,737
(Decrease) / Increase in accrual	(118,442)	138,871
Payments in the year	(168,762)	(53,706)
	_______	_______
At 31 December	255,698	542,902

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

The carrying amount of other payables are considered to be same as their fair value due to their short term nature.

Post Employment Benefit Obligation

27

Post-employment benefit obligation	2,075,572	2,285,530
	========	========

The Company operates a gratuity arrangement for its employees which pays one month's salary 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 as 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 2% p.a. and a salary inflation rate of 3% p.a.

	2022	**2021**
	US$	**US$**
Net liability at start of period	2,285,530	2,435,224
Current service cost net of employees' contributions (Note 9)	261,888	299,018
Interest cost (Note 9)	42,980	25,427
Remeasurement actuarial gain/ (loss)	20,168	(390,110)
Benefits paid	(534,994)	(84,029)
	========	========
Net liability at end of period	2,075,572	2,285,530
	========	========

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 2022, the Company contributed US$ 526 (2021: US$ 467) which has been charged to the profit or loss account.

Assumptions

The principal assumptions applied in the gratuity arrangement valuation were a discount rate of 2% p.a. and a salary inflation rate of 3% p.a.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

Post Employment Benefit Obligation (Continued)

Year ended 31 December 2022	Scenario One	Scenario Two	Scenario Three	Scenario Four	Scenario Five
	Base	Discount Rate Increased by 0.25%	Salary Rate Increased by 0.25%	Discount Rate Decreased by 0.25%	Salary Rate Decreased by 0.25%
Discount Rate	2.00%	2.25%	2.00%	1.75%	2.00%
Salary Increases	3.00%	3.00%	3.25%	3.00%	2.75%
Net liability at start of period (US$)	2,285,530	2,285,530	2,285,530	2,285,530	2,285,530
Total Net expense recognised in the income statement (US$)	304,868	304,868	304,868	304,868	304,868
Net expense recognised in the other comprehensive income (US$)	20,168	(47,841)	87,936	91,187	(45,093)
Benefits paid by Employer (US$)	(534,994)	(534,994)	(534,994)	(534,994)	(534,994)
Net liability at end of period (US$)	2,075,572	2,007,563	2,143,340	2,146,591	2,010,311

Year ended 31 December 2021	Scenario One	Scenario Two	Scenario Three	Scenario Four	Scenario Five
	Base	Discount Rate Increased by 0.25%	Salary Rate Increased by 0.25%	Discount Rate Decreased by 0.25%	Salary Rate Decreased by 0.25%
Discount Rate	1%	1.25%	1%	0.75%	1%
Salary Increases	3%	3%	3.25%	3%	2.75%
Net liability at start of period (US$)	2,435,224	2,435,224	2,435,224	2,435,224	2,435,224
Total Net expense recognised in the income statement (US$)	324,445	324,445	324,445	324,445	324,445
Net expense recognised in the other comprehensive income (US$)	(390,110)	(455,209)	(325,442)	(322,066)	(452,334)
Benefits paid by Employer (US$)	(84,029)	(84,029)	(84,029)	(84,029)	(84,029)
Net liability at end of period (US$)	2,285,530	2,220,431	2,350,198	2,353,574	2,223,306

Post Employment Benefit Obligation (Continued)

The key risks associated with the Gratuity Arrangement are as follows:

- The benefits are linked to salary and consequently have an associated risk to increases in salary.
- The benefits are defined as per the HR Policies and Procedures Manual.
- Revisions to the Manual could change these benefits and materially change the costs of the company.
- The Arrangement is unfunded with no separate assets. Investment risk would therefore not arise on the Arrangement.
- Benefits in the Arrangement are payable on retirement, resignation, termination, death or redundancy. The actual cost to the Company of the benefits is therefore subject to the demographic movements of employees.

The maturity profile is as follows:

Post Employment Benefit Obligation (Continued)

27	2022 US$	2021 US$
Less than 1 year	-	318,836
1-5 years	267,222	273,178
More than 5 years	1,808,350	1,693,516
	________	________
	2,075,572	2,285,530
	========	========

28. Dividends Payable

Dividends payable	1,369,118	1,369,118
	=======	=======

The Directors do not recommend the payment of dividend in the current financial period (2021: nil). The dividend liability was declared for the year ended 31 December 2016 and has remained unpaid due to the Company's low profitability and the strategic focus on growth.

Deferred Income

29	2022 US$	2021 US$
Deferred Income		
Government of Kenya grant	93,108	96,987
Deferred front end fees	968,603	398,018
	________	________
	1,061,711	495,005
	=========	=========
The movement in the deferred income is as follows;		
At 1 January	495,005	541,440
Amortization of Government of Kenya grant	(3,879)	(3,879)
AFD interest advantage grant utilization for the year	-	(321,759)
Deferred front end fees	570,585	279,203
	________	________
At 31 December	1,061,711	495,005
	=========	=========

The AFD interest advantage grant arose 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 was at 3.02% (adjusted discount rate) of the drawn down 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 which was different from the existing market rates. The outstanding accrued interest advantage was reversed when the debt was fully settled.

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

Medium Term Notes

30	2022 US$	2021 US$
Medium Term Notes		
Naira Bond - Principal	102,552,670	-
Interest payable on loans	2,643,286	-
	________	________
	105,195,956	-
	=========	=========
Maturity analysis:		
Within one year	-	-
One year to five years	62,157,089	-
Over five years	43,038,867	
	________	________
	105,195,956	-
	=========	=========

The company issued a Naira bond of Naira 46 billion (US$110 million) in 2022 through Nigeria capital markets for the duration 2022 to 2029 at an interest rate of 13% & 13.25% p.a respectively for the floating & fixed portions respectively.

The movement in the medium-term note is as follows:

31	2022 US$	2021 US$
At 1 January	-	-
Addition	110,598,192	
Principal Repayments in the year	-	-
Interest expense for the year	9,823,367	-
Interest paid in the year	(6,939,136)	-
Currency translation difference	(8,286,467)	-
	________	________
At 31 December	105,195,956	-
	========	========
The effective interest rates per annum by currency were as follows:		
	2022	**2021**
United States Dollars (US$)	-	3.61%
Kenya Shillings	-	12.45%
FCFA	-	7.72%
Naira	13.83%	-
	======	======

Fair Value Measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(i) Fair value of non-financial assets

32	Level 1 US$	Level 2 US$	Level 1 US$	Level 2 US$
31 December 2022				
Investment properties	-	5,599,398	-	5,599,398
Buildings	-	846,753	-	846,753
	________	________	________	________
	-	6,446,151	-	6,446,151
	========	========	========	========
31 December 2021				
Investment properties	-	5,599,398	-	5,599,398
Buildings	-	846,753	-	846,753
	________	________	________	________
	-	6,446,151	-	6,446,151
	========	========	========	========

32. Fair Value Measurement (Continued)

The fair value of the non-financial assets is determined based on the market and cost approaches using comparable prices for similar items when available and replacement cost when appropriate.

(ii) Fair values of financial assets and liabilities

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs.

Gains or losses on valuation of financial assets at FVOCI are recognised in other comprehensive income.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. The table below shows the various asset classes.

Category (as defined by IFRS 9)		**Class (as determined by the Company)**	**Subclasses**	**Hierachy**
Financial Instruments	Financial assets at fair value through profit or loss (FVTPL)	Financial assets held for trading	Derivative financial assets	Level 2
			Investment Bonds	Level 1
	Amortised Cost	Bank and cash balances		Level 2
		Short term bank deposits		Level 2
		Loans and advances to customers excluding loan notes at FVTPL	Staff loans Project finance Lines of credit	Level 2
		Other receivables and prepayments		Level 2
	FVOCI	Equity investments		Level 3
	Financial Liabilities	Other payables		Level 2
		Dividends payable		Level 2
		Derivative financial liabilities		Level 2
		Medium term notes		Level 1

The table below sets out the Company's classification of financial assets and liabilities, and their fair values:

32. Fair Value Measurement (Continued)

Year ended 31 December 2022	At Amortised Cost US$	FVPL US$	Fair Value Through OCI US$	Total US$	Fair Value US$
Assets					
Cash and bank balances	3,400,643		-	3,400,643	3,400,643
Short term bank deposits	72,961,707		-	72,961,707	72,961,707
Investment in Bonds	-	10,392,317	-	10,392,317	10,392,317
Loans and advances to customers	155,011,972		-	155,011,972	178,029,444
Derivative financial assets	-	153,274	-	153,274	153,274
Other receivables	2,271,902		-	2,271,902	2,271,902
Equity Investments	-		5,445,000	5,445,000	5,445,000
	----------------	----------------	--------------	--------------	--------------
	233,646,224	10,545,591	5,445,000	246,236,172	269,253,644
	========	========	========	=========	=========
Liabilities					
Other payables	2,320,863		-	2,320,863	2,320,863
Derivative financial liabilities	-	-	-	-	-
Dividends Payable	1,369,118		-	1,369,118	1,369,118
Medium term Notes	105,195,956		-	105,195,956	113,242,079
	-------------	-------------	-------------	-------------	-------------
	108,885,937	-	-	108,885,937	116,932,060
	========	========	========	========	========
31 December 2021					
Assets					
Cash and bank balances	5,912,851	-	-	5,912,851	5,912,851
Short term bank deposits	25,677,981	-	-	25,677,981	25,677,981
Loans and advances to customers	112,591,672	-	-	112,591,672	184,411,556
Derivative financial assets	-	294,495	-	294,495	294,495
Other receivables and prepayments	998,491	-	-	998,491	998,491
Equity Investments	-	-	5,458,000	5,458,000	5,458,000
	--------------	-------------	-------------	--------------	--------------
	145,180,995	294,495	5,458,000	150,933,490	222,753,374
	=========	========	========	=========	========
Liabilities					
Other payables	1,551,846		-	1,551,846	1,551,846
Derivative financial liabilities	-	12,586	-	12,586	12,586
Dividends Payable	1,369,118	-	-	1,369,118	1,369,118
	----------------		--------------	----------------	----------------
	2,920,964	12,586	-	2,933,550	2,933,550
	=========		========	=========	=========

The following financial instruments are measured at amortised costs and their carrying values approximate their fair values; cash and cash equivalents, short term bank deposits, other receivables and payments, other payables and dividends payable.

The analysis of financial assets at fair value through other comprehensive income is as summarised below:

Financial Assets

Financial assets	2022 US$	2021 US$	Fair Value Hierarchy	Valuation techniques and key inputs
Financial assets at fair value through other comprehensive income Equity investments	5,445,000	5,458,000	Level 3	Net asset valuation approach
	========	======		

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

The table below shows the description of valuation techniques used and key inputs to valuation on financial assets valued through other comprehensive income:

At 31 December 2022

	TMRC			PAHF			KMRC			CRRH		
	Low	Mid	High	Low	Mid	High	Low	Mid	High	Low	Mid	High
Net asset value (US$'000)	14,417	14,417	14,417	8,826	8,826	8,826	20,954	20,954	20,954	31,934	31,934	31,934
Minority discount	20.0%	17.5%	15.0%	20.0%	17.5%	15.0%	20.0%	17.5%	15.0%	20.0%	17.5%	15.0%
Adjusted net asset value (US$'000)	11,534	11,894	12,255	7,061	7,282	7,502	16,763	17,287	17,811	25,547	26,345	27,144
Shareholding	9.8%	9.8%	9.8%	10%	10%	10%	13%	15%	13%	5%	5%	5%
Fair value gain (US$'000)	1,130	1,166	1,201	706	728	750	2,179	2,247	2,315	1,277	1,317	1,357
At 31 December 2021												
Fair value (US$'000)	1,060	1,060	1,060	1,060	1,060	1,060	2,470	2,470	2,470	1,250	1,250	1,250
Fair value gain / (loss) (US$'000)	1,130	1,166	1,201	706	728	750	2,179	2,247	2,315	1,277	1,317	1,357

Valuation summary

- Valuation range for the unquoted shares done using the adjusted net asset value method.
- It is assumed the carrying value of the assets and liabilities approximate their fair value.
- The adjusted net asset value method assumes a controlling stake as the basis of value. Considering the Company holds a minority stake in the investee companies, a minority discount applied.
- There is a valuation range for each entity. The valuations concluded on the mid value.

When compared to the equity values as of 31 December 2021, a fair value loss was observed in PAHF whereas a fair value gain was observed in KMRC,TMRC and CRRH.

Notes To The Statement of Cash Flow

33

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

	Note	2022	2021
		US$	US$
(Loss)/Profit for the year		(11,774,632)	1,810,905
Adjustments for:			
Interest income		(18,433,116)	(12,874,668)
Interest expense	5	10,001,243	2,022,873
Share of profit/(loss) from joint ventures	18	42,209	50,423
Impairment of joint ventures		1,071,065	-
Gain on disposal of reprocessed collateral	7	(2,406)	(1,544)
Changes in fair value on investment in properties		-	-
Depreciation of property and equipment	20	251,580	263,622
Amortization of intangible assets	21	245,579	129,148
Depreciation of leasehold land	22	3,879	3,879
Exchange difference - joint venture	18	150,194	57,477
Exchange difference - Cash and cash equivalents		5,596,534	212,801
Exchange difference - medium term notes	30	(8,286,467)	(22,395)
Exchange difference - lines of credit	31	-	8,969
Working capital changes:			
Loans and advances to customers		(42,420,300)	1,546,474
Government securities - Bonds		(10,392,317)	-
Other receivables		(1,325,789)	407,297
Derivative financial instruments-Assets		141,221	-
Derivative financial instruments-Liabilities		(12,586)	(108,549)
Other payables		769,017	(333,393)
Deferred income		566,707	(46,435)
		_________	_________
Net cash used in operations		(73,808,385)	(6,873,116)
		=========	=========

b). Cash and cash equivalents:

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

	2022	2021
	US$	US$
Cash and Bank balances (note 12)	3,400,643	5,912,851
Short term bank deposits (note 13)	72,961,707	25,677,981
	________	________
Cash and cash equivalents	76,362,350	31,590,832
	========	========

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.

Commitments And Contingent Liabilities

34	2022 US$	2021 US$
a). Commitments		
Approved and signed project loans not disbursed	20,940,694	4,378,212
Commitments to Equity investments	880,685	894,418
Capital budget	1,085,600	1,552,100
	_________	_________
	22,906,979	6,824,730
	=========	=========

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.

(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.

	2022 US$	2021 US$
Within one year	132,560	135,583
Within the second to fifth year inclusive	269,689	608,572
	------------	------------
	402,249	744,155
	=======	=======

During the year, the Company recognised property lease income of US$ 215,671 (2021: US$ 558,055) in profit or loss in respect of operating leases income.

35. 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$ 4,318,417 (2021: US$ 4,753,293) disclosed in note 16, 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 of 31 December 2022 amounted to US$ 20,641 (2021: US$ 43,940).

Key management comprises all employee beyond middle level management. Remuneration of members of key management during the year was as follows:

	2022 US$	2021 US$
Salaries and other short-term benefits	1,182,120	1,217,387
	142,362	177,603
Post-employment benefits	1,324,482	1,394,990
Directors' fees	444,890	389,850
	________	________
	1,769,372	1,784,840
	========	========

(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.

Investment In Joint Ventures

	2022 US$	2021 US$
Everest Park Project		
At 1 January	706,210	1,333,945
Loans granted	-	-
Interest charged on the loan	77,056	225,693
Repayments	(486,885)	(853,428)
At 31 December	296,381	706,210
Glenwood Gardens Project		
At 1 January	4,028,560	3,700,472
Exchange Differences	-	328,088
At 31 December	4,028,560	4,028,560
Kew Gardens Project		
At 1 January	12,118,166	11,117,157
Exchange Differences	-	1,001,009
At 31 December	12,118,166	12,118,166

36. 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.

(a). Capital Management

Total equity includes all capital and reserves of the Company.

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 25.68% in 2022 (2021 28.93%). The capital adequacy ratio has been arrived by taking the company's core capital expressed as a percentage of its risk weighted assets.

Financial Risk Management Continued

36

a. Risk Weighted Assets	2022 US$		2022 US$	
Item	RWA	RWA Comp.	RWA	RWA Comp.
Credit Risk Exposures - Total	564,485,247	91%	504,717,418	89%
Project Finances	447,235,417	72%	411,672,857	73%
LoCs	21,125,725	3%	27,286,805	5%
ST Investments	49,416,295	8%	20,679,014	4%
Equity Investments	35,963,101	6%	38,178,828	7%
Other receivables	10,744,709	2%	6,899,914	1%
FX Risk	**34,229,001**	6%	**39,142,664**	7%
Operational Risk	**18,220,004**	3%	**21,206,567**	4%
Sum	**616,934,252**	100%	**565,066,648**	100%
A). CAPITAL - Tier 1				
Item				
Share Capital	125,536,000		120,795,000	
Share Premium	65,008,596		61,343,803	
Revenue Reserves	(32,556,008)		(22,797,978)	
Revaluation Surplus	438,204		469,889	
Charge/Surplus EL-Provisions-Comparison	(1,786,876)		1,793,053	
Sum	160,203,668		161,603,767	
CAR	**25.97%**		**28.93%**	
CAR Policy	**≥25%**		**≥25%**	

The table above summarises the composition of the capital adequacy ratio of the Company as of 31 December 2022 and 2021:

(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.

36. Financial Risk Management (Continued)

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.

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.

c). 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 restructuring 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:
  1. The facilities arrears status
  2. Number of restructures if any
  3. 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. 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 2022 and 31 December 2022, for all portfolios Shelter Afrique concluded that three scenarios appropriately captured non-linearities.

The process involved developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities in the regions where the Company has advances loans and advances to customers, supranational organisations such as the World Bank and the International Monetary Fund.

The base case represents a most-likely outcome and be aligned with information used by the Company for other purposes, such as strategic planning and budgeting. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

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. The table below details the sensitivity of the expected credit losses to change in economic scenarios as of 31 December 2022.

Scenario Analysis

	Impact on ECL to the statement of profit or loss
	US$
FLI based on, 40% base case: 40% worst case: 20% optimistic	130,452
FLI based on, 30% base case: 60% worst case: 10% optimistic	183,808

ii). Other Financial Assets

These are made up of the following:

- Cash and bank balances;
- Short term deposits;
- Other receivables; and
- Derivatives.

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.

36. Financial Risk Management (Continued)

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 Company 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.

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	US$
31 December 2022	US$	US$	US$	
Total gross carrying amount	123,050,960	7,157,987	139,332,230	269,541,177
Allowance for credit losses	(2,439,289)	(3,698,701)	(108,391,215)	(114,529,205)
Net carrying amount	120,611,671	3,459,286	30,941,015	155,011,972
31 December 2021				
Total gross carrying amount	71,307,356	9,045,327	163,894,071	244,246,754
Allowance for credit losses	(2,005,927)	(6,847,548)	(122,801,607)	(131,655,082)
Net carrying amount	69,301,429	2,197,779	41,092,464	112,591,672

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

Financial Risk Management (Continued)
b). Credit Risk (Continued)

36

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
31 December 2022	**US$**	**US$**	**US$**	**US$**
Loss allowance as at 1 January 2022	(1,564,325)	(4,144,712)	(125,946,045)	(131,655,082)
Amount charged to SCI	(1,342,125)	31,503	(9,711,261)	(11,021,883)
Recoveries on impaired loans	-	-	2,818,773	2,818,773
Repayments & other derecognitions,	-	-	-	-
excluding write-offs	-	-		
Changes in the loss allowance			-	-
- Transfer to stage 1			-	-
- Transfer to stage 2	436,342	(436,342)		-
- Transfer to stage 3	-	793,025	(793,025)	-
- Changes due to modification that did not	-	-	-	-
result in derecognition.	-	-	-	
- Changes to model and risk parameters	-	-		
used for ECL calculations				
Write-offs			20,541,338	20,541,338
Exchange difference	30,819	57,825	4,699,005	4,787,649
	________	________	______	________
Loss allowance as at 31 December 2022	(2,439,289)	(3,698,701)	(108,391,215)	(114,529,205)
	========	========	========	========
31 December 2021				
Loss allowance as at 1 January 2021	(3,428,292)	(4,880,743)	(111,706,746)	(120,015,781)
Amount charged to SCI	(443,149)	(1,141,097)	(1,029,368)	(2,613,614)
Recoveries on impaired loans	1,284,989	-	1,240,410	2,525,399
Repayments & other derecognitions,	-	-	-	-
excluding write-offs	-			
Changes in the loss allowance		-	-	-
- Transfer to stage 1			-	-
- Transfer to stage 2	1,014,271	(1,014,271)		-
- Transfer to stage 3	-	2,815,918	(2,815,918)	-
- Changes due to modification that did not	-	-	-	-
result in derecognition.	-	-	-	-
- Changes to model and risk parameters	-	-	-	
used for ECL calculations				
Write-offs				
Exchange difference	7,856	75,481	1,098,547	1,181,884
Adjustment for expected credit loss on	-	-	(12,732,969)	(12,732,969)
interest income on stage 3 loans	________	________	______	________
Loss allowance as at 31 December 2021	(1,564,325)	(4,144,712)	(125,946,044)	(131,655,081)
	========	=========	========	========

Financial Risk Management (Continued)
b). Credit Risk (Continued)

36

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
31 December 2022	US$	US$	US$	US$
Gross loans as at 1 January 2022 Restated	71,307,356	9,045,327	163,894,071	244,246,754
Disbursements	80,824,786	-	402,654	81,227,440
Interest income accrued	7,057,503	795,234	3,720,096	11,572,833
Repayments & other derecognitions,				
excluding write-offs	(29,978,015)	(1,455,977)	(3,005,011)	(34,439,003)
Changes in the loss allowance				
- Adjustments	-	-	-	-
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	(2,967,110)	2,967,110	-	-
- Transfer to stage 3		(3,893,340)	3,893,340	-
- Changes due to modification that did not	-	-	-	-
result in derecognition.	-	-		-
- Changes to model and risk parameters	-	-	-	
used for ECL calculations				
Write-offs			(25,427,821)	(25,427,821)
Exchange difference	(3,193,560)	(300,368)	(4,145,098)	(7,639,026)
Gross Loans as at 31 December 2022	123,050,960	7,157,986	139,332,231	269,541,177
	========	========	========	========
31 December 2021				
Gross loans as at 1 January 2021	66,479,260	13,595,034	147,571,827	227,646,121
Disbursements	32,908,149	-	938,111	33,846,260
Interest income accrued	5,516,102	1,414,160	16,668,155	23,598,417
Repayments & other derecognitions,				
excluding write-offs	(30,699,834)	(3,459,404)	(4,634,820)	(38,794,058)
Changes in the loss allowance			-	
Adjustments	-	-	-	-
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	(2,804,313)	2,804,313		-
- Transfer to stage 3		(5,236,331)	5,236,331	-
- Changes due to modification that did not	-	-	-	-
result in derecognition.				
- Changes to model and risk parameters	-	-	-	-
used for ECL calculations				
Write-offs	-	-	-	-
Exchange difference	(92,008)	(72,445)	(1,885,534)	(2,049,987)
At 31 December 2021	71,307,356	9,045,327	163,894,070	244,246,753
	========	========	========	========

The tables below analyses the movement of the gross balances for loans and advances:

Financial Risk Management (Continued)

b). Credit Risk (Continued)

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

36	External Credit Rating	Internal Credit Rating	12 Month or Lifetime ECL	Gross Carrying Amount US$	Loss Allowance US$	Net Carrying Amount US$
31 December 2022						
					-	
Bank balances	A, BBB, B+, B-	Performing	12-month ECL	3,400,643		3,400,643
Short term bank deposits	A, BBB, B+, B-	Performing	12-month ECL	74,647,312	(1,685,605)	72,961,707
Investment in bond				10,392,317	-	10,392,317
Other receivables				3,482,371	(1,210,469)	2,271,902
Currency Swap				153,274	-	153,274
				________	________	________
				92,075,817	(2,896,074)	89,179,456
				=========	========	========
31 December 2021					-	
Bank balances	A, BBB, B+, B-	Performing	12-month ECL	5,912,851		5,912,851
Short term bank deposits	A, BBB, B+, B-	Performing	12-month ECL	27,260,212	(1,582,230)	25,677,982
Other receivables				2,146,621	(1,148,130)	998,491
Currency Swap				281,910	-	281,910
				________	________	________
				35,601,594	(2,730,360)	32,871,234
				=========	========	========

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

	Short Term Bank Deposits US$	Other Receivables US$	Total US$
31 December 2022			
At 1 January 2022	(1,556,165)	(977,405)	(2,533,570)
Increase in loss allowance in the year	(129,440)	(233,064)	(362,504)
	________	______	________
At 31 December 2022	(1,685,605)	(1,210,469)	(2,896,074)
	=========	========	=======
31 December 2021			
At 1 January 2021	(1,556,165)	(977,405)	(2,533,570)
(Increase)/decrease in loss allowance in the year	(26,065)	(170,725)	(196,790)
	________	______	________
At 31 December 2021	(1,582,230)	(1,148,130)	(2,730,360)
	=========	======	========

Financial Risk Management (Continued)

b). Credit Risk (Continued)

Impact of Covid - 19

<table>
<tr><td>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition.</td><td colspan="3">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.</td></tr>
<tr><td>SICR assessment of COVID-19 relief exposures</td><td colspan="3">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.</td></tr>
<tr><td rowspan="4">Sensitivity staging</td><td colspan="3">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 2022.</td></tr>
<tr><td>US$ '000'</td><td>10% increase in gross carrying amount of exposure</td><td>Increase in ECL due to 10% increase in SICR</td></tr>
<tr><td>Portfolio</td><td>6,399</td><td>90</td></tr>
<tr><td>Total increase in stage 2 advances and ECL</td><td>6,399</td><td>90</td></tr>
<tr><td></td><td colspan="3">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.</td></tr>
</table>

Financial Risk Management (Continued)
b). Credit Risk (Continued)

Impact of Covid - 19

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 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 date of restructure 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.

Collateral and other credit enhancements

Shelter Afrique employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. Shelter Afrique has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. Shelter Afrique prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

Shelter Afrique holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Debt securities, treasury and other eligible bills are generally unsecured. Collateral is usually not held against investment securities, and no such collateral was held at 31 December 2022 (2021: Nil). Shelter Afrique's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by Shelter Afrique since the prior period. Shelter Afrique closely monitors collateral held for financial assets, as it becomes more likely that Shelter Afrique will take possession of collateral to mitigate potential credit losses.

Fair value of the collaterals held against loans and advances as of 31 December 2022 is as follows:

	2022	2021
	US$	US$
Lines of credit	113,642,495	49,337,550
Project finance	72,824,012	129,828,184
Staff loans	4,285,726	4,258,101
	190,752,233	183,423,835

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.

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. Restructured loans amounted to US$ 5,578,273 (2021: USD 5,865,990).

Financial Risk Management (Continued)
b). Credit Risk (Continued)

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:

Principal Loans To Customers	**2022 US$**	**%**	**2021 US$**	**%**
Real estate	72,824,012	38%	92,705,381	61%
Financial institutions	113,642,495	60%	54,284,270	36%
Others (staff loans)	4,285,726	2%	4,753,293	3%
	190,752,233	100%	151,742,944	100%
Geographical concentration analysis of loans and advances:				
Eastern Africa	20,951,939	14%	39,156,759	35%
Southern Africa	15,522,859	10%	24,547,558	22%
Francophone West/Central Africa	63,808,103	41%	31,204,750	28%
Anglophone West Africa	54,729,071	35%	17,682,605	16%
	155,011,972	100%	112,591,672	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.

(i). 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 2022.

Financial Risk Management (Continued)
c). Market Risk (Continued), Currency Risk (Continued)

36	Euro	CFA	KShs	ZAR	Naira	Total
31 December 2022						
Assets						
Bank and cash balances	465,739	46,603	447,825	18,029	110,488	1,088,684
Short term deposits	282,988	114,605	5,929,671	323,835	53,290,100	59,941,199
Investment in Bonds	-	-	-	-	10,392,317	10,392,317
Loans and advances to customers	2,530,906	5,862,894	5,797,587	-	35,302,687	49,494,074
Total financial assets	3,279,633	6,024,102	12,175,083	341,864	99,095,592	120,916,274
Liabilities						
Medium term notes	-	-	-	-	105,195,956	105,195,956
Lines of credit	-	-	-	-	-	-
Other payables	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	105,195,956	105,195,956
Net asset position	3,279,633	6,024,102	12,175,083	341,864	(6,100,364)	15,720,318
	=========	=========	=========	=========	=========	=========
31 December 2021						
Total financial assets	3,596,304	8,955,383	15,017,993	360,452	936	27,931,068
Total financial liabilities	-	-	-	-	-	-
Net asset position	3,596,304	8,955,383	15,017,993	360,452	936	27,931,068
	=========	========	========	========	=======	=========

(c) Market risk

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.

Impact on profit or loss	2022	2021
	US$	US$
Euro (5%)	163,982	179,815
CFA (4%)	240,964	358,215
KShs (4%)	487,003	600,720
ZAR (1%)	3,419	3,605
Naira (1%)	61,004	9
	======	======

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 2022 would have increased/decreased equity by US$ 544,500 (2021: US$ 567,134).

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.

Libor Transition

In 2021, the Directors approved the replacement reference rates for existing and new borrowers; (a) all New contracts shall apply Risk Free Rates (RFRs) for the applicable tenor terms. USD Libor would be replaced by Secured Overnight Financing Rate (SOFR); (b) existing USD Libor linked loans and advances contracts maturing after 30 June 2023 shall be replaced by SOFR. The financial instruments that Shelter Afrique holds at 31 December 2022 which reference the LIBOR expected to have matured by the Libor cessation rate include; disbursed loans and advances of USD 84,700,000 (2021: 4,378,212) and loans and advances approved and not disbursed amounting to USD 20,940,694 (2021: 4,378,212).

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

Financial Risk Management (Continued)
c). Market Risk (Continued), Interest Risk (Continued)

	Up to 12 Months US$	1-5 Years US$	Over 5 Years US$	Total sensitive balance US$	Non-interest bearing US$	Fixed Interest rate US$	Total US$
31 December 2022							
Assets							
Bank and cash balances	-	-	-	-	3,400,643	-	3,400,643
Short term deposits	-	-	-	-	-	72,961,707	72,961,707
Investment in Bonds	-	-	-	-	-	10,392,317	10,392,317
Loans and advances to customers	65,505,823	23,082,360	-	88,588,183	-	66,423,789	155,011,972
Total financial assets	65,505,823	23,082,360	-	88,588,183	3,400,643	149,777,813	241,766,639
Liabilities							
Lines of credit	-	-	-	-	-	-	-
Medium term notes	-	-	-	-	-	105,195,956	105,195,956
Total financial liabilities	-	-	-	-	-	105,195,956	105,195,956
Net interest rate sensitivity gap	65,505,823	23,082,360	-	88,588,183	3,400,643	44,581,857	136,570,683

Financial Risk Management (Continued)
c). Market Risk (Continued), Interest Risk (Continued)

	Up to 12 Months US$	1-5 Years US$	Over 5 Years US$	Total sensitive balance US$	Non-interest bearing US$	Fixed Interest rate US$	Total US$
31 December 2022							
Assets							
Bank and cash balances	-	-	-	-	5,912,851	-	5,912,851
Short term deposits	-	-	-	-	-	25,677,981	25,677,981
Loans and advances to customers	54,369,836	53,599,439	-	107,969,275	-	4,622,397	112,591,672
Total financial assets	54,369,836	53,599,439	-	107,969,275	5,912,851	30,300,378	144,182,504
Liabilities							
Lines of credit	-	-	-	-	-	-	-
Medium term notes	-	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-	-
Net interest rate sensitivity gap	54,369,836	53,599,439	-	107,969,275	5,912,851	30,300,378	144,182,504

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$ 452,761 (2021: US$ 734,948). A 50-basis point increase or decrease represents management's assessment of the reasonably possible change in variable interest rates.

(c). 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.

Financial Risk Management (Continued)
c). Liquidity Risk (Continued),

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 below 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:

36	Up to 1 Months US$	2-6 Months US$	6-12 Months US$	1-5 Years US$	Over 5 Years US$	Total US$
31 December 2022						
Financial assets						
Bank and cash balances	3,400,643	-	-	-	-	3,400,643
Short term deposits	-	74,756,156	-	-	-	74,756,156
Investment in Bonds			11,578,047			11,578,047
Loans and advances to customers	67,664,286	2,731,898	15,169,379	107,054,928	21,410,558	214,031,049
Derivative financial asset	-	-	153,274	-	-	153,274
	________	________	________	________	________	________
Total financial assets	71,064,929	77,488,054	26,900,700	107,054,928	21,410,558	303,919,169
	========	=========	=========	========	=========	=========
Financial liabilities						
Lines of credit	-	-	-	-	-	-
Medium term notes	-	-	-	135,234,170	27,698,978	162,933,148
Derivative financial liabilities	-	-	-	-	-	-
	________	________	________	________	________	________
Total financial liabilities	-	-	-	135,234,170	27,698,978	162,933,148
	________	________	________	________	________	________
Net liquidity gap	71,064,929	77,488,054	26,900,700	(28,179,242)	(6,228,420)	140,986,021
	========	=========	=========	========	=========	=========

Financial Risk Management (Continued)
d). Liquidity Risk Management (Continued)

36	Up to 1 Months US$	2-6 Months US$	6-12 Months US$	1-5 Years US$	Over 5 Years US$	Total US$
31 December 2022						
Financial assets						
Bank and cash balances	5,912,851	-	-	-	-	5,912,851
Short term deposits	-	25,905,462	-	-	-	25,905,462
Loans and advances to customers	77,684,067	6,265,584	12,735,490	63,044,249	3,119,190	162,848,580
Derivative financial asset	-	-	294,495	-	-	294,495
Total financial assets	83,596,918	32,171,046	13,029,985	63,044,249	3,119,190	194,961,388
Financial liabilities						
Lines of credit	-	-	-	-	-	-
Medium term notes	-	-	-	-	-	-
Derivative financial liabilities	-	-	12,586	-	-	12,586
Total financial liabilities	-	-	12,586	-	-	12,586
Net liquidity gap	83,596,918	32,171,046	13,017,399	63,044,249	3,119,190	194,948,802

Financial Risk Management (Continued)
e). Liquidity Risk Management (Continued)

36

31 December 2022	Amortized Cost US$	At fair Value Through Profit or loss US$	At fair value through other comprehensive income US$	Total Carrying Amount US$
Financial assets				
Cash and balances	3,400,643	-	-	3,400,643
Short term bank deposits	72,961,707	-	-	72,961,707
Investment in Bonds	10,392,317			10,392,317
Derivative financial assets	-	153,274	-	153,274
Loans and advances to customers	155,011,972	-	-	155,011,972
Equity investments	-	-	5,445,000	5,445,000
Other receivables	2,812,515	-	-	2,812,515
Total financial assets	244,579,154	153,274	5,445,000	250,177,428
	=========	========	========	=========
Financial liabilities				
Other payables	2,320,863	-	-	2,320,863
Medium term notes	105,195,956	-	-	105,195,956
Lines of credit	--	-	-	-
Total financial Liabilities	107,516,819	-	-	107,516,819
	==========	========	========	===========
As at 31 December 2021				
Financial assets				
Cash and balances	5,912,851	-	-	5,912,851
Short term deposits	25,677,981	-	-	25,677,981
Derivative financial assets	-	281,910	-	281,910
Loans and advances to customers	112,591,672	-	-	112,591,672
Equity investments	-	-	5,671,340	5,671,340
Other receivables	1,486,726	-	-	1,486,726
Total financial assets	145,669,230	281,910	5,671,340	151,622,480
	=========	========	========	=========
Financial liabilities				
Other payables	1,008,944	-	-	1,008,944
Medium term notes	-	-	-	-
Lines of credit	-	-	-	-
Total financial Liabilities	1,008,944	-	-	1,008,944
	==========	========	========	===========

38. Events After Reporting Period

There were no significant adjusting events subsequent to the period end that required adjustment or disclosure in these financial statements.

Shareholding information schedule (Appendix 1)

	Class A: Countries	No of shares 31 December 2021	No of shares 31 December 2022	% of shareholding
01	Algeria	4,220	4,220	3.36%
02	Benin	306	306	0.24%
03	Botswana	839	839	0.67%
04	Burkina Faso	951	1,256	1.00%
05	Burundi	300	300	0.24%
06	Cameroon	6,126	6,126	4.88%
07	Cape Verde	16	16	0.01%
08	Central Afr. Rep	271	271	0.22%
09	Chad	1,090	1,090	0.87%
10	Congo	516	516	0.41%
11	Democratic Republic of Congo	2,970	2,970	2.37%
12	Djibouti	300	300	0.24%
13	Gabon	1,283	1,283	1.02%
14	Gambia	331	331	0.26%
15	Ghana	6,315	6,315	5.03%
16	Guinea	419	419	0.33%
17	Guinea Bissau	25	25	0.02%
18	Guinea Equatorial	301	301	0.24%
19	Ivory Coast	5,017	5,241	4.17%
20	Kenya	21,061	21,061	16.78%
21	Lesotho	2,142	2,142	1.71%
22	Liberia	591	591	0.47%
23	Madagascar	327	327	0.26%
24	Malawi	522	522	0.42%
25	Mali	6,623	6,623	5.28%
26	Mauritania	639	639	0.51%
27	Mauritius	115	115	0.09%
28	Morocco	3,734	3,734	2.97%
29	Namibia	2,074	2,074	1.65%
30	Niger	318	318	0.25%
31	Nigeria	15,722	19,755	15.74%
32	Rwanda	3,288	3,288	2.62%
33	Sao Tome & Principe	16	16	0.01%
34	Senegal	1,407	1,407	1.12%
35	Seychelles	300	300	0.24%
36	Sierra Leone	74	74	0.06%
37	Somalia	10	10	0.01%
38	Swaziland	425	604	0.48%
39	Tanzania	2,059	2,059	1.64%
40	Togo	1,533	1,533	1.22%
41	Tunisia	300	300	0.24%
42	Uganda	1,941	1,941	1.55%
43	Zambia	2,599	2,599	2.07%
44	Zimbabwe	1,659	1,659	1.32%
		101,075	**105,816**	**84.29%**
	Class B: Institutions			
01	African Development Bank	15,200	15,200	12.11%
02	African Reinsurance Corporation	4,520	4,520	3.60%
		120,795	125,536	100.00%